

1. ROLE OF THE UM SYSTEM AND SERVICES PROVIDED

Each Chancellor is committed to keeping their university as part of the UM System. In addition, each Chancellor will have more autonomy over their campus, expanded participation in decision-making on UM System matters, as well as increased accountability to meet their mission and achieve expected financial performance measures.

To increase administrative efficiencies, the Council consulted with UM financial leaders on a proposed tiered approach to shared services, termed “Systemwide Services.” This entity will provide key compliance and support functions at a scale necessary for a research university system with an academic medical center. Such services will also support each university in its work to achieve key goals. All tiers will be annually evaluated to ensure constant optimization occurs systemwide.

Overall accountability measures for each Chancellor, the allocation of UM System resources, and the tiered approach to shared administrative services are described below.

Financial Accountability and Performance

The Council recommends the Board develop policy to establish financial performance expectations and targets for each institution to achieve.

Key Financial Decisions

The Board will continue to approve all capital projects, debt issuance, and operating budgets. The Board will consider such approval when an institution has met its established financial performance expectations. If an institution does not meet performance expectations, institution leadership will build a plan approved by the President and the Board to reach the established targets. An accepted plan is needed before the Board will move forward with an approval process about projects, as well as transferring assets to an institution in need.

System Resource Allocation

Investment Earnings

Each institution will receive a share of the UM System's general investment pool earnings comparable to its percentage of contribution toward the total liquidity of the enterprise.

Each Chancellor will submit a plan for Board approval describing the strategic use of these funds, which will also help direct their university's future funding.

To use the dividend, each institution will meet financial performance expectations. If financial performance expectations are not met, the institution's dividend will either be held and released with improved performance or used to cover liquidity costs for the impacted institution.

State Appropriations

The annual request for appropriations will reflect the state funding priorities established and approved by the Council before the request is presented for a Board vote. Upon Board approval, the universities will advocate as an enterprise for the agreed-upon priorities. Core state appropriation allocations should reflect differences in mission of the enterprise across the state. One-time funding initiatives, capital projects, and new or changes to recurring line item programs will be established by the Council as part of the annual request for appropriations.

Systemwide Services Allocation

Shared administrative services for the enterprise will spread across four tiers.

Tier 1: Systemwide Central Services

These services support key centralized corporate activities governed by the Board and largely related to the legal and compliance requirements of operating a \$3 billion enterprise. These common corporate functions already handled at the System level include legal, treasury, financial reporting, and IT security. The President will manage most of these function areas, except

those already reporting to the Board of Curators: Office of General Counsel, Secretary to the Board, and Compliance and Audit.

Performance Evaluation: Each university will offer feedback on the performance of these services as part of an annual evaluation. The leaders of the respective Systemwide Central Services will review the annual feedback, develop plans to address issues, and share such plans with the Council.

Cost Structure: The cost for these services will be allocated to each university based on its share of total operating expense or other cost drivers for specific services. Any percent annual cost growth will be capped at percent revenue growth for the enterprise. The President could override this cap as needed in consultation with the enterprise. If one institution rapidly grows revenue, the costs allocated from the UM System will increase accordingly for the institution driving the growth. Other institutions will not pay the increase. If an institution's revenue decreased, its share of the allocated costs will decrease accordingly.

Systemwide Central Service Areas	
Office of General Counsel	Union Negotiations and Management
Compliance & Audit	Unemployment Administration
Treasury	Core Recruitment Technology and Tools (job posting platforms, background/reference checks)
Investments	Search Firm Contract Management
Financial Reporting and Accounting	Family Medical Leave Act Process and Vendor Management
Risk & Insurance	Enterprise Resource Planning (ERP) Applications (HR, Finance, Student, Advancement) and Ancillary Applications Integrated with core ERP pillars for additional functionality
Benefits & Retirement	Information Security Program
Human Resources Service Center	Intercampus Network & Internet Access
Human Resources Information System	Enterprise Data Warehouse and Integrations
Compensation (i.e., Global Grading System)	Institutional Research/Institutional Effectiveness Compliance Reporting & Data Governance
Affirmative Action	Facilities Planning & Development
Compliance, Mandatory Training	

Tier 2: Systemwide Shared Services

These services represent common administrative support functions for the enterprise and will remain the same until otherwise justified. The President, with shared oversight of the Chancellors, will direct these services.

Performance Evaluation: Each university will offer feedback on the performance of these services as part of an annual evaluation. The leaders of the respective Systemwide Shared Services will review the annual feedback, develop plans to address issues, and share such plans with the Council.

Cost Structure: The cost for these services will be allocated to each institution based on its share of total operating expense or other cost drivers for specific services. Percent annual cost growth will be capped at percent revenue growth for the enterprise. The Council could override this cap as needed. If an institution rapidly grows revenue, the costs allocated from the UM System will increase accordingly for the institution driving the growth. Other institutions will not pay the increase. If an institution's revenue decreased, its share of the allocated costs will decrease accordingly.

Systemwide Shared Service Areas	
Procurement	Performance Management
Accounts Payable	Grievance Administration
Real Estate	Executive Recruiting
Government Relations	Shared Leave Management
System Academic Affairs	Enterprise Architecture & Information Technology Compliance
System Research	Emergency Alert
eLearning	Enterprise Software Licensing
Supervisory Training	Information Security Tools
Exit Surveys (Qualtrics)	Non-Enterprise Resource Planning Systemwide Applications
Leadership Development	Identity Management
Onboarding	Systemwide Communication Tools (email, calendaring, video/audio conferencing, etc.)

Tier 3: University Shared Services

These services are from the UM System or one of the institutions and will be allocated to each institution based on consumption. The highest performing versions of these services could be leveraged across the enterprise.

Cost Structure: Costs for these optional services will be allocated based on the cost drivers for the services. For example, costs of sponsored programs could be allocated based on the collaborating institution's share

of sponsored expenditures for the year. A formal agreement among the collaborating universities will outline such a distribution.

University Shared Service Areas	
Budget & Planning	Employee Assistance Program (EAP)
Research and Sponsored Programs Administration	Ombuds Program
Finance & Human Resources Transaction Processing	Mediation Services
Auxiliary Services	Wellness Program
Campus Operations	Employee Recognition Programs
Design & Construction	Executing Coaching Coordination and Contract Management
Cashiering	Recruitment Services
Business Services	Human Resources Leadership and Advising
Marketing & Communications	Information Security Services
Institutional Research/Institutional Effectiveness Campus Reporting	Information Technology Infrastructure and Facilities
Human Resources Core Administrative Processing Support	Other Information Technology Products, Services, and Applications as Identified

Tier 4: Local/College Shared Services

These shared services represent functions used by colleges within a university and support the mission. Such services will be adopted by deans and department chairs and managed at each university.