September 18, 2020

USHE – Shared Services

In the legislation creating the Utah Board of Higher Education S.B. 111, Higher Education Amendments, the Utah Legislature gave the new Board the charge to “maximize efficiency through the Utah System of Higher Education by identifying and establishing shared administrative services.” The Finance and Facilities Committee is tasked with discussing how the Board should best approach this charge.

Shared services is a concept used in both public and private organizations to describe the allocation of common internal business services between divisions or business units. Shared services organizations operate like internal businesses that treat users as customers and charge rates for services. Internal governance structures ensure shared services organizations understand customer needs and remain price competitive. Examples of common business functions consolidated into shared service centers include: finance and accounting, human resources, information technology, procurement, and facilities. Benefits of shared services may include reduced costs, improved services, and standardized processes.

The attached documents provide additional information for the committee, including presentation slides of a shared services overview and a proposed survey of USHE institutions.

Commissioner’s Recommendations
This is a discussion item only; no action is required.

Attachments:
What is Shared Services?

- Sharing common internal business services between business units
  - Finance/accounting
  - Information Technology (IT)
  - Human Resources (HR)

- Tactical *not* Strategic Decision
  - Consolidation of nonstrategic activities allowing more focus on the strategic
What is Shared Services?

Centralized Operations
- Less Responsive
- More Disconnected
- Less Flexible
- Less External Control

Shared Services
- Efficient Service Delivery
- Best Practices
- Performance Oriented
- Shared Governance
- Charge Rates for Services

Decentralized Operations
- More Duplication
- Less Inefficient
- Less Standardized
- Higher Costs

Economies of Scale
Process Standardization
Customer Service
Business Intelligence
Institutional Survey

• Brief description of institution’s business services:
  • Centralized (Yes/No)
  • Budget of Central Org
  • Number of Central FTE
  • Number of Decentralized FTE

• Business Services include:
  • Accounting and Finance
  • Human Resources
  • Information Technology
  • Student Financial Aid
  • Purchasing
  • Fleet
  • Facility Maintenance
  • Risk Management
  • Internal Audit
  • Police
  • Legal
RFP for Shared Services Business Case

A business case can quantify the impact and opportunities for shared services in the System

1. Review the current state of business services in the system
2. Present a realistic future state of shared services in the system
3. Identify the costs and benefits in moving from the current state to the future state
Potential Steps

- Discussion in September Finance and Facilities Mtg.
- Collect information from a survey of institutions
- Write an RFP for a shared services business case
- Engage a consultant to create a shared services business case
- Review business case and options
- Engage a consultant to develop an implementation plan
- Implement shared services across the System

By End of 2020

2021 to Early 2022

Mid 2022 to 2025
University of Michigan Example
<table>
<thead>
<tr>
<th>Accounting and Finance</th>
<th>Human Resources</th>
<th>Student Financial Aid</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounts Payable</td>
<td>Accounts Receivable</td>
<td>Credit/ Collections</td>
</tr>
<tr>
<td>Accounts Receivable</td>
<td>Fixed Assets</td>
<td>Travel &amp; Expense</td>
</tr>
<tr>
<td>Fixed Assets</td>
<td>Cash Mgt.</td>
<td>Billing</td>
</tr>
<tr>
<td>Credit/ Collections</td>
<td>Travel &amp; Expense</td>
<td>Human Resources</td>
</tr>
<tr>
<td>Travel &amp; Expense</td>
<td>Billing</td>
<td>Payroll</td>
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<tr>
<td>Billing</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

- **Centralized at Institutional Level (Yes/No)**
- **FY20 Central Budget**
- **Number of Central Institutional Employees**
- **Estimate of Non-Centralized Budget**
- **Number of Non-Centralized Department Employees**

<table>
<thead>
<tr>
<th>Information Technology</th>
<th>Other Services</th>
</tr>
</thead>
<tbody>
<tr>
<td>IT - Network Admin</td>
<td>Purchasing</td>
</tr>
<tr>
<td>IT - Desktop Support</td>
<td>Internal Audit</td>
</tr>
<tr>
<td>IT - Cyber security</td>
<td>Fleet</td>
</tr>
<tr>
<td>IT - Application</td>
<td>Facility Maint.</td>
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<tr>
<td>Development</td>
<td>Risk Mgt.</td>
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