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TO: President Johnsen
FROM: Myron Dosch, Chief Finance Officer
RE: UA System Office

Please find information regarding the role of the UA System Office, its budget and comparisons with the Oregon

level since inconsistencies would have serious consequences, including legal liability.

The System's budget also pays for costs that benefit the entire UA System. For example, insurance premiums, network and internet connections for all 17 campuses, and the Banner Enterprise System. These examples are not exhaustive by any means and tally about \$8 million. These costs need to be paid, and if they were not paid through the System budget, they would have to be paid at the university level.

Centralization of business functions/services at the System Office saves the state money, because these services cannot be performed effectively and are not duplicated at the universities, and because centralization leverages economies of scale.

Simply reducing the System Office for the

System Office Budget

Some functions at the System Office are not supported by state appropriation funding, such as the 529 College Savings Plan, the UA Foundation, and Land Management. It is critical to recognize that these are important and necessary functions. Simply eliminating them would not save the State money, but would have an adverse effect on the UA System's ability to secure other non State revenue.

The System Office's state appropriation funding has been reduced by \$11 million, or 37% (from \$29.4 million in FY14 to \$18.4 million in FY17), while the UA total state appropriation funding has decreased 14%. System Office reductions have been 2.5 times greater than the universities.

System Office positions have been reduced from 280 in FY13 to 194 in FY17, or 31%. The reduction includes 33 positions transferred to UAF covering functions previously performed at the System Office, such as the Mining and Petroleum Training Services and K-12 Outreach.

Information Technology positions have decreased 28% from FY13 to FY17.

Contracts and travel expenditures have decreased approximately \$2 million, and we continue to find opportunities for savings and reductions.

The System Office leads reviews such as the Statewide Transformation Team and Strategic Pathways, which would not happen without System Office leadership. This has resulted in savings and streamlining. Areas where UA has gone from three functions to one include: procurement, research administration, teacher education, learning management systems, and email and calendar systems.

The "Statewide Transformation Team" process and Strategic Pathways seek to optimize resources and organization structure not only for the System Office, but the whole UA System.

Cost reductions employ "lean" concepts and focus on standardization unless there are specific student or faculty needs.

The System Office continues to look for additional position reductions via automation, reorganization, process improvement, and streamlining.

Oregon University System

The Oregon University System (OUS) was largely dissolved in June 2015. Pursuant to Senate Bill (SB) 270, passed by the Oregon Legislature during fiscal year 2013, Western Oregon University (WOU), Southern Oregon University (SOU), Eastern Oregon University (EOU), and Oregon Institute of Technology (OIT) are each independent public bodies legally separate from the State as of July 1, 2015. These four universities join University of Oregon (UO), Oregon State University (OSU), and Portland State University (PSU) which became independent public bodies the year before. Each university is governed by a citizen board appointed by the Governor. The universities are primarily financed through student tuition and fees, sales and services of auxiliary enterprises, and federal, state, and local grants and contracts. These universities also receive General Fund monies from the State and use proprietary fund accounting principles.

Each of these universities has one or more legally separate foundations, which are not for profit corporations that provide assistance in fundraising, public outreach, and other support. These

3. Average Resident Undergraduate Tuition and Fees at Public Four Year Institutions 2016-2017 per Western Interstate Commission for Higher Education (WICHE):

Oregon: \$9,114

Alaska: \$7,223

4. "New Economy" rank for 2016:

Oregon rank: 13th

Alaska rank: 40th

5. Oregon's Individual Income Tax Rates:

Range from 5% to 9.9%; the top rate applies for income over \$125,000 single, \$250,000 couple.

6. Number of Governing Boards:

Oregon: 7

Alaska: 1

7. Number of Students

University of Oregon 23,600

Oregon State University 30,600

Conclusions

The UA System Office plays a critical leadership and administrative services role. Direct comparisons of UA's System Office size to other states is misleading because other university systems are organized differently. Other states that do not have system offices will necessarily have duplication of costs and reduced coordination. That may not be critical in those states where significant numbers of individual universities are legally separate entities with large and generous alumni groups, and where economies of scale, taxes, and ease of transportation allow individual universities to broaden or narrow services.