University System of New Hampshire

Review of Organizational Structure, Roles, and Responsibilities

Report to the Change Management Task Force

July 2012

HuronEducation

YOUR MISSION | OUR SOLUTIONS

Table of Contents

Part I. Background and Overview

A. Establishment of the Task Force

The Change Management Task Force was established pursuant to Commission of the Chair dated March 1, 2012. The Task Force was charged with:

- Overseeing the implementation of the restructuring of the governance system as approved by the Board.

- Engaging a management consultant to assist them, the Chancellor, and Presidents to accomplish that restructuring in a timely, efficient, and effective manner.

- Reporting to the Executive Committee on the status of the restructuring and other matters as appropriate.

The Board Chair appointed Jude Blake (Chair), Pam Diamantis, John Small, and Wally Stevens to serve as Task Force members. Chair Blake requested that the System and Institution CFOs participate in the Change Management Task Force meetings. The Task Force developed and issued an RFP for consulting support, conducted a formal selection process, and engaged Huron Consulting Group to assist and advise the Task Force in the development and implementation of changes to USNH's organizational structure, including the respective roles and responsibilities of the Board of Trustees, Chancellor, System Office, and Presidents of component institutions.

The Task Force presents its final report to the Executive Committee.

B. Meetings and Process of the Task Force and of its Consultant

The Task Force met initially in March and twice in April to develop the RFP and select a consulting firm. After Huron began work, the Task Force met with them once in May and twice in June. The Task Force received input and support from Chancellor MacKay, Ron Rodgers, Ken Cody, and Tia Miller. Diane Cotter acted as staff liaison with Huron, managing their scheduling and data requests. Huron interviewed 13 trustees and 64 representatives of USNH, including the Chancellor, Vice-Chancellors and General Counsel, and the Presidents, Provosts, VPs of Finance and CIOs of all four institutions. These meetings included visits to each of the four campuses to meet with the senior administrative team. Huron reviewed a wide range of System reports and working documents and also performed selective system benchmark research to provide insight into administrative and governance practices at other educational institutions. Huron also held follow-up meetings and communication with USNH representatives to explore in greater depth shared service issues and the cost savings from sharing services.

C. Overview of Key Findings

Based on our understanding of the issues and challenges facing USNH, and our experience with public higher education systems across the country, we recommend a series of changes in order for the System and its constituent institutions to more efficiently and effectively achieve their collective missions. The recommendations contained in this report are applicable to the Board of Trustees, the individual campuses and their senior management, and the Chancellor's Office (or "System Office") of the University System. While some of our recommendations are fairly detailed in response to a particular aspect of the scope of work contained in the RFP, the

primary recommendations are broader in nature. A summary of the overarching recommendations is as follows:

The Board of Trustees should elevate its focus and activity to become more strategic and less managerial in its dealings with the campuses and System Office. The Board should also be more structured and consistent in holding the campus and System leaders accountable for cost-effective, high-quality programs that meet the needs of the citizens of New Hampshire.

The System Office, while continuing its role as the critical provider of certain shared services, should become less involved in the oversight of the campuses and more integral to helping the campuses coordinate their respective administrative functions. Based on our recommended revisions to the organization and governance for USNH, the System Office should have its mission clarified so that it can also better facilitate the Board's needs as the Board evolves into a more strategic and less operational role. The Chancellor should remain responsible for ensuring regulatory and fiscal compliance for the System while collaborating with the Presidents to ensure institutional missions are being achieved.

Based on the increased autonomy awarded to the campus Presidents in the recent April Board Resolution, each campus President should annually present the Board with an integrated strategic and financial plan that sets out the academic and financial priorities for the coming fiscal year. The Presidents should also recognize their dual (and occasionally conflicting) role of executing their own campus strategic plans while also collaborating with the other campuses to best achieve the System's overall mission.

The recommendations contained in this report are often interconnected – actions or changes for one constitutent are heavily influenced by actions of the other. While this is not unusual – many public university systems have similar attributes – the interconnectedness often results in some less than optimally clear roles and responsibilities. University systems are, by design, complex organizations. A well-established governance structure set forth by the Board of Trustees is the first important step in creating an environment where individual campuses can thrive and the collective set of campuses can operate collaboratively and in a cost-efficient manner to best serve the State's citizens.

Overview of Recommended Model

Our proposed organizational model confers more autonomy on the Presidents in areas involving campus strategies, while clarifying the assignment of responsibility for coordination, improved efficiency, and cost savings for shared administrative services. The model maintains the current centralized System Office responsibility for financial control, audit, treasury, bonded debt, and legal and regulatory compliance.

Building on the Board of Trustees' April 19th resolution delegating more autonomy to the institutions, each President would have enhanced authority (and accountability) to execute his or her board-approved campus strategic plan.

With respect to shared services, our recommendations focus on increasing the level of responsibility and accountability for developing and delivering shared services that maximize efficiency across the System. Presidents and campus management would be expected to collaborate and be accountable for enhancing the efficiency of shared services within the System Office.

Our recommendations address most of the key issues that have been raised during the course of our analysis and allow for:

1. No statutory change, as all recommendations are consistent with the scope and authority of the Board as created by the statute

2. Expanded campus autonomy, particularly in the area of academic and strategic planning

3. Improved flexibility in decision making for policy and operational matters

4. A reporting and governance structure that enables the Board to focus on institutional strategies, capital allocation, and IT investments, and less on operational matters

5. Enhanced and more structured accountability mechanisms for evaluating the performance of campus Presidents

6. Continuous improvement in the provision of shared service throughout the System

7. Establishment of a robust system of USNH Board self-assessment.

D. Summary of Huron's Observations and Proposed Role Changes

(a) Background and Observations

We spent the several weeks working with the campuses, System management, and many Trustees to gain an understanding of the primary issues facing USNH and its constituent campuses. As expected, some of the issues are unique to the State of New Hampshire, while others are found within many public university systems. Among the primary stresses facing USNH that are relevant to the scope of this project are:

1. **Asymmetry with respect to institutional size and disparity of mission**—The New Hampshire System is asymmetrical with respect to the component institutions' size and disparate missions, which contributes to conflicts over capital budget allocations and the provision of shared services (especially Information Technology).

2. **Campus desire for increased autonomy in academic affairs, human relations and the establishment of public-private partnerships**—The campuses have been yearning for greater autonomy from the Board and System in such areas as academic affairs, HR, and public-private partnerships in order to become more nimble and respond to dramatically increasing competitive forces.

3. **Board of Trustees has been philosophically divided over key governance matters, and seeks to enhance its strategic focus**—The Board of Trustees has been heavily involved in campus-level operations and policy setting. The Board recognizes a need to elevate its interaction with the campuses to a more strategic level, yet remains divided on the ideal operating and governance model for the System Office and USNH campuses.

4. **Lack of trust and differences in management style among key leaders**—A lack of trust has built up among and between the Board, campuses, and System Office as the economic challenges for USNH have increased. Differences in management style and approach among key personnel have created a difficult environment for successful management.

5. **Increased competition**—An increasing level of competition within higher education on a national level has also increased competition within New Hampshire – among the USNH institutions and from external educational providers. The potential for programmatic overlap and duplication within USNH is likely to increase in the future. Such competitive pressures are common nationally, but they require improved coordination within the State in order to effectively and strategically allocate scarce resources.

6. **Legislative activism**—The current legislature appears less supportive of public higher education than prior legislatures. Sharply reduced State support and targeted downsizing of the System Office are at the heart of some of the current issues facing USNH.

In a series of decisions over the past several months, culminating in its April 19th resolution, the Board of Trustees has moved towards a new model of governance for USNH. In this model, institution Presidents would be accountable directly to the Board in areas such as academic affairs, while the System Office would remain responsible for a specified set of financial and administrative functions. Under the April 19th resolution, current arrangements for shared services would continue.

Historically, RSA 187 has held the Board responsible for reviewing the job performance of campus Presidents and approving each President's compensation. The April 19th resolution is essentially a modification of the existing governance model rather than a creation of a new governance model. Given some of the uncertainties around the recent changes, Huron's efforts focused on identifying opportunities to enhance governance and operations in a manner that could be implemented within the context of the recent resolution.

There are many possible organizational models that would allow for a System of four asymmetric campuses to be organized into a "well-coordinated" System. Every model has advantages and disadvantages, and Huron's national benchmarking revealed that many models across the country are currently in flux due to some of the same dynamics present in New Hampshire. Many university systems are headed by a Chancellor (or, in rarer cases by the President of the flagship campus who is simultaneously the system Chancellor).

Huron's recommendations in this report propose to establish the workings of a revised model to increase the strategic and academic autonomy for campus Presidents, consistent with the recent resolution and the Board of Trustees' charter for a well-coordinated System, while maintaining the cost-effectiveness and operating efficiency of shared services for administrative functions throughout the System.

Given the recent sensitivities within the Board, we stress that the Board of Trustees must play a critical role in implementing these changes. In particular, the Board should set expectations that, in the future, the Administrative Board will ensure the timely and effective treatment of major operational issues and only on exception escalate issues to the Board. The Board should not be viewed as the primary arbiter for operational matters or inter-campus conflict. The Board should clarify expectations among campus management in recognition of the often dual-nature of managing their own campus while acting on behalf of the broader System.

(b) Proposed Role Modifications

Huron recommends that USNH modify or clarify the roles of the Board of Trustees, Chancellor and Presidents as follows:

Board of Trustees

The Board of Trustees, to whom the Presidents and Chancellor now report, will focus on ensuring that the System and its institutions are pursuing viable strategies for the increasingly competitive higher education environment in the State of New Hampshire. Where necessary, the Board of Trustees will be arbiter of issues that the Administrative Board cannot resolve, but the Board of Trustees will strive to avoid operational involvement except where reasonably unavoidable.

The primary reasons for the Board to avoid operational involvement are (i) the inevitability of perceptions of conflict of interest; (ii) once the Board has intervened into the responsibilities of Presidents or of the Chancellor, it becomes more difficult to hold management accountable for results and (iii) the Board's strategic and fiduciary roles are too important to risk blurring as occurs when trustees act managerially.

The Board of Trustees will continue to set the expectation that USNH will operate as cost-effectively as possible by sharing back-office services. In granting greater autonomy to the Presidents, the Board of Trustees should also demand increased accountability for institutional performance. The Board of Trustees should conduct rigorous annual performance appraisals that hold the Presidents accountable for their dual roles as leaders of their institutions and partners in leading the System.

We heard some interest in creating additional Board committees, each of which would be aligned with an individual System Office shared service. Huron does not recommend the creation of additional Board-level committees (HR, IT, etc.) at this time, primarily because such additions would increase the likelihood that issues among campuses will escalate to the relevant Board committee as "tie breaker," thus drawing the Board into more operational involvement.

Finally, the Board of Trustees should migrate to a more strategic position within the System. To encourage this more strategic posture, the Board should revise existing policies to be consistent with the April 19th resolution, so that the number of instances where approval for specific actions is sought directly from the Board Chair are minimized or eliminated. The Board may want to delegate this task to the Administrative Board to completed as soon as practicable. It will be critical to enact a healthy system of internal governance that balances the roles and power of the various Trustees in their leadership and committee roles with the newly revised campus autonomy and the need to operate an efficient System comprised of asymmetrical campuses.

Key to proper governance will be a much more structured approach to Board self-evaluation, with Trustees annually evaluating their own performance and the effectiveness of the Board's structures and leaders.

Chancellor

Our recommendations for the role of the Chancellor are primarily threefold:

1. The Chancellor works on behalf of the Board to produce information related to the four campuses and to the System which can be used by the Board for meaningful, strategic discussion and for exercise of its fiduciary oversight role. In this role, the Chancellor will be supported by the Vice Chancellor of Finance, who is responsible for a centralized and integrated financial function, and by the General Counsel, who is responsible for ensuring appropriate legal, regulatory, and fiduciary compliance.
2. The Chancellor serves as the leader of a cost-effective and highly accountable shared services organization. The Chancellor will be responsible for System Office staff working with institutional counterparts to improve the provision of shared administrative services that meet the needs of the member institutions.
3. The Chancellor serves as a trusted advisor to the Board of Trustees and the campus leaders to support institutional strategies and academic program quality consistent with the needs and expectations of the State of New Hampshire.

In the transition to this new organizational model, the Chancellor should focus on building trust among the Board of Trustees and the Presidents, on ensuring that the new institutional autonomies are implemented effectively, and on supporting the campuses in the development and implementation of their strategic plans.

Institutional Presidents

The Presidents, reporting directly to the Board of Trustees, will have the dual role of leaders of their own institutions and partners with the Chancellor and fellow Presidents in leading the System. In leading their own institutions, Presidents will have autonomy to develop and implement strategic plans, subject to Board of Trustees approval. Areas of increased autonomy will include recruiting and collective bargaining, increased signatory authority thresholds for contracts, and reduced need to coordinate on academic affairs. Presidents will be expected to provide periodic reports of progress against their strategic plans and to communicate metrics of academic program quality. The Administrative Board and Board of Trustees, advised by the Chancellor, will decide on appropriate content for these reports.

As partners in the leadership of USNH, Presidents will ensure that their institutions continue to work within the existing framework of financial controls administered by the System Office and take advantage of the economies represented by shared services. Presidents will be responsible for ensuring that their staff work together on improving shared service governance and efficiency, while minimizing administrative expense. Presidents can expect to be held more formally accountable than previously via more structured and consistent Board performance appraisals.

Administrative Board

The Statute establishes that the Administrative Board, comprised of the Presidents and Chancellor, is the "coordinating body for the university system" and is "responsible for recommending and implementing policies and procedures which assist the campus presidents

in discharging their responsibilities." The Statute specifies that "The Chancellor shall serve as the chairperson of the administrative board…, leading and coordinating the efforts of the chief officers of the component institutions…"

Given the asymmetry of the four campuses, challenges exist with the Administrative Board's "one person, one vote" approach to decision making. We recommend that the Chancellor continue to convene the Administrative Board and lead and coordinate activities related to compliance and regulatory matters and all shared services. However, we stress that the perceived role of the Administrative Board should change. While historically the Administrative Board was frequently the decision-making body for many operational issues (thereby highlighting the size/vote disparity), we recommend that much greater emphasis be placed on campus senior management expectations for collaborating more effectively in order to limit the matters brought to the Administrative Board. Ultimately, the Administrative Board should spend less time on operational matters and more time on coordinating system-wide matters – similar to the more strategic view that we recommend for the Board of Trustees. On matters of cross-institutional operational policy or the development or evaluation of shared services, the Adminstrative Board may include other senior campus staff members as appropriate to enrich discussion, improve the quality of decision making, and further reduce the need to refer matters to the Board.

In cases where functional heads who report to the Presidents and Chancellor are unable to resolve a matter, the main task of the Administrative Board will be to ascertain whether those administrators need to make further efforts at resolution or whether the issue might need to be brought to the Board of Trustees. Escalating to the Board of Trustees should be considered a relatively rare occurrence. In instances where resolution is sought from the Board of Trustees, the Chancellor shall frame the issue in a consistent manner incorporating varying campus perspectives. In this way, the Administrative Board's work should move from "decision making" (with votes being taken) to oversight of the functional managers or academic leaders who are closest to the issue.

As stressed above, all three levels – Board of Trustees, System Office/Chancellor, and campus Presidents – are inter-related. This new approach to the work of the Administrative Board can only be successful if the Board of Trustees formalizes its expectations and holds the Presidents and Chancellor accountable. The Administrative Board will only come to act as an oversight body (where the question of who has how many "votes" is no longer a core issue) if the Trustees formalize and communicate their expectations.

Part II. Detailed Recommendations

In the remainder of this report, Huron outlines its recommendations for each required deliverable in the USNH RFP, with an additional section on issues - beyond the scope of this engagement - for USNH leadership to consider.[1]

NOTE: The scope of USNH's organizational questions was very broad for a brief engagement. In formulating the detailed recommendations in the remainder of the report, Huron has not had an opportunity to extensively vet our recommendations with USNH staff at the System Office and campuses. These recommendations are, therefore, based on USNH information provided in the extensive first round of interviews and shared documents described in the introduction to this report, and on Huron's benchmark analysis, experience, and judgment.

---

[1] This report re-orders the RFP's 12 items and combines the response on policies and delegations.

A. Organizational Structure Review and Recommendations

The objective of our recommendations is to achieve the proper balance between:

- Autonomy of institutions for competing effectively
- Low-cost operation of back-office services
- Fulfillment of the Board's fiduciary and mission responsibilities to the state of New Hampshire.

Parallel Structures

Our proposed new organization model has two parallel structures – one for campus strategy and academic affairs and another for managing shared services and financial compliance.

(i) Institutional Strategy and Academic Affairs
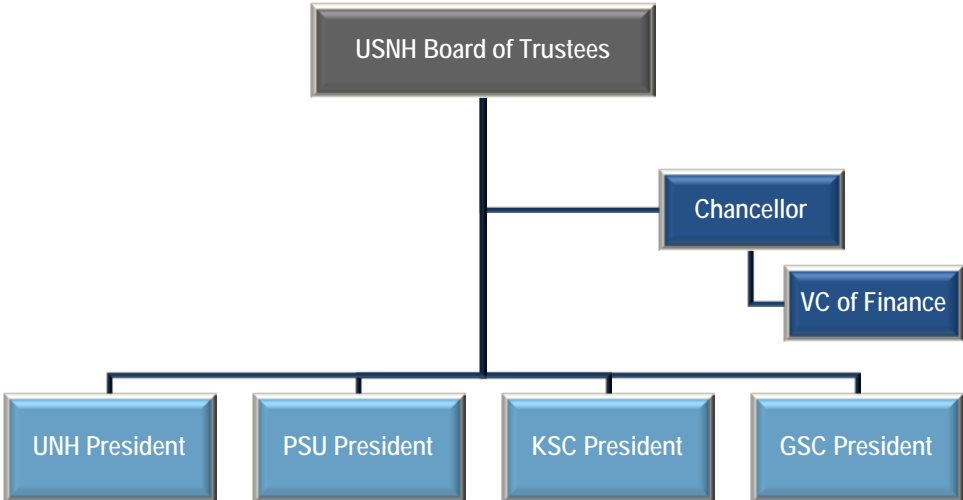
(ii) Administrative Shared Service and Fiduciary Responsibility
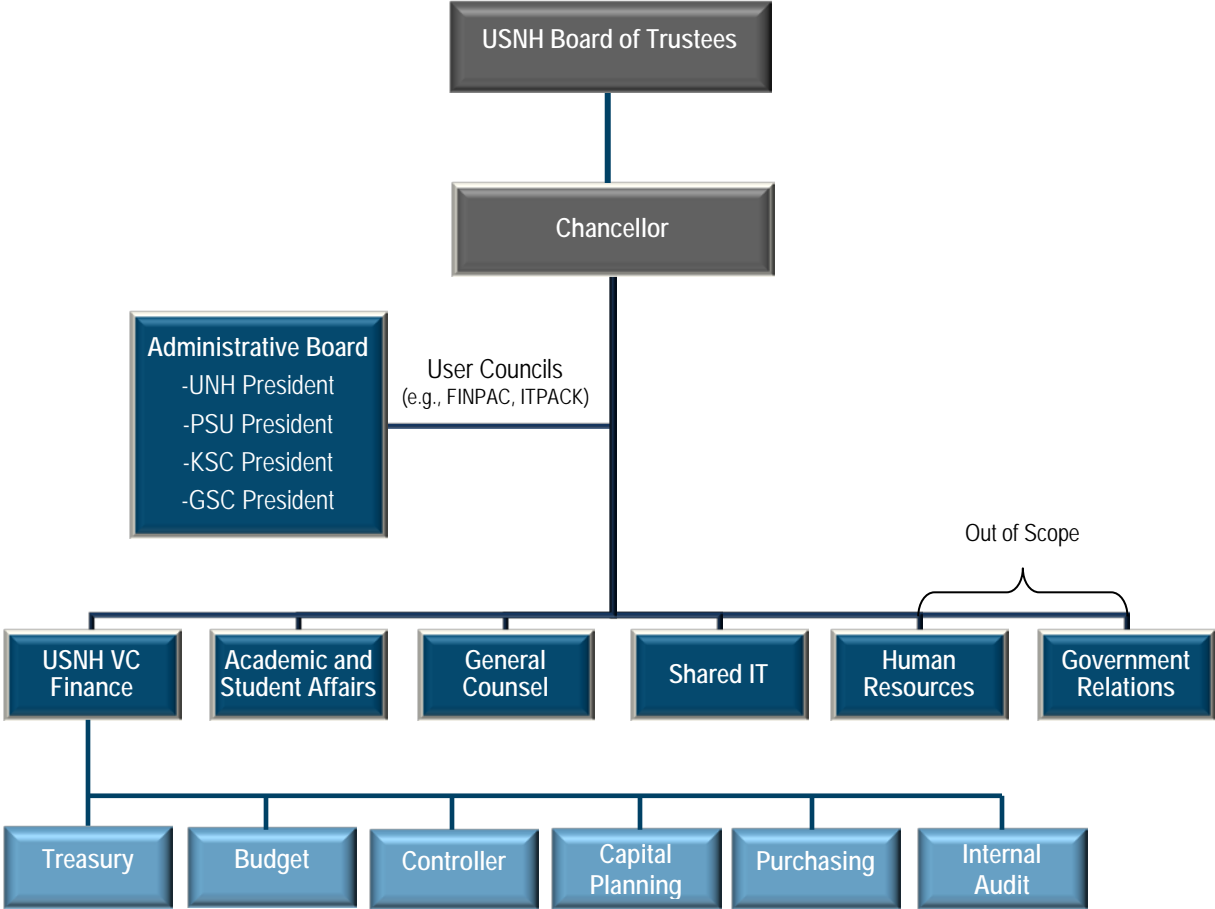
Shared Values

There should be clear expectations that all USNH staff will act in support of the following values:

- Efficiency of decision-making by campuses and the System Office
- Proper balance of the cost of operations in administrative and non-critical market-facing areas with the demand for reasonable service expectations
- Providing the Board of Trustees with assurance that USNH is managed in a fiscally responsible fashion and is effective in meeting New Hampshire's higher education needs

Strategic Planning

Rigorous strategic plans should be developed to provide the basis for meaningful oversight by the Board of Trustees for major investments and strategic direction. Strategic plans should include operating and capital budgets, significant changes or directions in academic programs, IT investments, legislative relations messages, and financial models that provide ample insight into the cost of achieving strategic plans.

Management Culture

Senior staff should strive to resolve issues and disputes within the impacted organizations without reliance on frequent elevation to the Administrative Board or Board of Trustees.

Management Systems

USNH should provide a structure for ensuring shared services are responsive to campus competitive needs while remaining highly cost-effective. In areas that have been controversial among campuses, such as IT service delivery and long-range technology planning, USNH should institute transparent processes of service governance, including service level agreements (SLAs) and a formalized user feedback method. Recognizing that such formal mechanisms impose costs, USNH should be economical in their application (i.e., introduce only where the Administrative Board agrees that service dissatisfaction reflects more than differences in approach among campus staff).

Huron recommends that the Board assess the option of including shared IT in the System Office, under the leadership of the Chancellor and VC Finance.

Specific Recommendations

The RFP requested advice on how the Board of Trustees and USNH leadership should do things differently to achieve greater effectiveness. Recommendations for improved functioning in specific areas are based on the following:

(a) Base major strategic and operational decisions on a well-supported strategic plan

(b) Simplify USNH review and decision processes, where possible

(c) Maintain current financial controls and processes

(d) Improve Board self-governance

(a) Base Decisions on Strategic Plans and Business Cases

Huron recommends that each of the four campuses prepare robust strategic plans, which should address the expectation of a well-coordinated USNH, for presentation to and approval by the Board of Trustees. The Chancellor, working with the Presidents, would then be responsible for preparing a distillation of the campus strategic plans in order to develop, and eventually communicate, the overall strategy and vision of how the constituent institutions are functioning as a coordinated system of higher education to meet the needs of New Hampshire.

The Board of Trustees will establish priorities with the campuses based on these strategic plans. Each academic year, the Board may consider beginning with a retreat to review the strategic initiatives anticipated for the coming year as part of each campus' strategic plan. Each new initiative should be presented to the Board through a business case that outlines the strategic, operational, financial, and technical aspects of the proposal and provides the Board with enough information to make a fully informed decision. It is recommended that all four campuses and the System Office be represented when the strategic plans are reviewed.

Campus leaders have expressed frustration that the Board of Trustees does not sufficiently understand their unique value propositions and competitive positions. A constructive engagement around individual campus strategies would remedy that gap and provide a broader understanding of each campus enterprise. Budget and academic program decisions, online

offerings, and IT investments, as examples, would be based on input from the collective institutional strategies.

Strategic planning and business case development entails considerable analytical work and requires both effort and open-mindedness from leadership, faculty, and administrators. Once the Board of Trustees has accepted a President's strategic plan, the Board should use that plan as the basis for reviewing progress and establishing accountability.

(b) Simplify USNH Review and Decision Processes

Recommended revisions to policy and operational processes that have been the subject of complaint and controversy in the past include:

- Academic Affairs
- Capital Budgeting
- Shared Service Governance
- Human Resources (out of Huron's scope)
- Purchasing authority thresholds

Academic Affairs

Promotion & Tenure

For Promotion and Tenure (P&T) review, the Provosts will place P&T recommendations on the Program and Services Committee consent agenda, which will not require review by SAPC or by the Chancellor in the normal course. By exception, Provosts will consult the Chancellor about any controversial recommendation that may need to be brought to the Board's attention. Provosts can showcase "Rising Stars" to the Program and Services Committee. Provosts should also demonstrate the strategic fit of the overall P&T recommendations along with the requirements set forth in BOT Policy II F, including "the ways in which [they] affect (a) the percentage of tenured faculty, (b) affirmative action, (c) the appropriateness to the mission of the institution, (d) institutional planning, and (e) retention of good faculty."

In effect, decisions on Promotion and Tenure are delegated to the institutions, but the Program and Services Committee will continue to discharge its duties with regard to P&T by approving the institutions' decisions through a procedure that places these actions on the Committee's consent agenda. The Board is then free to ask for clarification on any P&T action but is typically authorizing the institutions' decisions without further discussion.

Academic Program Additions and Deletions

Huron recommends that SAPC and the Administrative Board no longer be required to review or approve institutions' program changes. We understand that Provosts may find it useful to air program plans with each other but, as a governance matter, this would not be a requirement. Instead, institutions will inform the Chancellor of proposed program changes before they are placed on the Program and Services Committee's agenda for informational purposes and will provide a summary and rationale for changes. It will be the Chancellor's responsibility to advise the Program and Services Committee of any changes that seem inconsistent with institutional / USNH strategy. As under current policy, Program and Services Committee members or other Board members who object to a program change may trigger a second look. Ultimately, a vote of support from the majority of the Board may block the change.

Academic Program-Quality Review

Huron understands that program-quality peer review by SAPC and the Administrative Board may not have been effective in recent years. System peer review puts competing USNH institutions in potential conflict with one another. Huron recommends that USNH adopt a new approach in which the Chancellor coordinates a process wherby the campus Presidents and Provosts, propose a set of metrics and targets to the Program and Services Committee aimed at ensuring that the education provided by each institution, and USNH as a whole, meets reasonable quality expectations.

Capital Budgeting

Once each institution has developed its own strategic plan to the satisfaction of the Board of Trustees, individual and System-wide priorities for capital investment should be apparent, and each President can then provide a prioritized list of her or his campus' projects. Huron recommends that the Board of Trustees direct the Administrative Board to prioritize each President's funding requests for specific projects.The Administrative Board should develop specific criteria for evaluating capital requests. The Chancellor will then work with the Vice Chancellor for Finance to provide the Board a summary, which would include the Chancellor's assessment of the pro's and con's of competing priorities for the Board to consider, so that the ultimate, informed decicison for resource allocation will belong with the Board.

Shared Service Governance

Huron recommends that USNH's user councils (e.g., FINPAC, ITPAC, HRPAC) with a role in coordinating shared services formalize the governance process to ensure - subject to cost constraints - service-responsiveness to all institutions. Service issues should be addressed on a specified schedule. More urgent service problems should be addressed on an interim basis, as necessary. Irrespective of timing, it is important to consistently evaluate, within appropriate cost constraints, that user needs are being met. The councils may decide to monitor user satisfaction and specific performance by regularly administering web-based, user questionnaires. Where the normal functional channel fails to resolve a significant service issue, the institution President(s) may escalate to the Administrative Board and request negotiation of a formal service level agreement or, in the extreme, permission to opt out of the shared service. Such request must be accompanied by detailed analysis of the economic impact of the proposed SLA or opt-out. If the Administrative Board or Chancellor do not approve of the proposal, the issue will be escalated to the Board of Trustees' Financial Affairs Committee for decision.

Human Resources

While HR was out of project scope, we are aware that the job classification review process has been a major irritant between the institutions and the System Office. We understand that most recruiting and similar decisions will now be in the realm of the individual campus and will no longer be reviewed by System Office HR or by a coordinating group of all four institutions.

Purchasing Authority Thresholds

Huron recommends significantly increasing the purchasing and contracting authority thresholds of three of the four institutions. The current purchasing and contracting authority threshold of $75,000 is low relative to that granted by other systems.

Because USNH institutions are disparate in size, Huron recommends delegating purchasing and contracting authority, broadly commensurate with operating budgets, to the campus CFOs as follows:

UNH - $500,000

PSU and KSC - $250,000

GSC - No change

All contracts and purchases having a total cost exceeding the campus' CFOs delegated threshold will continue to require final approval by the Treasurer.

(c) Maintain Current Financial Controls and Processes

The Board of Trustees resolved on April 19th that USNH's current budget process should remain unchanged and that the System Office would continue to provide all current financial functions. Huron concurs with this approach, since fiduciary responsibility requires strong controls, and there is no clear advantage if services were to be decentralized (see section D below).

However, recent iterative changes in the budgeting process, while well-intentioned, caused significant amounts of work and re-work at the campuses that reportedly burdened staffs considerably. FINPAC and the Financial Affairs Committee should consider how best to implement future budgeting and planning process changes with greater internal collaboration on how the most effective and efficient manner to accomplish the objectives.

Finally, if USNH adopts the recommended strategic planning process, financial planning, and budgeting will need to be fundamentally integrated into the process.

(d) Improve Board Self-Governance

Huron recommends that the Board of Trustees consider re-balancing the power of the Board Chair relative to the remaining Trustees. The goal would be to rely more heavily on established Board committees and make the decision-making process less reliant on specific individuals.

Huron recommends that the Governance Committee consider changing the by-laws to require:

   i.   A full Board vote on proposed committee chairpersons and memberships
   ii. The executive committee to vote on creating task forces
   iii. A full Board vote on major strategic decisions

B. Board of Trustees Committee Structure Review and Recommendations

Comparison of Board Committee Structures of 10 Benchmark Systems[2]

Committees at USNH	Number of Benchmark Systems with this Committee
Executive Committee	6

---

[2] Based on data from 10 benchmark systems including: Arizona, Connecticut, Georgia, Maine, Maryland, Massachusetts, Minnesota, North Carolina, Oregon, and Wisconsin

Financial Affairs Committee	All
Programs and Services Committee	All
Student Affairs	5
Governance Committee	5
Audit Committee	8
Finance Committee on Investments	1
Capital Projects Committee	3
Committees not found at USNH	**Number of Benchmark Systems with this Committee**
Technology Committee	4
Human Resources/Compensation	5
Advancement	3

Huron recommends that the Change Management Task Force and/or Governance Committee consider simplifying the Board of Trustees committee structure, consistent with the models used by several other university systems. While the USNH Board committee structure *per se* is adequate, it appears to lead to more operational involvement by the Board of Trustees than is typical or desired. Fewer committees and meetings would keep trustees focused on strategic matters and minimize the tendency to delve into operational issues.

Huron recommends consolidating the agendas of the Capital Projects Committee, HR Subcommittee, and Debt Subcommittee into that of the Financial Affairs Committee and consolidating the agenda of the Student Affairs Committee into the Programs and Services Committee. Consistent with simplifying the structure and the April 19th decisions on collective bargaining and HR policy autonomy, Huron does not recommend creation of an HR committee. Likewise, while some university systems have committees on Advancement and on Technology, Huron believes that USNH should continue to cover these areas in the Executive and Financial Affairs Committees.

Contrary to the April 19th resolution, Huron recommends that Presidents be required to receive prior Board approval for the hiring of Provost and CFO positions, including the proposed compensation package. Similarly, the Chancellor should be required to receive prior Board approval for the Treasurer, Director of Internal Audit, General Counsel, Vice Chancellor for Finance, and Secretary. While the Chancellor and Presidents may well seek input from the Board on performance of these key executives, the annual review and compensation increases would not be subject to Board approval.

Huron recommends adding the review of strategic plans to the responsibilities and agendas of the Executive Committee and Board of Trustees. The Change Management Task Force or the Governance Committee should consider how strategic issues should flow between the committees.

An important role of the Board leadership over the coming year should be to work through the Governance and Executive Committees to develop a rigorous annual self-assessment of Board and Board member performance and to create a more systematic approach to the election of

Board leadership. Regarding self-assessment, the Governance Committee could start from some of the best practices promulgated by the Association of Governing Boards and other organizations, with Board members agreeing to participate fully in this self-assessment process upon assuming their role.

C. Changes to the Roles of President and Chancellor

Chancellor Position Changes

The role of the Chancellor shifts under the organizational model described in the Board's April 19th resolution. Huron's recommended design enhancements, outlined in section II. A above, present further changes.

Under the recommended new organizational model, the Chancellor of USNH continues as the key advisor to the Board of Trustees, responsible for counseling the Board on its strategic and fiduciary responsibilities and for monitoring the performance of the System and its now more autonomous component institutions. The Chancellor is also responsible for leading the System Office and ensuring that it collaborates with the campus presidents and their senior management teams to provide coordinated information for the Board, fiduciary control, and efficient, cost-effective shared services. The primary recommended changes to the position description of the Chancellor are:

- Greater emphasis on leading the System Office in providing cost-effective shared service and financial control. Greatly reduced emphasis on oversight of institutions and coordinating policy outside of shared service and financial control.

- The Chancellor assumes a Board secretariat role for matters other than the control, stewardship, and fiduciary functions and roles, including, for example, those resident within Internal Audit, General Counsel, Treasury, and Financial Affairs, and the management of the portfolio of shared services. The Chancellor's responsibility evolves to that of helping the Board monitor institutional performance / progress on strategic plans and USNH's collective performance against the needs of the New Hampshire.

- Chancellor will chair an Administrative Board of equals, acting as convener and agenda setter but without power to make decisions if consensus is not reached.

- In compiling budgets for submission to the Board, Chancellor does not have authority to overrule Presidents, but only to advise the Board (and Presidents) of his or her views of reasonable budgets, based on strategic guidance set by the Board earlier in the cycle.

- The Board's committee on communications and legislative relations has made recommendations that will determine the Chancellor's responsibility in this area. Typically, legislative affairs would report to a System Chancellor.

- In Shared Services, the Chancellor leads the System Office and is expected to drive shared economies for keeping USNH operating costs as low as possible consistent with quality objectives.

- The Chancellor continues to lead the financial control and General Counsel areas in the System Office, with responsibility and expectations as provided by the Board.

The Chancellor will have to decide how best to delegate responsibility within his or her own office (e.g., Vice Chancellor for Finance) to be consistent with the recommended roles and responsibilities.

Job Function	Estimated Annual Percent of Time
The Chancellor of USNH is the key advisor to the Board of Trustees, responsible for counseling the Board on its strategic and fiduciary responsibilities and for monitoring the performance of the System and its component institutions on the Board's behalf. The Chancellor is also responsible for leading the System Office and ensuring that it provides fiduciary control and efficient, cost-effective shared services.	
The Chancellor serves as the chief executive officer of the USNH and as the secretariat of the lay Board of Trustees. S/he is responsible as Chairperson for convening and setting the agenda of the Administrative Board to address implementation of Board of Trustee directives, among other Administrative Board duties. S/he is responsible to support the Board by monitoring performance both on the USNH institutions' strategic plans, based in their distinct institutional missions, and on USNH's overall program and service commitments to New Hampshire. With strategic guidance from the Board of Trustees, the Chancellor is responsible for working through the Administrative Board to compile and submit coordinated operating and capital budget requests and related plans.	30%
Chancellor leads the System Office, with the dual mission of cost-effectively ensuring the Board is able to fulfill its fiduciary responsibility for the System and for maximizing the cost savings opportunities from shared services across the four institutions. Primary fiduciary functions of the System Office include audit; regulatory and governmental compliance; treasury; controller (including central payroll and accounts payable duties associated with taxation and all accounting maintained through a single finance and HR system); and basic risk management. Other shared service responsibilities include benefits strategy and operations; debt management; cash management; and central purchasing/contracts.	55%
Chancellor conducts policy analysis for System-wide matters, taking into account the Board of Trustee's vision. The Administrative Board is chaired by the Chancellor and in accordance with statute, "is responsible for recommending and implementing policies and procedures which assist the campus Presidents in discharging their responsibilities in such a manner as to provide maximum institutional initiative and responsibility within a unified university organization."	5%
Chancellor serves in a variety of roles representing the USNH across the state, region, and nation. As an example, the Chancellor would represent USNH to develop "system-to-system" agreements with the Community College System of New Hampshire.	10%

President Position Changes

The role of the campus President is modified under our proposed recommendations. While the President will be granted greater autonomy under the proposed recommendations, Presidents will also have the dual responsibility for leading their institutions and partnering with the

Chancellor and other Presidents to help achieve System-wide objectives. Major features of the revised role are:

- Presidents will report directly to the Board of Trustees.

- Presidents will lead their institutions in developing and implementing campus strategies as approved by the Board of Trustees. They will communicate strategic direction and progress with the Board of Trustees and make capital and operating budget requests consistent with strategic considerations.

- Contrary to the April 19th resolution, Presidents will require prior Board approval for hiring the positions of Provost and CFO for their campus. They otherwise will have full authority in recruiting and related HR matters and in collective bargaining – the latter subject to Board-set financial parameters. They will see a reduced need to coordinate in the Administrative Board on academic affairs. However, they will be expected to account for the quality of their institutions' academic programs and for any program changes in a form that serves the Board of Trustees, to be devised collectively with the Chancellor and fellow Presidents.

- Presidents will be responsible for contributing to ensuring cost-effective System shared services with the goal of lowest-cost administrative operations. In cases where their campuses are not receiving the level of service required to function effectively, Presidents will propose a SLA to the Administrative Board between the function and the campuses. If that fails and if convinced that it is necessary for optimal operation of the campus, a President may propose to opt out of a shared service, providing a detailed analysis of the economic impact of the opt-out. Financial Affairs Committee approval will be required.

If the Change Management Task Force agrees to these modified role descriptions, the General Counsel should draft changes to position descriptions. The General Counsel would present the proposed drafts to the Executive Committee or Board of Trustees for consideration and approval.

D. Shared Services

Huron recommends that USNH continue to provide the full portfolio of its current shared services.[3] Sharing services through the System Office minimizes USNH administrative costs and the interest expense on bonded debt. This arrangement also provides benefits of skill specialization and exercises effective financial controls. The shared service approach is common practice for university systems, though USNH provides a more comprehensive set of services through its System Office than most systems, likely due to the relatively small scale of USNH and its component institutions and the consequently greater cost advantage of sharing.

Huron further recommends that USNH consider leveraging the purchasing volume and activity of all campuses by exploring various strategies (e.g., developing consortium opportunities, partner with other organizations to increase volume contracts, consolidating the PSU and KSC purchasing function into the System Office, etc.). Further analysis is necessary to assess the feasibility, operational issues, and service level requirements of different alternatives.

---

[3] Note that HR and Legislative Relations were outside Huron's scope.

Shared Service Org Chart
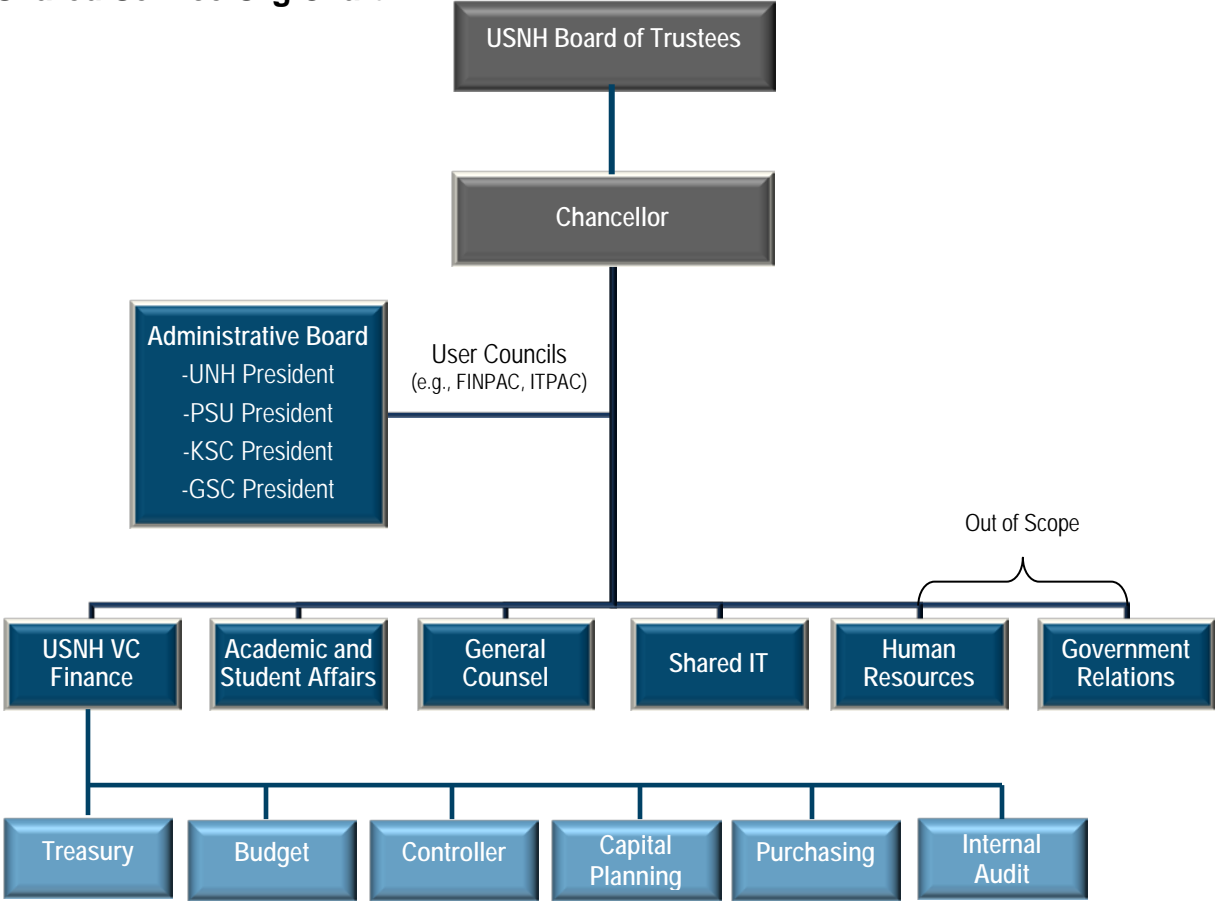
Cost Savings Due to Sharing Services

Huron estimates that if USNH ceased providing its current portfolio of services, the increased System-wide annual cost could be between $6 million and $9 million (see Appendix). Huron's preliminary assessment is that each of the current services is more economical if delivered centrally.

Compliance Risk

Requiring each institution to manage its own Treasury, Accounting, and Internal Audit functions would create compliance risks for USNH. UNH would also have to develop a financial function to replace the services of the System Office. PSU, KSC and GSC are not large enough to maintain the separate financial sub-functions that are desirable for control purposes without significantly adding to overhead expense.

Service Quality

In appearance, the USNH structure of functional councils – e.g., FINPAC and ITPAC – reporting up to the Administrative Board provides the necessary channels for resolving service problems.

In practice, greater formalization would be constructive to ensure that real service issues are addressed in a timely and cost-effective manner.

Finance

Campus representatives mentioned service issues in the financial area, but the primary concern was with this year's new budgeting and financial planning process, which proved very onerous and both campus and system staff. Huron's high-level assessment is that service issues in Finance can be managed through existing channels: FINPAC and, if necessary, the Board of Trustees' Financial Affairs Committee. The Vice Chancellor and campus CFOs should collaborate in planning any future financial process changes so that they can be implemented efficiently and effectively, which may require the consideration of new software/technology. Huron recommends that FINPAC establish a routine annual campus user feedback survey for each central finance function. FINPAC should formally review the results, with a structured follow-up for any significant dissatisfaction reported. Clearly, service expectations need to be reasonable relative to staffing levels, which are further restricted by budget constraints. Furthermore, in reviewing user comments, FINPAC should be mindful that, in addition to providing service, the System Office serves as a control function and consolidator/coordinator of information for the Board. System staff should not feel pressure to compromise on prudent controls, but if controls are causing delays or burdensome work at the campuses, FINPAC should assess whether the controls are out of balance.

General Counsel

The campuses were uniformly positive about the professional advice they receive from the General Counsel. A limited number of concerns were expressed over the use of some specific outside counsel.

System-wide coordination in engagement and supervision of outside counsel is the longstanding norm and best practice in higher education and basic to university governance. The primary reasons for having centralized supervision of outside counsel are that it (1) fosters cost-efficiency, (2) avoids - and/or promotes proficient management of - conflicts of interest of counsel, (3) facilitates consistent expectations of quality legal service, (4) ensures that an experienced lawyer (the general counsel or a member of her or his legal staff) supervises and is accountable for the performance of outside counsel, and (5) ensures that outside counsel serve the interests of the System as a whole.

Where a campus expresses significant dissatisfaction, General Counsel should formally report to the Administrative Board his or her assessment of the issue and whether any change in the list of qualified outside counsel is warranted, within limits of confidentiality.

Information Technology

Managing IT to meet user needs is always challenging. Examples at USNH include scheduling a system maintenance outage during an institution's registration period and neglecting to offer other institutions software upgrades and training that one campus was planning to purchase. Representatives of the campuses expressed concern that they were paying a share of the expense for software and support that they do not use and voiced a desire for formalizing service agreements so that their needs are not neglected. These concerns have not, however, been channeled effectively to UNH, which provides leadership for the shared IT services. In addition, some of the tension surrounding IT may result from the IT-related areas under the Vice Chancellor for Finance, specifically the administration of the HR and Finance systems.

![HuronEducation logo]

Given the intense cost pressures facing USNH, Huron recommends a high-level assessment of opportunities for the four campuses to sufficiently standardize their business processes in order to support common system development, implementation, and maintenance. Presidents and their senior staff would then be held accountable for overcoming resistance to business process standardization if it offered significant returns, unless the standardization would appreciably degrade service or compromise mission-critical operations. This is applicable to the System-wide information systems and technologies offered through both the Vice Chancellor for Finance and UNH.

Consistent with this report's suggestions for other shared services, Huron recommends that USNH establish structured feedback via periodic user surveys, to be reviewed by both ITPAC and FINPAC. In addition, Huron recommends developing service level agreements between the user campuses and IT providers (UNH IT and System Office administrators of the HR and Finance systems). If the formalized feedback shows continuing dissatisfaction, the Administrative Board may consider a new IT governance model or realigning the System-wide IT services under the umbrella of the System office. Admittedly, the decoupling of System-wide IT from UNH-specific IT may prove quite difficult.

USNH-wide long-range technology planning, including plans to invest in systems, upgrades, and other technology, has been stalled for at least 28 months, when ITPAC agreed on the charter for LRTP 4.0. Underlying the stalled LRTP process are several of the same factors that we have noted elsewhere in this report: asymmetrical institutions with differing priorities and at least some role confusion among and between the Board of Trustees, Administrative Board, System Office, and campus CIOs, CFOs, and Provosts.

Huron recommends that the Board of Trustees request ITPAC to provide a timely plan that maximizes IT net economic benefit across USNH, covering all major opportunities in IT infrastructure, information system/process upgrade and standardization, and academic technology (although this last area will require engagement from different stakeholders, so it may have to be separated from the other IT areas). The assessment must take into account the level of investment required and the ways in which the shared approaches could accommodate different institutional strategies.

E. Statement of Intent

The February 9th Executive Committee meeting notes and subsequent resolution passed on April 19th by the Board of Trustees constitute a coherent statement of the direction that the Board wishes USNH to take. As discussed above, the intent is both to grant the Presidents greater autonomy and to maintain strong System centralization for shared services, financial control, and development of coordinated/consolidated data for the Board.

Exceptions to Statement of Intent

Huron recommends that the Task Force reconsider three of the details of the April 19 resolution.

(i)   The blanket autonomy in academic affairs, which conflicts with the Board's ultimate responsibility for USNH fulfilling its mission. Huron recommends modifying Academic Affairs review processes as described in section II A (b) on page 16 above

(ii) The authority for Presidents to hire specialized counsel, which conflicts with best practice as described in section II D, above.

(iii) The Presidents and Chancellor's authority to hire select positions would be subject to Board approval as discussed in section II B, above.

Enhancements to Statement of Intent

As also outlined above, Huron recommends a series of organizational design improvements that will interact with the April 19th resolution to make these goals more achievable, including:

- A focus on campus strategic plans, driving priorities for capital, financial operating parameters, academic program changes, IT investments, etc.

- Greater emphasis on Board self-governance

- Standardized campus reporting to the Board, significantly reflecting strategic plan metrics

- Re-working key leadership roles and performance management processes for accountability

- Built-in processes for shared service governance to ensure low-cost operations and 'customer' responsiveness

- Clear procedures and decision rules both for implementing autonomy and for driving System-wide coordination decisions to the organizational level where functional expertise resides

F. Statute Review

Huron and outside counsel have reviewed the proposed changes and they do not appear to be inconsistent with RSA 187-A.

G. Statute Change Recommendations

No statute changes are recommended. The lack of a need for any statutory change arises from the fact that all recommended changes in this document are consistent with the scope and authority of the Board as created by the statute. All entities described in the statute continue to play roles consistent with the language of the statute, and all processes described in the statute continue to be carried out in ways consistent with the language of the statute.

H. Policy and Delegation Review and Recommendations

A small number of policies would appear to need revision to reflect the new organizational model and Huron's recommendations; delegations would need to follow suit.

Specifically, strategic planning roles would need to be reflected in the planning policy. A few policies that confer broad authority on the Chancellor would need to be amended to reflect that role's new advisory capacity. In general, financial policies would not need to be changed, reflecting the Chancellor's (and Vice Chancellor of Finance's) continuing responsibility for ensuring the Board of Trustees is able to meet its fiduciary responsibility.

See Appendix for a list of policies and delegations which appear in need of revision, with an indication of the suggested direction of change.

I. Principal Administrator Position Descriptions

The roles of other USNH Principal Administrators - the campus Provosts and CFOs - will change slightly under the recommended organizational model.

The recommended revisions to review processes for Academic Affairs give the Provosts greater autonomy in P&T decisions and academic program additions and deletions, along with the expectation that they will provide rationale for the changes to the Chancellor and Programs and Services Committee and will inform the Chancellor of any potentially controversial items placed on consent agendas. Provosts will be expected to be active participants in developing campus strategic plans.

Although most financial processes are unchanged, CFO roles will change slightly. It will be the responsibility of the CFOs to ensure their campuses' seamless participation in and coordination of shared services within the System. This includes making governance of shared services effective in delivery of appropriate, low-cost customer service that meets quality expectations. CFOs will also be expected to be active participants in developing their campus strategic plans with integrated financial plans, operating budgets, and capital plans.

J. Financial Impact of Recommendations

Huron does not anticipate significant financial impact from these recommendations. Most of the recommendations in this report will have to be carried out internally by USNH and campus leadership and the Board of Trustees. The transitions required entail incurring relatively few 'hard costs.' Huron is not recommending adding staff as part of any organizational design changes.

K. Implementation Plan

Implementation Step
i.   Adopt proposed Board committee structure and charge
ii.   Agree on overall organization concept
iii.   Modify April 19th Resolution
iv.   Revise key position descriptions and performance management system
v.   Revise policies and authority delegations
vi.   Monitor change process and impact on organizational effectiveness
vii.   Review institution and system strategic planning process
viii.   Define process to self-assess Board's performance

L. Further Issues for CMTF/Board of Trustees Consideration

While well beyond the scope of the organizational issues that USNH asked Huron to address, there are major questions about the long-term outlook of public universities in the United States. Huron suggests that the Task Force and Board of Trustees, along with USNH leadership, consider how the current dynamics shaping higher education might impact USNH. Questions to consider could include:

- Can the traditional campus expense structure be supported under all plausible scenarios? Are there limits to the revenue-growth strategies pursued by most

universities in recent decades? What are the options for offering degrees and research outputs with different cost / effectiveness tradeoffs from the traditional US public higher-education model?

- Online strategy: is there a case for USNH developing a System-wide approach rather than the current approach with duplication of online course development and delivery?

- Partnership strategy: is there a case for USNH institutions partnering with other universities, within New England or beyond, to jointly offer certain programs (e.g., WAMMI)? Should USNH try partnering with or offering select backroom operations capacity to others (e.g., CCSNH, NHCUC) on a fee-for-service basis?

- Consolidation: should USNH consider the possibility that continuing cost pressures may ultimately make it necessary to combine certain campuses to reduce administrative expense?

- Board of Trustees evolution: as the Board works to improve its mode of operation toward a strategic and fiduciary approach to empowering and holding accountable the chief executives of the campuses and the System, should the Board also work to establish a more coherent system for Board leadership succession planning, including how the Board selects its chair and other leaders?

- Local Boards: As the Board, Chancellor, Presidents, and senior staff find their rhythm with this recommended framework, what are the advantages and disadvantages of establishing institutional boards of advisors to support and advise each president on select campus matters?

Part III. Appendix of Supporting Materials

Appendix A: Select State Models Explored
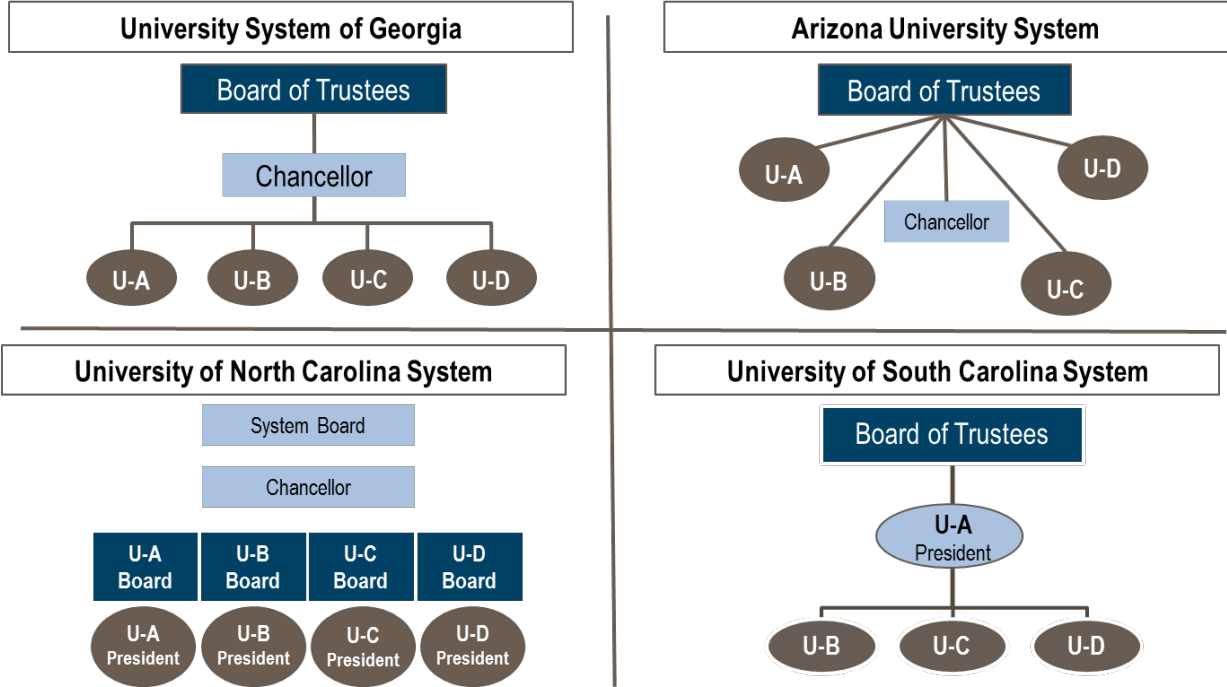
Appendix B: Cost of Devolving USNH Shared Services

Cost of Devolving USNH System Office Functions to the Four Institutions

In responding to the Change Management Task Force's charge that Huron look at the System Office organization, we took an independent view of what functions could conceivably be devolved to the campuses and what incremental costs would entail. Incremental cost would be a significant factor in recommendations, along with other considerations such as effectiveness if services were devolved.

This note provides a preliminary assessment of the cost of devolving functions.

In summary, from a high-level view, the additional annual FTE costs of devolving shared services – excluding HR and Legislative Relations which were out of Huron's scope – could range from $4.2 million to $7.3 million. In addition, an unfavorable impact on USNH's bond rating could cost another $1.1 million annually. Further, the one-time transition cost of devolving the services could be on the order of $5 million in the first year, which, if amortized over five years, adds another $1 million of annual cost. The total impact could thus range from $6 - $9.5 million. Loss of volume purchase discounts and a need for multiple software licenses would add to this cost.

1. **Functions that Cannot be Devolved in a System**

Assuming that USNH remains a System with a board of trustees and legal and financial reporting requirements, several functions will need to remain in a central office. On a preliminary basis we assume these to be the following six roles (current authorized FTEs in parens):

- Chancellor (2)
- Vice-Chancellor for Finance (2.5)
- General Counsel (2)
- Board Liaison for Academic Affairs (1)
- Board Liaison for IT (0.7)
- Legislative Affairs Liaison (1)

These roles are currently staffed, including executive assistants, with 9.2 authorized FTEs and 7.2 actual (plus budget for one FTE used to hire outside counsel).

In addition, the System and board will require a minimum level of central staff for budgeting, financial reporting, internal audit and institutional research & reporting, as in the following table:

Function	Current FTEs	Assumed Minimum FTEs	Assumptions
Budget	3	2	Remaining work devolved
Accounting	7.6	3	Remaining work devolved
Internal audit	5	1	Remaining work devolved
Institutional Research	2	2	Already at minimum

2. Incremental FTEs where Functions are Partly Devolved

In a maximum-devolved structure, the remaining work of the three functions that would be part-centralized and par-devolved would result in the need for net increases of on the order of 6 FTEs, because the campuses would not have the benefit of specialization and shared efficiency that the System Office does.

Function	Current Central FTEs for Work Devolved	Incremental FTEs when Work is Done at Four Sites	Basis
Budget	1	1	Min 0.5 at each site
Accounting	4.6	4	UNH needs 3.6, KSC 2, PSU 2, GSC 1

Internal audit	4	1	UNH needs 3.5 , rest 0.5 each
Total		+ 6	

Note: 0.5 FTE staffing at individual location assumes that qualified part-time staff can be hired. Cost will be assumed to be 20% higher per FTE than where full-time job is offered to attract quality staff.

Huron Education

3. Staffing of Fully-Devolved Functions

Function	Current Central FTEs for Work Devolved	Incremental FTEs when work done at four sites	Basis
Treasury (Assoc. treasurer's fn.)	3.5	0	Assume campus CFOs take on lead Treasury role with one extra staff member each. Note extra CFO time keeping Board of Trustees informed (0.5 at GSC)
Contract officer	1	0.5	Assume UNH .75 FTE and rest 0.25 FTE
Capital planning	1	0	Assume project work of 0.5 FTE each at PSU and KSC. Assume System capital planning picked up by VC Finance and System Office Budget staff
Controller Payroll, A/P	9	3	UNH 7, PSU & KSC 2 each (supervisor & clerical), GSC 1
Controller Finance/Administrative Systems	9	4.5	Assume major loss of efficiency in multiple System admin: min. extra 1.5 per campus for PSU, KSC, GSC
Purchasing	8.8	1.5	Assume min. extra 0.5 per campus for PSU, KSC, GSC
Total		+9.5	

On the assumptions above, it would require an additional 15.5 FTEs to devolve functions. In addition to the extra employees, the cost per FTE of these employees would be higher than the current average for these roles. This is for two main reasons: many staff would be offered only part-time jobs and several roles would require wider training and experience than currently, since the current specialization in treasury, internal audit, A/P etc. would be lost when one or two staff at a campus would be performing the full range of activity.

The estimated annual personnel cost of devolving the Finance services would be on the order of $2.3 - $3.5 million.

Huron did not take an in-depth look at the cost impact if shared IT were devolved to the campuses. However, the inefficiencies of multiple site functions for System maintenance, network administration etc. could easily add 5-10 FTEs each to PSU and KSC and perhaps 3-6 to GSC, in addition to those campus' "share" of the current IT staff. This would represent another $1.9- 3.8 million cost penalty for devolving shared services.

Effectiveness

It is likely that effectiveness would be diminished if some central functions were devolved. For example, having campuses take on the treasury lead role would require them to have minimal qualifications in bond finance and/or possibly to rely on more external expertise. Distributing accounting, payroll, A/P and internal audit functions would require campuses to supervise these functions and de-centralization could weaken the Board's oversight and increase compliance risk.

There would be other cost penalties that Huron has not estimated. For example, devolving purchasing would likely cause USNH to lose volume pricing discounts; and devolving IT could result in USNH having to paying for more software licenses than under a centralized System.

Bond Rating Impact

HB 1692's impact, if passed, on the perceived soundness of USNH's financial management has been estimated by Barclays Capital as increasing USNH's effective interest rate by 25bps, costing $1.1 million on the current $450 million bonds outstanding. Because the majority of USNH debt is on a variable rate basis, this impact would apply immediately.

Transition Costs

Transferring functions, in whole or in part, to the institutions would be costly in the transition period. Hiring is time-consuming, and some existing staff may have to be replaced to find people with new skill sets. Senior staff turnover would likely create problems in USNH's community relations. New campus staff would have to learn new responsibilities, policies, procedures and systems. They and remaining central staff would need to sort out the myriad practical details of their respective role boundaries and accountabilities. Delays and mistakes in carrying out the transitioning functions would be likely. A very rough estimate of the disruption cost in the first year would be 50% of the steady-state staff cost of those functions affected, or roughly $5 million.

Omitted Functions

This note omits HR, which is out of Huron's scope. However, any overall assessment should include the costs of devolving HR.

Appendix C: Suggested Policy Changes

Board of Trustees Policies

I. C. Authority of the USNH Treasurer and Secretary

General Counsel to opine whether, in case institutions are given higher dollar thresholds for their authority to execute contracts, leases, etc., this would need to be reflected in a policy change.

II.D.2 Financial Aid

Chancellor's approval authority for financial aid policies of the institutions: recommend this becomes an advisory role to PSC.

Current policies refer to Academic Affairs Committee and should be made consistent with Programs & Services Committee name.

II. F. Policy on Promotion and Tenure

P&T recommendation will now be one of the roles of the Provosts without formal coordination by the System. Recommend deleting "Chancellor" and replacing with "Provosts of the institutions"

II. G. Academic Program Planning and Review   (and USY II G)

The policies that set out a process for academic program planning and review would need to be amended to reflect the process changes recommended in section II. A (b) above.

III. F. Legal Affairs

This policy would need to be revised in order to give campus Presidents authority to hire outside legal counsel for 'specialized' services as the Board of Trustees resolved on April 19th. Huron's external counsel advises that this revision to USNH policy is not best practice: the Presidents cannot be presumed qualified to select and manage outside counsel and lack of coordination by USNH General Counsel could result in inadvertent mischief.

VI. A. Planning and USY VI A

VI. A. 2. would need to be revised to be consistent with Huron recommendations on responsibilities for SWOT-based strategic planning [Section A. (a) above]. Reduced authority of the Chancellor to make capital allocation decisions – as distinct from giving advice and maintaining central plans as documentation of Board of Trustees decisions – would need to be reflected in 2.3, 5 and 6.

Note: For the purpose of maintaining control, Huron recommends that the Chancellor retain current authority under policies VI B-F.

VI. B. Property Acquisition

VI. C. Disposal of Property

VI. D. Construction

VI. E. Leasing of Property

VI. F. Operation and Maintenance of Property

Appendix C: Huron's Recommended Changes to the State of Intent / April 19th Resolution

UNIVERSITY SYSTEM OF NEW HAMPSHIRE

BOARD OF TRUSTEES

Motion Sheet

Board of Trustees

To: Board of Trustees

Re: Executive Committee Recommendations Re: Governance System Structure

PROPOSED MOTIONS

MOVED, *on recommendation of the Executive Committee, that the Board of Trustees approve the principles of governance and direct the accomplishment of the actions set forth below:*

1. The Presidents shall have the full authority and accountability to make all decisions in the area of academic and student affairs, with the understanding they will keep the Board informed of developing issues as appropriate, and their execution of this authority and responsibility shall be considered as part of their annual comprehensive performance evaluation.

Huron recommends that the Board reconsider the language it uses here to confer blanket autonomy to Presidents in academic affairs, given the Board's statute-mandated responsibilities. P&T decisions should remain on the consent agenda of the Programs and Services Committee (PSC), academic program additions and deletions should be reported to the Programs and Services Committee with an overall rationale, and academic program quality metrics should be reported to the Programs and Services Committee.

2. In the area of collective bargaining the Board shall exercise prior approval authority only for wages and benefits. For wages the Board shall set only a general parameter for the change in the relevant salary base over a period of time, perhaps three to five years. For benefits the Board shall set only a similarly general parameter, with the understanding that the Presidents shall have the authority and accountability to determine the particular benefits changes best suited to meet that parameter. The parameters for both wages and benefits shall be tied to other long-run budget factors including changes in tuition rates. The Board is required by law to ratify all collective bargaining agreements. Otherwise, for collective bargaining the Presidents shall have the full authority to make all decisions, with the understanding they will keep the Board informed of developing issues as appropriate, and their execution of this authority and responsibility shall be considered as part of their annual comprehensive performance evaluation.

3. Regarding the appointment, evaluation, and compensation of principal administrators, the Board shall retain authority over only those decisions that relate to the Presidents and Chancellor. For all other principal administrators that authority shall be delegated to the supervising President or Chancellor, with decisions reported to the Board, and with the understanding they will keep the Board informed of developing issues as appropriate, and their execution of this authority and responsibility shall be considered as part of their annual comprehensive performance evaluation. The Board shall develop and implement an effective

mechanism, consistent with the delegations described above, to ensure compliance with legal requirements, including those relating to compensation levels in non-profit organizations.

Huron recommends that the Board modify the President's authority to hire and set compensation just for the two positions of the Provost and CFO, in that the Board should still approve the President's actions for those two positions on each campus.

4. For all other areas in Human Resources, the Board shall continue and complete the initiatives begun with the Total Rewards project and the subsequent review by Aon Hewitt of the appropriate distribution and location of the authorities and responsibilities for Human Resources decisions and actions.

5. The roles of the System office and Board in communications and in the coordination of state legislative relations shall be determined by a special committee to review these matters and provide recommendations to the Executive Committee.

6. The Presidents shall have the authority to engage legal counsel for specialized areas of the law, keeping the General Counsel and Board of Trustees informed as appropriate.

Huron recommends that the Board reconsider the authority for Presidents to hire specialized counse Best practice suggests this should always be coordinated by a single System wide general counsel who can be held accountable by the Board for all legal matters.

7. In the financial affairs area the current process, including the Board's approval of only relatively high-level budget assumptions and parameters, has been successful and should be continued.

8. An appropriate committee of the Board should meet with the chief information officers, fully review the proper distribution of authorities and responsibilities in the information technology area, and provide recommendations to the Executive Committee.

9. The Board's strongest commitment to our statutory responsibility is that the "institutions are to be permitted to operate with the highest measure of autonomy and self-governance, subject to the supervision of the board of trustees", and in that spirit have each of the presidents report directly and solely to the Board.

10. The system office will provide data as requested by the Board, consistent with the Board's fiduciary duty and statutory obligation, "the main purpose of which is to provide a well-coordinated system."

11. The system office will provide coordination of services and benefit operations, where appropriate.

12. The system office will provide a central treasury to include functions such as debt, investment, and cash management, audit, financing of capital projects, central purchasing, and accounting.

13. The system office will provide coordination of the schools' efforts to improve legislative knowledge of their activities, missions, visions, and needs.

14. The system office will provide the Board data related to the five and ten year plans established by the schools, including adherence to approved missions and related financial projections.

15. The Board should engage an independent consultant to advise and assist the Board in effectively and efficiently making the changes necessary to restructure the University System of New Hampshire, including investigating and making recommendations as appropriate on the following issues:

> *A. What services each president and the chancellor feels would be financially advantageous to his/her institution if centralized or decentralized?*

> *B. What changes in Board policies and/or procedures and statutory changes would enhance autonomy and implement the above re-structuring?*

SUMMARY OF PROPOSED ACTION

If adopted the proposed motion would set into motion a process of reforming those portions of the governance system that involve the Board of Trustees, University System, Administrative Board, the Chancellor, and the Presidents. That process will be guided by the principles articulated in and actions directed by the motion.

RATIONALE FOR PROPOSED ACTION

The records of the retreats and meetings that informed the unanimous adoption of this proposed motion by the Executive Committee demonstrate a general concern among members of the Board of Trustees that the current governance system is no longer well-suited to our system of relatively more mature component organizations. In particular the Board expressed a desire and intention to give the Presidents more authority to take executive action without prior collaboration or approval with the Board of Trustees or Chancellor. That increased authority is to be balanced by a post-action reporting responsibility and a comprehensive annual performance evaluation process. The goal is that the changes should result in a stream-lining of policies and procedures that should result in a greater ability for the campuses to more nimbly respond to the needs of their constituencies and their distinct missions.

PREVIOUS REVIEWS AND APPROVALS

In a set of discussions begun at the Board of Trustees' retreats in September and October, continued at the Executive Committee meeting on January 9, and concluded at the Executive Committee meeting on February 9, the proposed recommendations were formulated, reviewed and unanimously approved by the Executive Committee.

RELEVANT GOVERNANCE DOCUMENTS, POLICIES, AND PRACTICES

The principles and actions contained in this proposed motion implicate many of the policies in nearly every subject area at both the Board of Trustees and University System policy levels; each of those policies will have to be amended to take account of the substantial governance shifts embedded in the proposal. In addition a substantial body of long-standing practices, most of which relate to the Presidents seeking approval of the Board of Trustees prior to taking a range and variety of executive actions, will have to be altered.

RESOURCE IMPLICATIONS

The decreased emphasis on Board of Trustees review and approval prior to executive action, off-set somewhat by the increased emphasis on post-execution reporting and reliance on a more demanding performance review system for Presidents and the Chancellor, is expected to result in a net decrease in resources expended on governance at the Board of Trustees and University System levels. The engagement of a consultant to assist with the efficient and

effective implementation of the changes will require the expenditure of considerable time, effort, and money but it is not possible to provide an estimate at this time. The decisions regarding the centralization or decentralization of shared services will have resource implications but those decisions will be made at a later point in the process. It is not possible to estimate the resource implications at this time.

RISK MANAGEMENT CONSIDERATIONS

The current Board of Trustees and University System governance mechanisms are substantially collaborative and prospective, relying to a great extent on prior approval of executive action. The proposal, if adopted, will set into motion changes that when realized will produce a governance system that allows a much greater range of executive actions to proceed without prior approval, subject to retrospective reporting and performance evaluation systems. On balance, it is hoped, the advantages gained by relatively more-autonomous institutions will outweigh the increased risk of the Board's

SUBSEQUENT ACTION REQUIRED

This motion, if passed by the Board of Trustees, will be the final action required to adopt the principles and direct the accomplishment of the actions set forth. There will be substantial further action required to review and amend the many policies and practices implicated by the proposed changes to the governance system. Changes in policies will be effective when the required amendments are adopted by the Administrative Board and/or the Board of Trustees as appropriate.

SUBMITTED BY

Ronald F. Rodgers, General Counsel

Date Prepared: March 30, 2012   For the Meeting of: April 19, 2012

-- End of Motion Sheet --

HuronEducation

University System of New Hampshire Review of Organizational Structure, Roles, and Responsibilities

## Change Management Task Force

July 2012

Overview of Recommended Model

Our recommendations address most of the key issues that have been raised during the course of our analysis and allow for:

1. No statutory change, as all recommendations are consistent with the scope and authority of the Board as created by the statute.

2. Expanded campus autonomy, particularly in the area of academic and strategic planning.

3. Improved flexibility in decision making for policy and operational matters.

4. A reporting and governance structure that enables the Board to focus on institutional strategies, capital allocation, IT investments, and less on operational matters.

5. Enhanced and more structured accountability mechanisms for evaluating the performance of campus Presidents.

6. Continuous improvement in the provision of shared service throughout the System.

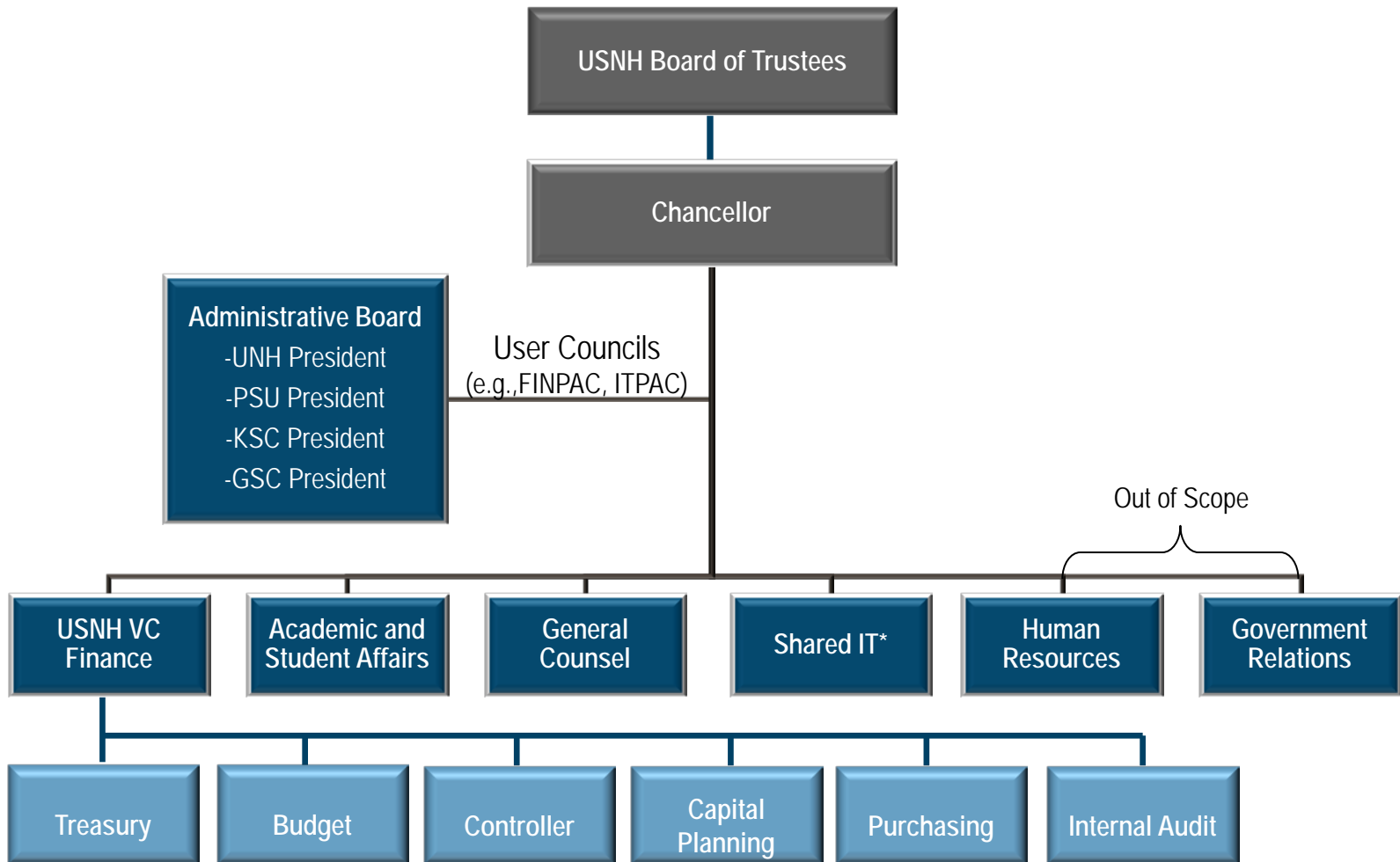7. Establishment of a robust system of USNH Board self-assessment.

Institutional Strategy and Academic Affairs

For institutional strategy and academic affairs, the following organizational chart represents the roles and responsibilities of key USNH stakeholders:
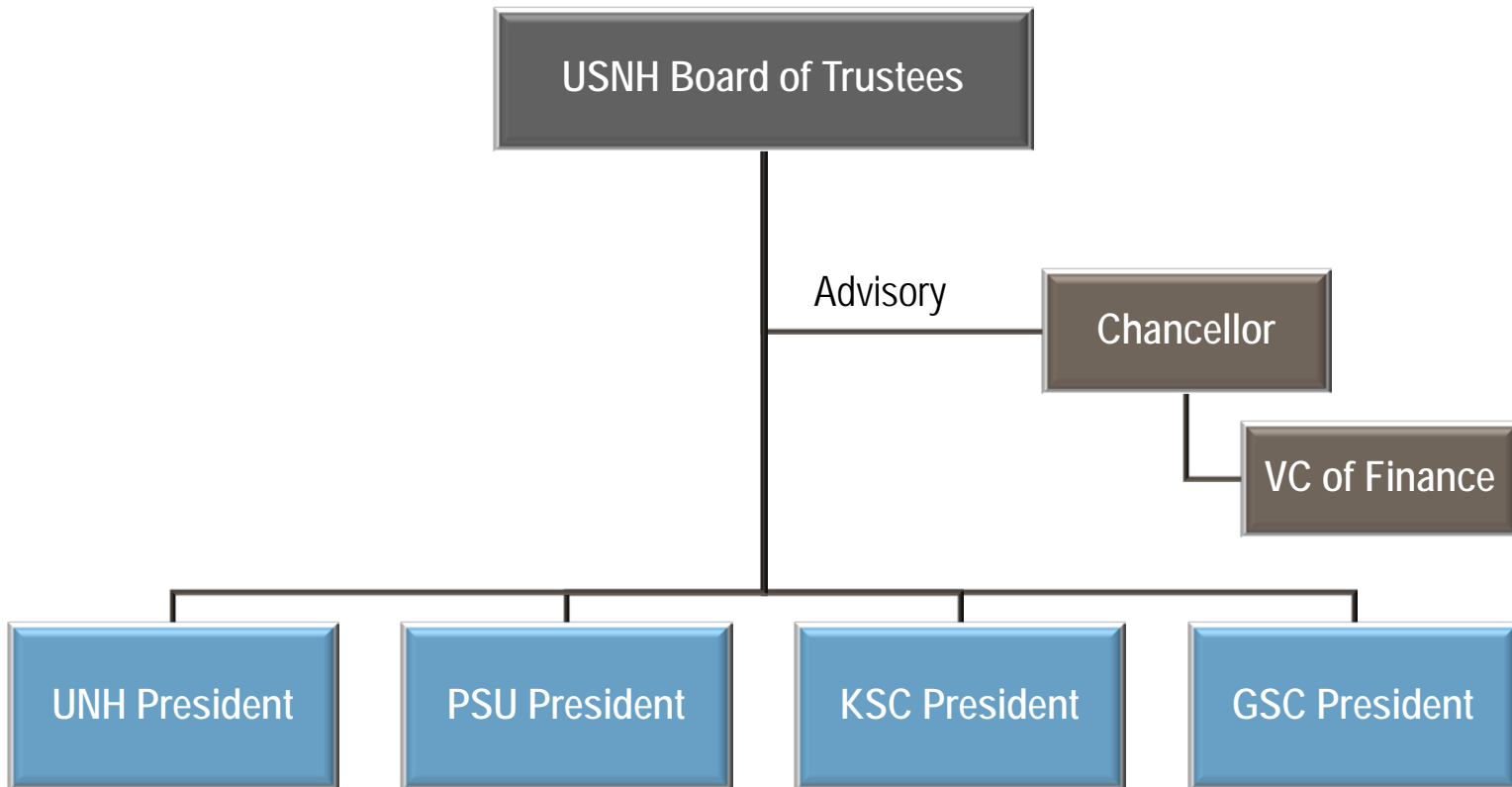
Shared Service and Fiduciary Responsibility

For shared services, treasury, compliance, and fiduciary responsibility, the following organizational chart represents the roles and responsibilities of key USNH stakeholders:

USNH Board of Trustees

Chancellor

Administrative Board
-UNH President
-PSU President
-KSC President
-GSC President

User Councils
(e.g.,FINPAC, ITPAC)

Out of Scope

| USNH VC Finance | Academic and Student Affairs | General Counsel | Shared IT* | Human Resources | Government Relations |

| Treasury | Budget | Controller | Capital Planning | Purchasing | Internal Audit |

* Likely to continue residing at and reporting through UNH, but it should be treated like other shared services

Major Role Changes

Board of Trustees	▪ Set the expectation that USNH will operate as cost-effectively as possible by sharing back-office services. ▪ Conduct rigorous annual performance appraisals that hold the Presidents accountable for their dual roles as leaders of their institutions and partners in leading the System. ▪ Avoid operational involvement and migrate to a more strategic position within the System.
Administrative Board	▪ Place greater emphasis on campus senior management expectations for collaborating more effectively in order to limit the matters brought to the Administrative Board. ▪ Spend less time on operational matters and more time on coordinating System-wide matters. ▪ Ascertain whether certain issues that cannot be resolved by functional heads need to be brought before the Board of Trustees.
Chancellor	▪ Place greater emphasis on leading the System Office in providing cost-effective shared service and financial control. ▪ Reduce emphasis on oversight of institutions and coordinating policy outside of shared service and financial control. ▪ Take on a Board secretariat role, responsibility evolves to that of helping the Board monitor institutional performance / progress on strategic plans and USNH's collective performance against the needs of the state. ▪ Chair an Administrative Board of equals, acting as convener and agenda setter, but without power to make decisions if consensus is not reached. ▪ Take on an advisory role only in compiling budgets for submission to the Board.
Presidents	▪ Report directly to the Board of Trustees. ▪ Lead their institutions in developing and implementing campus strategies as approved by the Board of Trustees. ▪ Receive prior Board approval for hiring the positions of Provost and CFO for their campus; otherwise, have full authority in recruiting. ▪ Experience a reduced need to coordinate in the Administrative Board on academic affairs. ▪ Contribute to ensuring cost-effective System shared services with the goal of lowest-cost administrative operations.

Inter-Campus Collaboration

Through its System Office, USNH strives for cost-effective shared services with the goal of lowest-cost administrative operations; the following illustration highlights how Huron's proposal differs from current practice.
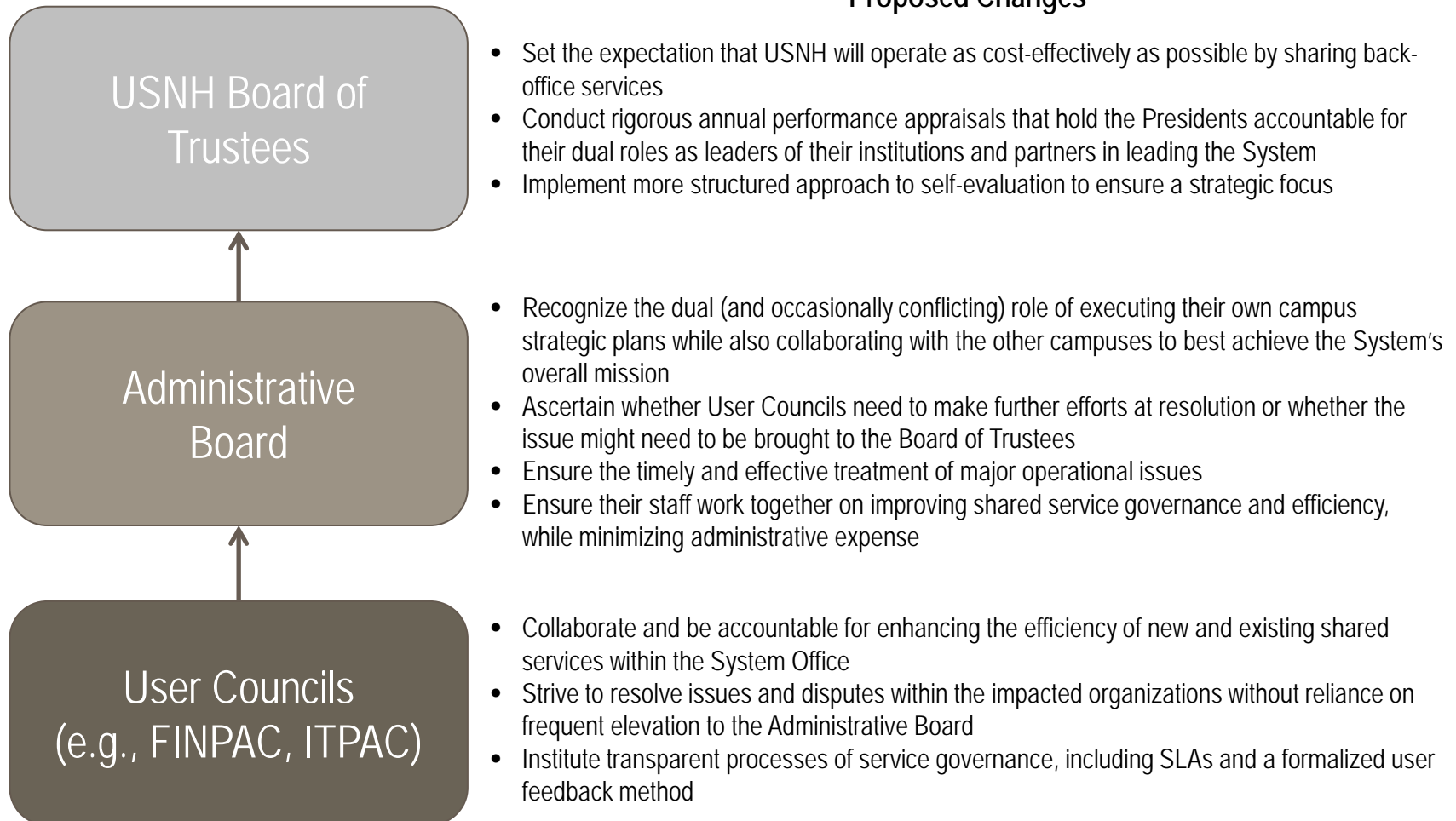
Proposed Changes

USNH Board of Trustees

- Set the expectation that USNH will operate as cost-effectively as possible by sharing back-office services
- Conduct rigorous annual performance appraisals that hold the Presidents accountable for their dual roles as leaders of their institutions and partners in leading the System
- Implement more structured approach to self-evaluation to ensure a strategic focus

Administrative Board

- Recognize the dual (and occasionally conflicting) role of executing their own campus strategic plans while also collaborating with the other campuses to best achieve the System's overall mission
- Ascertain whether User Councils need to make further efforts at resolution or whether the issue might need to be brought to the Board of Trustees
- Ensure the timely and effective treatment of major operational issues
- Ensure their staff work together on improving shared service governance and efficiency, while minimizing administrative expense

User Councils (e.g., FINPAC, ITPAC)

- Collaborate and be accountable for enhancing the efficiency of new and existing shared services within the System Office
- Strive to resolve issues and disputes within the impacted organizations without reliance on frequent elevation to the Administrative Board
- Institute transparent processes of service governance, including SLAs and a formalized user feedback method

Revisions to April 19th Resolution

Though Huron's recommendations are intended to build on the Board of Trustees' April 19th resolution delegating more autonomy to the institutions, we do have some suggested revisions.

April 19th Board Resolution

Suggested Revisions

i. The blanket autonomy in academic affairs (Promotion & Tenure), and opportunity to monitor Additions & Deletions, and Program Review

ii. The authority for Presidents to hire specialized counsel

iii. A President's authority to hire the Provost and CFO is subject to Board approval

iv. The Chancellor's authority to hire key administrative staff is also subject to Board approval

Organizational Enhancements in Support of Resolution

- A focus on campus strategic plans, driving priorities for capital, financial operating parameters, academic program changes, IT investments, etc.

- Greater emphasis on Board self-governance

- Standardized campus reporting to the Board, significantly reflecting strategic plan metrics

- Re-working key leadership roles and performance management processes for accountability

- Built-in processes for shared service governance to ensure low-cost operations and 'customer' responsiveness

- Clear procedures and decision rules both for implementing autonomy and for driving System-wide coordination decisions to the organizational level where functional expertise resides

- A Board-led advocacy campaign for public higher education in New Hampshire

Draft Implementation Plan

Though Huron has its idea on how recommendations should be implemented, we would propose the following next steps for the CMTF.

Key Implementation Steps	
i.	Adopt proposed Board committee structure and charges
ii.	Agree on overall organizational concept
iii.	Modify April 19th resolution
iv.	Revise key position descriptions and performance management system
v.	Revise policies and authority delegations
vi.	Monitor change process and impact on organization effectiveness
vii.	Review institution and system strategic planning process
viii.	Define process to self-assess Board's performance

Though beyond the scope of this engagement, Huron suggests that appropriate representatives from USNH consider the following questions or concerns that surfaced during our study:

- Can the traditional campus expense structure be supported under all plausible scenarios? Are there limits to the revenue-growth strategies pursued by most universities in recent decades? What are the options for offering degrees and research outputs with different cost / effectiveness tradeoffs from the traditional US public higher-education model?

- Online strategy: is there a case for USNH developing a System-wide approach rather than the current approach with duplication of online course development and delivery?

- Partnership strategy: is there a case for USNH institutions partnering with other universities, within New England or beyond, to jointly offer certain programs (e.g., WAMMI)? Should USNH try partnering with or offering select backroom operations capacity to others (e.g., CCSNH, NHCUC) on a fee-for-service basis?

- Consolidation: should USNH consider the possibility that continuing cost pressures may ultimately make it necessary to combine certain campuses to reduce administrative expense?

- Board of Trustees evolution: as the Board works to improve its mode of operation toward a strategic and fiduciary approach to empowering and holding accountable the chief executives of the campuses and the System, should the Board also work to establish a different system for selecting its leadership?

- Local Boards: As the Board, Chancellor, Presidents, and senior staff find their rhythm with this recommended framework, what are the advantages and disadvantages of having institutional boards of advisors to support and advise each president on select campus matters?