

How to Save Resources: Creative Solutions to Cost Containment



Hosted by CAIR
Pasadena, CA
November 13, 2008
Lucie Lapovsky
llapovsky@mercy.edu

The World Has Changed

- ❑ Stock markets around the world have lost significant value
- ❑ Major firms have gone out of business or are merging or being absorbed by other firms
- ❑ Credit is almost nonexistent
- ❑ Unemployment is up
- ❑ Uncertainty is rampant

Motivations for Cost Containment

- No choice:
 - Current situation
 - State reductions in support
 - Decline in value of the endowment
 - Increased demand for financial aid with a difficult loan market
 - Debt facilities almost non-existent
 - Uncertainty about enrollment

Motivations for Cost Containment

- No choice (cont.):
 - Significant reduction in resources - enrollment declines, reduced public support, etc.
- Contain tuition increases
- Reallocate resources to higher priority areas without significant price increases

Price vs. Cost

- Price is what a student pays to attend college
- Cost is what the college spends to operate

Price

- ❑ Published price = tuition
- ❑ Net price = tuition – all financial aid
- ❑ Price is usually lower at public institutions (for in-state students) than at private institutions
- ❑ Price doesn't cover costs at public institutions and at most non-profit private institutions
- ❑ Price usually yields a profit at proprietary institutions

Cost Differences

- ❑ Cost structures differ significantly by type of college
- ❑ Costs differ by the market basket of goods the college offers
- ❑ Costs differ by the way a college operates
- ❑ Costs differ by location, cost-of-living, etc.

Types of Cost and Capacity

- Fixed Costs
- Variable Costs
- Average Costs
- Marginal Costs

Major Drivers of Cost

- Mission Creep

Major Drivers of Cost

□ Faculty

- Number full-time/part-time
- # of courses taught per year
- # of students taught per year
- Other workload expectations
- Average salaries

Major Drivers of Cost

- Academic Programs
 - Number of credit hours required to graduate
 - Breadth - # of majors, etc.
 - Number of courses
 - Average class size

Major Drivers of Cost (cont.)

- Facilities
 - Size of campus
 - “Club Med” amenities
 - Intensity of use
 - Use relative to capacity
- Administration
- Co-curricular activities

Traditional Cost Saving Strategies

- Energy and water conservation
- Outsourcing
- Consortia
- Group purchasing
- Efficient debt structure
- Good management of cash
- Other

Academic Initiatives to Save Money

- ❑ Review academic requirements to make sure they are not excessive
- ❑ Ensure that advising is adequate so students do not take unnecessary courses
- ❑ Fill up classes
- ❑ Eliminate duplicate classes e.g. statistics
- ❑ Better articulation agreements
- ❑ Library initiatives
- ❑ Other

Administrative Initiatives

- Review all positions to ensure that they are required
- Assess where technology can lead to cost savings
- Develop new ways to provide fringe benefits
- Reducing costs of textbooks

“Newer Strategies”

- ❑ Year round calendar – utilize the campus fully all year
- ❑ Carol Twigg’s technology initiatives
- ❑ Drexel model – providing technology services to many small colleges
- ❑ Reduced time to graduation
- ❑ Mellon plan for retirees health insurance
- ❑ Other

Questions for Discussion

- ❑ What role can and should the strategic plan have when you have to quickly reduce costs?
- ❑ What other areas are there for cost containment/reduction?
- ❑ How can Institutional Researchers motivate conversations about cost containment?

Questions for Discussion

- How can you use data effectively to start and support these conversations?
- How can you have honest discussions without headline risk?
- What is the language that should be used in discussing these issues?
 - Need to motivate people to think creatively
 - Need to maintain morale as you deal with these issues

Questions (cont.)

- ❑ How do you acknowledge the political realities?
- ❑ How can you help to instill a culture which continually motivates efficient operation?
- ❑ Other issues and questions