

## MEMORANDUM

To: Government Restructuring Task Force  
C.c. Council of University Presidents

From: David A. Lepre, Executive Director

Subject: Higher Education Cost Savings and Efficiencies

Date: November 22, 2010

Last Friday the Council of University Presidents (Council) convened a conference call for the purpose of discussing higher education cost savings suggestions to bring back to this committee. The response is presented in an overview, the short term, and beyond fiscal year 2012.

**Overview:** There is an unmistakable link between higher education funding and the evolution of programs and institutions. Critics of higher education have described this organic growth as gaming the system or formula chasing. In times of revenue growth and public demand to expand both vertical and horizontal access, institutions view the expansion as being responsive. However, in today's environment, the Council agrees that the financial support structure all institutions rely on to mount the essential instructional effort requires an overhaul.

To address this in the most immediate and consequential terms, the Council is fully engaged in the effort of the Instruction and General Steering Committee, a high-level representative formula reform group leading the effort to reinvent the higher education formula so that it will reflect relevant factors for delivering the educational product in the most efficient and effective ways.

Meaningful change may require decoupling the formula into separate two-year and four-year formulas so that the relationship between expenditure growth and supporting revenue can be examined and recalibrated, and so that the respective formulas will raise the awareness of each sector about the implications of enrollment growth in the context of limited resources, programmatic prioritization, and degree program quality.

We agree with the fundamental concern that simply funding institutions based on how many students can be rounded up has had a damaging effect on the overall effort, the system's outcomes, and the system's ability to be responsive to the changing educational needs of the state.

### **In the short term:**

1. The Council agrees that the Funding Formula Task Force recommendation to transition to an averaging model for FY 2012 is a constructive way of reducing the short-term cost of higher education to the state. This change reduces the workload reimbursement to the institutions from \$61 million to \$34 million. In combination with an additional 3 percent across the board cut, the savings to the state is on the order of \$23.6 million when the cut is applied to research and public service projects across the system as well as the formula.

2. The Council is aware that this action, which essentially carries a flat higher education budget forward despite over \$60 million in workload expansion, will not fully address the short-term problem. To the extent that further cuts are required, the Council supports reductions that impact institutions equitably, meaning giving full consideration to their missions, and reducing in proportions relative to their state appropriation.
3. A flat percent tuition credit taken across all of higher education is not part of an equitable cost reduction to the General Fund. Starting with a flat budget, an across the system 1 percent reduction equals \$7.62 million.

**Looking to FY 2013 and beyond:**

- 1) The Council agrees that it may be time to consider real structural change in higher education. Two high-level ideas that drew general support focused on finding administrative savings through consolidation and increased productivity:
  - Merge smaller, less productive community colleges with larger schools.
  - Establishment of a system in which all community colleges are linked to universities in both administrative support and governance.
- 2) Additional savings can be realized by moving the financial arm of the Higher Education Department to the Department of Finance and Administration, leaving a full compliment of both financial aid and data collection staff and replacing the oversight and policy arms with a support staff for a representative commission as was done before, or a panel of college and university presidents as is done in some states. The Council does not support burying the Higher Education Department within the walls or organizational chart of the Public Education Department.

While the Council discussed a list of specific funding items, there was consensus that most would be addressed during construction of a formula driven by relevant factors that reach beyond head count or credit hour production, a formula that directs resources to productive, high quality programs that respond to the academic and career goals of motivated students.