

Cutting Costs

A Trustee's Guide to Tough Economic Times



AMERICAN COUNCIL OF TRUSTEES AND ALUMNI
Institute for Effective Governance



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Launched in 1995, the American Council of Trustees and Alumni (ACTA) is an independent, non-profit organization dedicated to working with alumni, donors, trustees, and education leaders across the country to support liberal arts education, high academic standards, the free exchange of ideas on campus, and high-quality education at an affordable price.

ACTA's Institute for Effective Governance, founded in 2003 by college and university trustees for trustees, is devoted to enhancing boards' effectiveness and helping trustees fulfill their fiduciary responsibilities fully and effectively. IEG offers a range of services tailored to the specific needs of individual boards, and focuses on academic quality, academic freedom, and accountability.

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At many colleges and universities, these are times of crisis. Endowments have shrunk, and fundraising is significantly more difficult. Reductions in state funding for higher education have been massive. And a *Chronicle of Higher Education* survey of chief financial officers reveals that 62% believe the worst is yet to come.¹

If you think times are tough for your university's budget, consider how difficult economic times are for your students and their families. Two-thirds of today's college graduates took out loans to complete school, accumulating an average debt of more than \$23,000.² It is surely not the time to balance your university's budget with higher tuitions and student fees.

Now more than ever, your institution needs firm and courageous guidance from you as a member of its governing board.

Now is the time to look for *real* cost-

saving opportunities on your campus. Here are some ways for your school not only to survive these tough economic times, but to come out stronger.

BE EMPOWERED. Remember that trustees are fiduciaries. Students, parents, stakeholders, and—for

"If at the end of the day [institutions] think they're going to be able to avoid making hard decisions, I think that's unrealistic."

– Arne Duncan
U.S. Secretary of Education

public universities—taxpayers depend on your vigilance and firmness. Trustees mustn't be pressured by the invocation of “board discipline” or “board unity” into voting against their principles or conscience. It is not an act of courage to raise tuition. Trustees should be willing to close or consolidate programs, when appropriate. They should demand approval authority for significant expenditures, insisting on information in the planning stages and in time for rigorous review.

Beware of building and maintenance projects broken into multiple small units, masking large expenditures beneath seemingly routine activity. Think long and hard before entering into a contract—as some boards have—with a search firm that provides liberal expense allowances, and compensation that might approach the first-year salary of the CEO.³

BE POSITIVE. It is crucial for stakeholders to know how the institution intends to address and emerge from the financial crisis. Trustees should work with campus administrators to schedule forums where they can be present and take an active role. The administration and governing board should listen and inform.

“No one wants to invest in a university that views itself in crisis or decline.”

– Gordon Gee, President
Ohio State University

BE INFORMED.

First and foremost, you need financial information that is accurate and timely. Do you have experience in management and business, as many trustees do? Great! You can use it to understand cost centers and scrutinize their value to the institution. To do so, it's best to have full

reports and easy-to-scan “dashboard” indicators well ahead of board and committee meetings, with trendlines over a minimum of five years.⁴ Examine the reports prepared by the

institution’s financial officers. But also insist on seeing institutional data reported to the federal government (IPEDS) since this is the public face of your institution.

“Tough choices loom, and these choices should be guided by data. Campus and university system boards and state policymakers face difficult decisions about spending and priorities in light of the economic meltdown.”

– Delta Project on Postsecondary Education Costs, Productivity, and Accountability, 2009

Some key questions to ask:

- How does spending on student instruction compare with spending on administration? How has it changed over time—in other words, which sector is growing more rapidly?
- Specifically, what is the expenditure per full-time student (FTE) for “institutional support” (expenses not related to instruction) as reported to the federal government, and what percentage of total expenses does it represent? How does it compare with spending by the school’s peer institutions?
- Insist that sub-categories of institutional support be clearly detailed: executive level management, legal expenses, lobbying and public relations, travel, etc.

- Compare institutional support expenditures with direct expenditures per full-time student for instruction—the cost of teaching. Given the complexities of different student programs, it will also be useful to see the expense per student credit hour for instruction.
- How have faculty and administrative salaries moved over time, relative to inflation?
- How has the number of faculty changed relative to enrollment?
- How has the number of administrators changed relative to enrollment?
- What does each and every academic program cost? How many students does each program serve relative to its cost?

Armed with data, it's time to explore several topics.

Distance Education

Consider a requirement that some part of each undergraduate's credits toward graduation include a vetted and approved online course. Quality programs that go online are able to expand access and increase tuition revenue. Though

“Could not enormous savings be realized by expanding audiences via electronic means, by using taped lectures on multiple occasions, or by utilizing interactive computerized learning approaches in survey courses? A number of for-profit providers are showing that these techniques do have considerable promise, yet they are still used only sparingly in higher education.”

– Richard Vedder
Center for College Affordability
and Productivity

they require infrastructure, staffing, and expertise to succeed, online programs have far more reach per dollar than a capital building project (see below). It's true: Training and incentives may be necessary to overcome initial faculty aversion to program change. But numerous institutions have embraced these innovations, and research documents impressive student learning gains.⁵

Capital Projects

Is this the time for an expensive new building, especially if funding will come out of the hides of students in the form of increased student fees? Harvard suspended plans for its \$1 billion science complex; Stanford froze \$1.3 billion in capital projects; in Missouri, Governor Jay Nixon halted a number of college projects. Trustees need to ask: Will dedicating money to a new building bring higher quality education, increased capacity to offer degrees, and enhanced revenue stream as much as, e.g., initiatives to increase retention and graduation rates or improved technological infrastructure for high-quality distance education?

Administrative Expenses

Across the country, a growing share of “educational and general expenses” are going to pay for layers of administration. Are you part of that trend? And if so, are there ways to refocus university resources on instruction and education?

Faced with reductions in state appropriations, trustees and the president at the University of Missouri identified nearly \$20 million in savings, including

eliminating unnecessary academic and nonacademic programs, increasing productivity, reducing costs in administrative services areas, and enhancing the use of technology without increasing expenses. Actual spending dedicated to instruction rose, while administrative expenditures have been declining.

How about scrutinizing the different offices of your institution, e.g., Office of Assessment, Office of International Education? Can any of these be outsourced or replaced with more efficient and effective programs? For as little as \$6,500,

“The traditional [university] structure ... suboptimizes the university’s resources, because it breeds wasteful competition, an inefficient use of resources and a rigidity that discourages rapid response to challenges and opportunities.”

– Elizabeth Capaldi
“Intellectual Transformation and Budgetary Savings Through Academic Reorganization”
Change, July-August 2009

for example, an institution can administer a standardized assessment that will provide clear, quantifiable, and valid measures of growth in core academic skills.⁶

Do you really still need multiple employees and a freestanding office to support a complex, non-standardized assessment system?

Overseas study is important for students, but—especially if your institution’s experience base is thin—have you considered outsourcing or partnering with other agencies and institutions? There are also significant risks and legal exposures in overseas

programs, which an experienced, third-party provider can mitigate.

What about combining faculty and their intellectual specialties into larger multidisciplinary groups? Arizona State University (ASU) found that higher education's rigid departmental structure caused course duplication and educational silos. By merging different faculties under an interdisciplinary school, ASU was able to enjoy significant savings—in the millions of dollars—as well as appreciable improvement in educational quality and intellectual vitality.⁷

Partnerships of Community Colleges and Four-Year Schools

Is your institution trying to be everything to everyone? Community colleges excel at remediation and enhancing students' level of college readiness. They are able to do so effectively at much lower cost than four-year institutions, and four-year institutions can realize remarkable efficiency and progress by eliminating remedial courses. Conversely, community colleges' expansion to offer baccalaureate programs is a questionable change of mission, especially in times of diminishing funding. Creative partnerships like the Bridge to Clemson Program, on the other hand, which share the resources of a liberal arts university and a technical or community college, allow students to dual enroll while building academic strength and experience. The Clemson/Greenville Technical College sharing of resources, including meal plans, benefits everyone.⁸

Academic Consortia

In an age of interactive video, have you looked into the wisdom of maintaining multiple low-enrollment programs, each of which demands a number of highly paid senior faculty? Emerging around the country are collaborative initiatives that are proving a cost effective alternative. In Pennsylvania's State System of Higher Education, for example, many small majors, like philosophy and foreign languages across the 14 campuses of the system, formed consortia for delivery. The program has been so successful that new majors, such as Arabic and Chinese, were added. Three University of California campuses have formed a consortium to deliver a graduate program in Classical Studies. Eight University of North Carolina campuses have formed a German Studies Consortium, whose governing documents begin with a discussion of resource sharing. Duke and University of North Carolina-Chapel Hill have now formed a fully-integrated graduate program in German, a public-private partnership. Contrast the experience of the University of Southern California, which "went it alone" and saw its German major disappear.⁹

Travel

It is not micromanagement for a board to review policies on travel. Do departments allow multiple attendees at the same conference? Under what circumstances? How many days a year do administrators spend offsite at professional association conferences? Figure out what is important and what is not.

Teaching Loads

In many universities, faculty teach four classes a year. Do you have accurate information? Trustees should obtain fine-grained data, department by department, on the number of classes that each professor—adjunct or tenure-track—teaches and the number of credit hours generated. This is a quality issue as well as an economic one. Often, serious teaching is assigned to “tenure-track” faculty—in other words, the junior faculty with the least experience and depth in the field. At some institutions, senior, tenured faculty teach small seminars and have limited contact with students in introductory level classes who most need their comprehensive vision of the field.

In this crisis, would an increase of one class per year—which would generate a 25% increase in productivity—be an onerous burden? Could the assignment of teaching loads be prioritized to faculty who are less productive in research?

Accreditation

What do your programs spend on specialized accreditation, on preparations for the visits of accreditation teams, and on meeting the demands of the specialized accrediting agency? AACSB (Association to Advance Collegiate Schools of Business), for example, insists on costly low student-faculty ratios. NCATE (National Council for the Accreditation of Teacher Education) puts significant financial pressure upon the institutions that want its accreditation by requiring that courses, faculty lines, and governance structures it

deems appropriate be in place. Accreditation visits are so expensive that some institutions have petitioned to delay their accreditation cycles. Consider whether specialized accreditation is worth the cost.¹⁰

Tenure Policies

Tenure is virtually a life-time commitment—costing institutions million of dollars in salary and benefits.

Are there alternatives to consider?

Richard Chait and

Cathy Trower at

Harvard Uni-

versity report

that many young

faculty are recep-

tive to alterna-

tive employment

structures. And

multi-year con-

tracts can offer institutions greater agility to respond to academic and research demands.¹¹


“One size no longer fits all. ... The academy needs to invent new employment arrangements to create more alternatives that better serve the diverse needs of individual faculty members, academic programs, departments, and entire institutions.”

– Richard Chait
Harvard Graduate School
of Education

Core Courses

Have you reviewed your curriculum to ensure that students are learning the topics they must know at the lowest possible cost?

Numerous surveys show that colleges are failing at providing a strong general education. Instead of ensuring students are exposed to a limited number of courses designed to provide skills and knowledge needed after graduation, institutions today have in place cafeteria-style curricula which give students



often hundreds and thousands of courses from which to choose. The University of Illinois, for example, has more than 300 courses that satisfy the Humanities and Arts requirement. It's common sense that as the number of classes mushrooms, costs go up.

When finances are good, curriculum by adding machine may be acceptable. But when resources are tight, reforming the core curriculum offers both financial and academic gains. A tighter and more coherent program of courses can improve student achievement and cut costs.

Indeed, the solid, fundamental courses that students need are typically much less expensive to deliver than many of the “boutique” and “niche” programs. An English Composition program, for example, will usually employ a very high proportion of adjuncts and graduate instructors under the guidance of a small core of senior professors. With this structure, thousands of students can receive high-quality writing instruction in small classes, contrasting sharply with specialized or trendy programs which have fewer majors and limited application to current business, industry, or public sector needs.

But be vigilant: often cost-effective programs, the ones that have teams of adjuncts and graduate instructors guided by senior faculty, are highly vulnerable. Since adjuncts and graduate students have little if any voice in administrative decision making, their programs may be most vulnerable to termination by faculty governing bodies dominated by tenured senior faculty. Does your board have solid data on this issue?

ACTA is Here to Help

For fifteen years, ACTA has advised boards of trustees on all matters relating to higher education standards, cost-effectiveness, and accountability. We can facilitate board study sessions and retreats, assist in presidential evaluation, and organize regional conferences on key topics of higher education governance. On ACTA's website, trustees can find a large and growing number of reports designed to help board members understand the many issues they encounter.

We welcome your questions and contact at any time, by phone: 202-467-6787, or email: info@goacta.org, attention: Institute for Effective Governance.

About the Author

Michael Poliakoff joined ACTA as policy director in March 2010. He previously served as vice president for academic affairs and research at the University of Colorado and in senior roles at the National Endowment for the Humanities, the National Council on Teacher Quality, the American Academy for Liberal Education, and the Pennsylvania Department of Education. He has taught at Georgetown University, George Washington University, Hillsdale College, the University of Illinois at Chicago, and Wellesley College. He received his B.A. *magna cum laude* from Yale University and went on to study at Oxford University, as a Rhodes Scholar, and the University of Michigan, where he earned a Ph.D. in classical studies. He is the author of numerous books and journal articles in classical studies and education policy and has received the American Philological Association's Excellence in Teaching Award and the Pennsylvania Department of Education's Distinguished Service to Education Award.

Further Reading

Capaldi, Elizabeth. "Intellectual Transformation and Budgetary Savings Through Academic Reorganization," *Change: The Magazine of Higher Learning* 41:4 (July 2009): 19-27 <<http://www.changemag.org/Archives/Back%20Issues/July-August%202009/full-intellectual-budgetary.html>>.

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Middaugh, Michael. "A Consortial Approach to Assessing Instructional Expenditures," *The Delaware Study of Instructional Costs and Productivity* (Newark, DE: The University of Delaware, 2002), <<http://www.udel.edu/IR/cost/consortial.html>>.

Vedder, Richard. *Over Invested and Over Priced. American Higher Education Today* (Washington, D.C.: The Center for College Affordability and Productivity, 2007), <http://www.centerforcollegeaffordability.org/uploads/Over_Invested_Final.pdf>.

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Wellman, Jane V. and Donna Desrochers, Collen Lenihan, Rita Kirshtein, Steve Hurlbut, Steve Honegger. *Trends in College Spending: Where does the money come from? Where does it go?* (Washington, D.C.: The Delta Project on Postsecondary Education Costs, Productivity, and Accountability, 2009), <http://www.deltacostproject.org/resources/pdf/trends_in_spending-report.pdf>.

End Notes

1. Goldie Blumenstyk, “In a Time of Uncertainty Colleges Hold Fast to the Status Quo,” *Chronicle of Higher Education*, October 25, 2009.
2. “Student Loans,” The SmartStudent™ Guide to Financial Aid, <<http://www.finaid.org/loans/>>.
3. The North Dakota State Auditor officially complained that such accounting practices were used in the renovations of the president’s house: <http://www.bismarcktribune.com/news/state-and-regional/article_0096d752-585b-11df-9c8a-001cc4c002e0.html>; search firm fees: <<http://www.knoxnews.com/news/2010/may/14/ut-trustees-hire-presidential-search-firm/>>.
4. ACTA’s Institute for Effective Governance has two publications in its Essays in Perspective series that will help you define the metrics: *Metrics for Effective Governance* by G.L. “Peter” Alcock, Jr. <<https://www.goacta.org/publications/downloads/Alcock2008.pdf>>; and *Improving University Performance Through Measurement and Management* by Elizabeth D. Capaldi <<https://www.goacta.org/publications/downloads/Capaldi2008.pdf>>. The Minnesota State Colleges and Universities System has created a promising online dashboard, to date largely focused on student data: <<http://www.mnscu.edu/board/accountability/index.html>>.
5. A notable example: after watching the Masters of Teaching program at University of Southern California quadruple its enrollment, <<http://www.insidehighered.com/news/2009/10/07/uscmat>>, USC’s School of Social Work is now following suit: <<http://www.insidehighered.com/news/2010/04/22/usc>>. Concerning the challenges of wide adoption of distance education: <<http://chronicle.com/article/Professors-Embrace-Online-C/48235/>>.

6. The Collegiate Learning Assessment (CLA), the ACT Collegiate Assessment of Academic Proficiency, and the ETS Measurement of Academic Progress and Proficiency are currently available to assess student learning gains in general education. A cross-sectional administration of the CLA costs \$6500: <<http://www.cae.org/content/pdf/CLABrochure2008.pdf>>. The CAAP costs between \$13.50 and \$20.50 per student, depending on the number of testing modules used; a scored essay exam is also available: <<http://www.act.org/caap/pdf/09PriceList.pdf>>. The MAPP exam costs between \$13.80 and \$15.80 per student, depending on the scope of the instrument, with an optional essay exam available: <<http://www.ets.org/proficiencyprofile/pricing/>>.
7. See Elizabeth Capaldi, “Intellectual Transformation and Budgetary Savings Through Academic Reorganization,” *Change: The Magazine of Higher Learning* 41:4 (July 2009): 19-27 <<http://www.changemag.org/Archives/Back%20Issues/July-August%202009/full-intellectual-budgetary.html>>.
8. See the remarkable story of CUNY’s growth and progress after eliminating its remedial programs: Sandra E. Diaz, *In Pursuit of Academic Excellence: The Story of the City University of New York and Its Lessons for American Higher Education* (Washington, D.C.: The American Council of Trustees and Alumni, 2010). On community college baccalaureate programs, see the recent controversy in Illinois: <<http://www.insidehighered.com/news/2009/05/11/illinois>>. On the Bridge to Clemson program, see: <<http://www.clemson.edu/admissions/bridge/index.html>>.
9. Pennsylvania State System of Higher Education consortia: <http://chronicle.com/article/Pennsylvanias-State-System/65953/?sid=at&utm_source=at&utm_medium=en>. North Carolina German Studies consortia: <<http://people.uncw.edu>>.

edu/burtr/German%20Studies/by-laws.htm>, <<http://german.trinity.duke.edu/carolina-duke-grad/>>. Termination of the German major at University of Southern California: <<http://www.insidehighered.com/news/2008/04/11/german>>.

10. Eric Kelderman, “Struggling Colleges Question the Cost—and Worth—of Specialized Accreditation,” *Chronicle of Higher Education*, October 5, 2009: <<http://chronicle.com/article/Struggling-Colleges-Questio/48685/>>.
11. Richard Trower and Cathy Chait, *Where Tenure Does Not Reign: Colleges with Contract Systems* (Washington, D.C.: American Association for Higher Education and Accreditation, 1997).



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