Improving cost effectiveness by addressing the spending side of college costs

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Elements of the discussion

- Cost drivers
- Reducing costs to students by increasing instructional productivity
- Building cost effective paths to student success
- Building a cost effective curriculum
- Addressing major barriers to more effective cost management
Other than revenue...the major determinants of costs are:

- Discipline mix: very similar patterns across different types of institutions (drives cost even more than institutional mission)
- Level of instruction (LD/UD/G/Professional)
- Faculty compensation (full-time/part-time, workload, class size) –closely tied to mission
- Employee benefits
Average cost per credit unit by discipline

Source: Special Tabulation of Delta Cost Project, weights from SHEEO, Delaware project.
The redistribution of costs or cross-subsidy patterns -

<table>
<thead>
<tr>
<th>Credit Hour Distribution and Average instructional costs</th>
<th>4-state cost study (SUNY, Florida, Ohio, Illinois)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>% of all credits taken</td>
</tr>
<tr>
<td>Lower Division</td>
<td>36%</td>
</tr>
<tr>
<td>Upper Division</td>
<td>48%</td>
</tr>
<tr>
<td>Grad 1</td>
<td>12%</td>
</tr>
<tr>
<td>Grad 2</td>
<td>4%</td>
</tr>
<tr>
<td>100%</td>
<td>100%</td>
</tr>
</tbody>
</table>

Undergraduate attrition patterns

Percentage of All Dropouts by Cumulative Months Enrolled, Beginning Postsecondary Students 2003-04

60% of attrition occurs in lower Division courses. Where spending per student is lowest.

Source: NCES, BPS, undergraduates only.
The single biggest inflationary expenditure growth in public higher education is employee benefits – treated as a ‘fixed cost’ by many states and institutions.

<table>
<thead>
<tr>
<th>Public institutions</th>
<th>Salary outlay per employee</th>
<th>Benefit cost per full-time employee</th>
<th>Compensation per employee</th>
<th>Compensation per FTE student</th>
</tr>
</thead>
<tbody>
<tr>
<td>Research</td>
<td>1.5%</td>
<td>5.2%</td>
<td>2.3%</td>
<td>1.6%</td>
</tr>
<tr>
<td>Master’s</td>
<td>-0.2%</td>
<td>4.6%</td>
<td>0.9%</td>
<td>0.6%</td>
</tr>
<tr>
<td>Community colleges</td>
<td>0.8%</td>
<td>5.2%</td>
<td>1.7%</td>
<td>1.1%</td>
</tr>
<tr>
<td>Private institutions</td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Research</td>
<td>0.1%</td>
<td>1.6%</td>
<td>0.5%</td>
<td>1.7%</td>
</tr>
<tr>
<td>Master’s</td>
<td>0.0%</td>
<td>2.4%</td>
<td>0.4%</td>
<td>0.6%</td>
</tr>
<tr>
<td>Bachelor’s</td>
<td>-0.1%</td>
<td>1.3%</td>
<td>0.2%</td>
<td>0.7%</td>
</tr>
</tbody>
</table>
Reducing student costs by increasing instructional productivity

- Students accrue substantial savings from reductions in attrition and time to degree
  - Average student graduates with substantially more credits than what is required to earn degree – UH Manoa + one additional semester
- Adding \( \approx 12\% \) in cost to the degree along with the loss of time
Building a cost effective path to student success

- Combines academic program review and renewal with student success agenda
- Reduces academic costs through pruning of the curriculum to eliminate or consolidate low enrollment courses and majors
- Realigns curriculum and course sequencing to increase student success including learning outcomes
- Accompanied by other interventions to improve student outcomes: first year programs, cohort scheduling, enhanced counseling and peer group supports, student support
Translating cost reductions into investments in student success

- Reducing costs where possible:
  - Fixed cost approach to employee benefits
  - Academic program duplication, curriculum drift, mission drift
  - Financing of academic and administrative overhead

- Increasing investments that will pay off in increased student success including quality and outcomes
  - Lower division success – first year programs, core curriculum, learning communities, high impact practices
  - More student support
  - Reduction in attrition and excess credits
Barriers to more effective cost management

- Culture equates spending with quality
- Budget building habits – particularly around fixed costs for employee benefits
- The absence of good data about spending and performance
- A good process is built on goals, shared responsibility, creates momentum, and explicitly tackles these barriers as part of the work