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Mixed Picture on Cost Containment



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College financial leaders, always on the lookout for ways to decrease institutional spending, have good reason to act with more urgency these days, with Congress looking over their shoulders and the economic picture souring. A survey of state colleges finds that many campus officials are pleased with their efforts to drive down costs — not surprising, perhaps, given that some of those who responded are the ones responsible for overseeing the financial activities.

But the survey also concludes that colleges tend to go about cutting costs without a larger strategic plan, and that many don't document their work or communicate their intentions to the public.

“Cost Containment: A Survey of Current Practices at America’s State Colleges and Universities,” a joint effort [to be released today](#) by the American Association of State Colleges and Universities and SunGard Higher Education, includes responses from 114 AASCU member institutions, most of which are regional state colleges.

More than 8 in 10 officials surveyed said cost containment is a “very” or “extremely” important issue, and three in four reported being satisfied with their colleges’ efforts to achieve cost savings. But, as the report notes, nearly 25 percent of the respondents aren’t satisfied with their institutions’ actions, suggesting room for improvement.

One of the report’s main critiques is that despite the importance colleges place on cost containment, most are not setting aside “significant” resources — funding, staff and time — to identify and carry out these measures. And the majority of institutions don’t report these financial moves on a regular basis, meaning that it’s hard to tell to what extent a majority of the institutions surveyed are able to quantify cost savings, the report says.

Of the 29 colleges surveyed that do regularly quantify and report cost cutting measures, the median savings were \$1 million per year (from the last fiscal year reported), or \$135 in savings per student annually, according to the report.

“It’s my assumption that cost containment is an innate part of an institution’s operation, but universities haven’t always been compelled in the past to dedicate resources to explaining what has been achieved,” said Daniel J. Hurley, director of state relations and policy analysis at AASCU and author of the report. “Going forward, given continued calls for accountability and transparency, it would be a good practice for institutions to report this information.”

Jane V. Wellman, executive director of the Delta Project on Postsecondary Costs, Productivity and Accountability, a

nonprofit group that seeks to improve cost management within higher education, writes in the report's forward section that, "On one hand, the issue of cost containment is a high priority among AASCU institutions, and on the other hand, some evidence suggests that cost containment remains somewhat of a budgetary afterthought."

Where Cutting Occurs

When asked about emerging issues in cost containment, respondents listed energy costs and energy management, and benefits costs, more often than they did faculty and academic programming.

Most cost reduction efforts are focused on the business operations side: namely facilities and infrastructure, and business services and processes. The majority of colleges surveyed saved money through energy management and [consortium purchasing of goods](#) such as computer and IT services, insurance and office supplies.

The report says that colleges tend to be more satisfied when their cost cutting initiatives include a wide range of operations and services. "Evidence suggests that additional cost savings can be realized by judiciously utilizing a broader cross section of college and university operations, especially those associated with the academic core, where greater operational resources are expended," it says.

According to survey results, between one-third and half of institutions have saved costs in six of eight areas relating to academic programming, including efforts relating to faculty teaching loads, course offerings, departmental mergers, and program consolidation/discontinuation. The report says colleges should look to make cuts that don't damage the quality of their academic programs.

More than 50 percent of those surveyed say their colleges have used contingent faculty and online learning to reduce operating costs. Hurley said colleges are starting to reap the benefits of the investments made years ago on distance instruction.

Four in 10 colleges have increased class sizes to reduce costs, and others have discontinued programs with low enrollments and developed joint programs with other institutions.

Few colleges are turning to benefits reduction as a source for cost containment, the report notes, adding that "a comparatively large percentage of institutions will not consider" that as a possibility. On the other hand, only 1 in 10 institutions will not consider cutting compensation levels for administrators as a means to achieve cost savings, as opposed to 25 percent that will not consider faculty compensation levels.

Still, the survey shows that up to 25 percent of those surveyed said their colleges have yet to consider some aspects of cost cutting on the academic programming side.

Colleges' strategies are also called into question in the report. Wellman writes that the cost cutting efforts tend to be "ad hoc rather than strategic," and criticizes the institutions for a "weak use of data to document and publicly account for cost management.

"This suggests that cost management has yet to be systematically engaged at a leadership and policy level within these institutions," she writes. (Wellman notes that since just over a quarter of AASCU institutions responded to the survey request, the views of the campus practices might not be fully represented.)

The report shows that oversight for cost containment activities is often either centralized in the business/comptroller's/CFO's office or is shared equally among the institution's divisions.

Wellman said college officials should better document and convey the differences between cost cutting (reducing unit costs of production), cost containment (reducing growth in spending), and cost management (finding ways to systematically reduce spending in non-essential areas in order to reallocate resources to policy priorities).

Added Hurley: "Universities should seek ways of getting good examples of what they've done to save the student or taxpayer dollars, especially if it's done to reinvest in things that have meaning to them, whether tuition or academic quality, that will resonate with the public."

— [Elia Powers](#)

The original story and user comments can be viewed online at <http://insidehighered.com/news/2008/04/01/cost>.