



The Essential Guide to Cost Containment Strategies

An Introduction to EAB Resources for Higher Education Leaders



We help schools support students from enrollment to graduation and beyond

➤ **ROOTED IN RESEARCH**

7,500+ Peer-tested best practices

500+ Enrollment innovations tested annually

➤ **ADVANTAGE OF SCALE**

1,700+ Institutions served

4 M+ Students supported by our SSMS

➤ **WE DELIVER RESULTS**

95% Of our partners continue with us year after year, reflecting the goals we **achieve together**

➤ Find and enroll your right-fit students

➤ Support and graduate more students



➤ Prepare your institution for the future

Responding to COVID-19 Across Multiple Horizons

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EAB Support for Immediate and Long-Term Challenges

March and April

"How do we respond to the immediate financial challenges of the crisis?"

Emergency Financial Management

Support for Immediate Financial Decisions, Including:

- Refunds policies
- CARES Act funding analysis
- Contingency planning and near-term cost containment

Summer-Fall 2020

"How bad will things get and what difficult decisions and trade-offs will we need to make?"

Repopulation Decisions and Fall Contingency Planning

Planning for Fall Delivery and Corresponding Financial Impact

- Considerations for bringing students safely back to campus
- FY21 financial scenario modeling
- FY21 cost containment strategies

End of 2020 and Beyond

"What will competitive differentiation and financial sustainability look like in a radically altered higher ed landscape?"

Future Visioning

Thriving in a New Normal: Strategies for Post-COVID-19

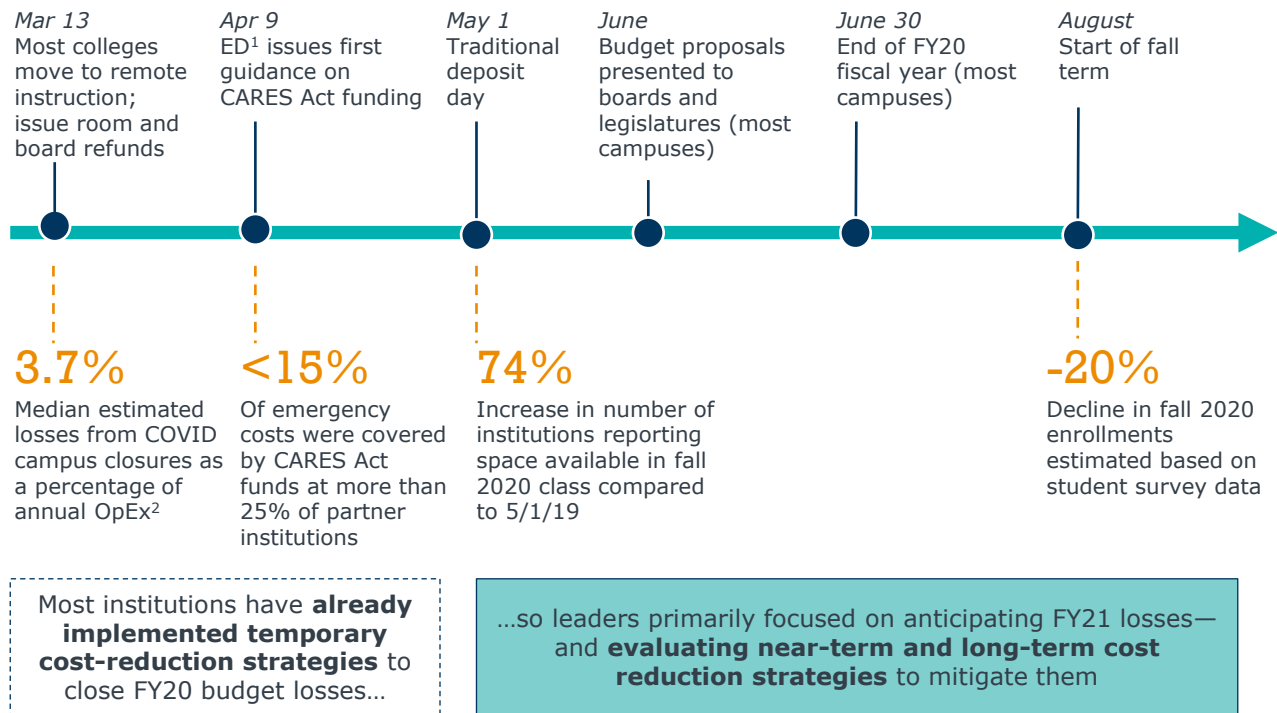
- Future of academic program demand and delivery
- Competitive differentiation in an altered market
- Long-term cost restructuring and business model changes

Today's focus

- 1 **Considerations for Short- and Long-Term Cost Containment Strategies**
- 2 Walkthrough of Cost Containment Resource Center
- 3 Cost Containment Strategies in the COVID Environment
- 4 Q&A

Higher Ed Budget Projections—A COVID Timeline

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1) Education Department.
2) Operating expenditures.

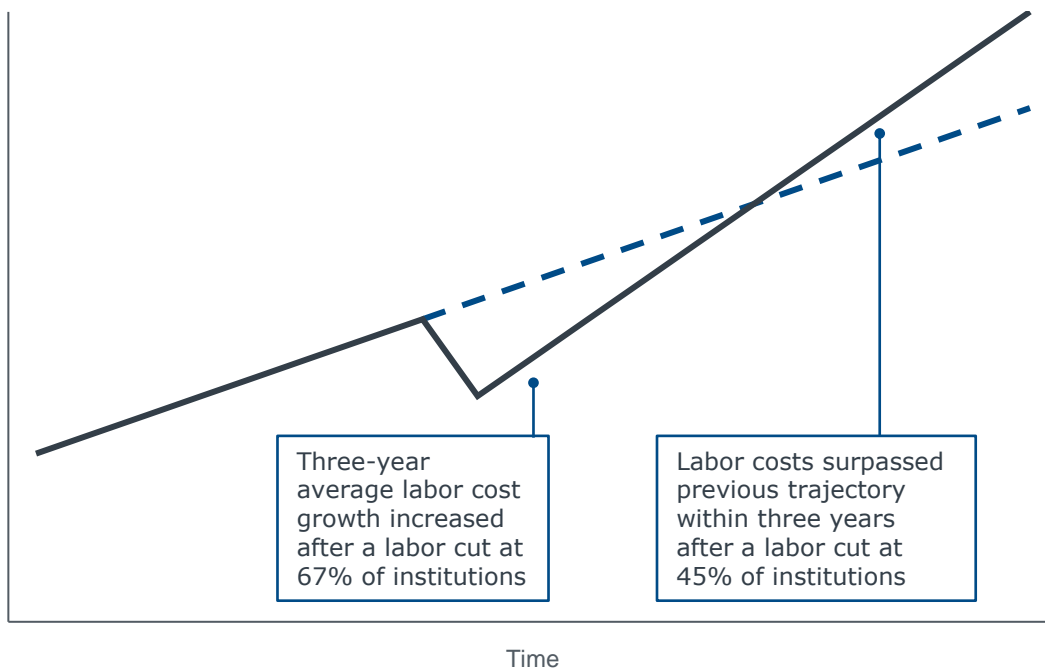
Most Cuts Don't Last



Historical Data Shows Many Institutions Are Worse Off After Labor Cuts

Modeled Labor Cost Growth Following Significant Cut

$n = 1,307$



Cutting Into the Bone



Over-Correction Quickly Erases Gains from Labor Cuts

1 Institution cuts labor

Institution institutes hiring freeze and lays off 40+ central admin staff

2 Units short-staffed

Select units under-staffed during busiest time of year

3 Unit managers turn to costly alternatives

Leaders use expensive overtime and temp agencies to temporarily fill in staffing needs

4 Institution experiences net loss

Money spent on expensive staffing alternatives exceeds money saved from labor cuts



Case in Brief: Barnes College¹

- Small public baccalaureate in the Midwest
- Implemented hiring freeze and layoffs in central admin to reduce costs, but ultimately saw costs increase when unit leaders corrected for reduction with expensive premium labor



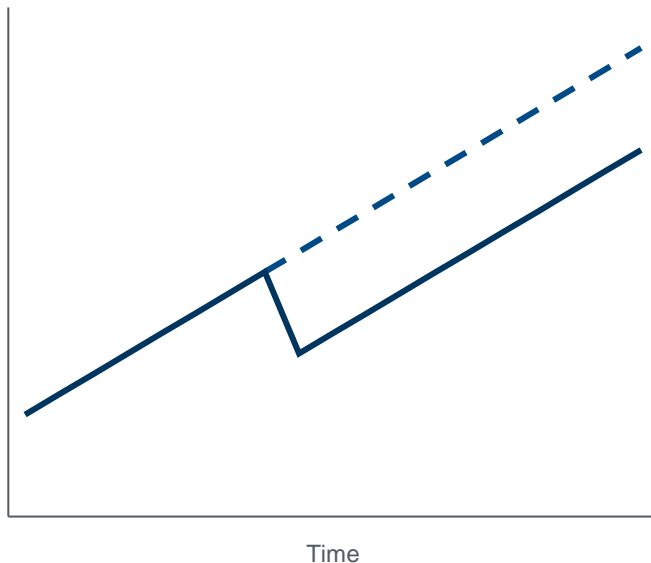
1) Pseudonym.

Rebasing the Current Cost Structure



Strategies Yield Immediate and Sustainable Savings to Combat Present Losses

Modeled Labor Cost Growth Following Principled Savings Tactic Implementation



Contrasting Rebasing Tactics to Cost Cutting

- Cuts often go too deep, impacting staff's ability to perform needed work and leading to costly course corrections
- Rebasing tactics reduce cost baseline without increasing growth rate or "cutting into the bone"
- Principled approaches to cost savings do not hinder work processes or damage staff morale, making them more sustainable long-term

COVID-19 Playbook for Immediate Cost Savings

Compendium of 60+ Containment Tactics and Implementation Guidance

Functional Categories

Contains **67** distinct tactics organized into nine categories:

- Benefits Vendor Management
- Compensation
- Employee Stipends and Perks
- Fringe Benefits
- Health Benefits
- Overtime
- Personnel Decisions and Staffing
- Physical Plant and Real Estate
- Purchasing and Procurement

Snapshot of the Cost Containment Tactics

VII. Personnel Decisions and Staffing			
Page Subtitle – Verdana 13pt Regular, Title Case			
Tactic	Savings Potential	Time to Achieve Savings	Requires Union Negotiation
#39: Freeze hiring	\$\$\$	Short	Not Likely
#40: Create hold period for vacancies	\$	Short	Not Likely
#41: Direct targeted layoffs	\$\$\$\$	Short to Long	Likely
#42: Consolidate management layers within departments	\$	Medium to Long	Not Likely

Implementation Guidance

Freezing hiring can generate immediate cost savings and avoid the expense of training and onboarding new hires. However, care should be taken not to "freeze too long" when hiring needs to be met to maintain current service levels and avoid negative impacts on staff morale.

Consolidating a period of time that newly vacant positions should be held open before they are reclassified has several cost-reduction benefits, a mandatory hold period encourages staff to accept new assignments, allowing units to restructure processes and workflows, and protect actual staffing needs. It forces units to utilize existing resources in a more efficient way, potentially reducing the need to hire more staff.

Administrative, non-revenue bearing positions are targeted for elimination. It is important to ensure that vacancies from across units to determine where the greatest need for staff exists and prioritize filling these roles. In addition to the marginal savings created by the hold, more substantial year-over-year savings are achievable when the mandatory hold periods are used to identify excess capacity and prevent automatic, uncoordinated, backfilling of vacant roles across the institution. Some exceptions to the hold periods are safety-related roles with a demonstrated impact on public safety, including highly specialized for health and safety roles, as well as units with exceptionally high turnover should be exempt from mandatory vacancy holds.

This tactic is often thought of as an "immediate" result for reducing administrative overhead. Rather than targeting position-based costs, positions should be eliminated based on business need and strategic alignment. Careful communication is critical to maintaining the morale of existing employees.

This tactic involves reducing administrative layers by eliminating vacant administrative positions and eliminating roles up or down to existing management staff. Implementing this tactic can significantly reduce staffing layers contributing to the department structure and over-reliant administrative roles.

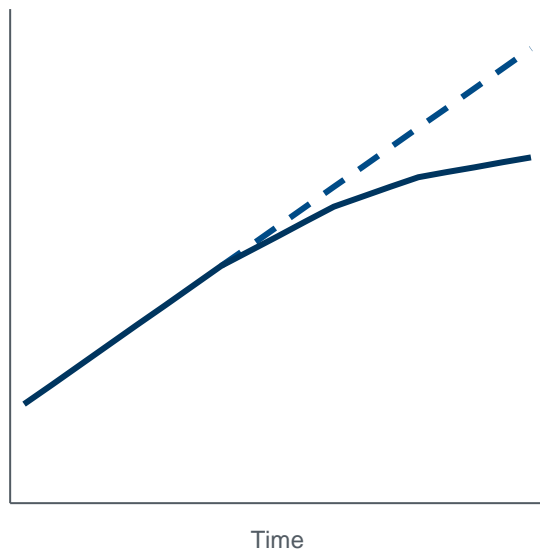
Access the compendium [here](#).

Looking Beyond the Immediate Crisis

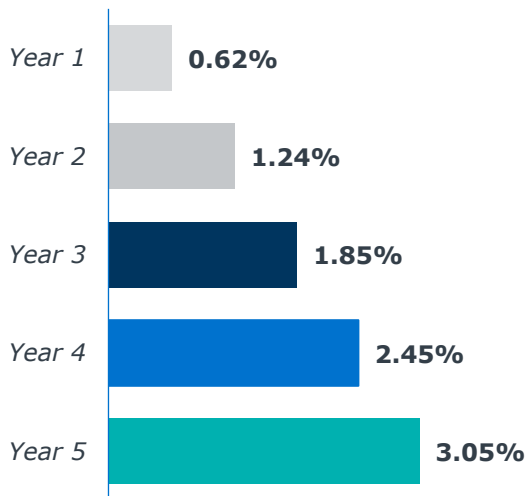


Best Practice Approach to Cost Cutting Is Slowing Growth Over Time

Ideal Labor Cost Growth Over Time



Operating Budget Reduction from Slowing Cost Growth from 4.5%¹ to 3.5%¹



1) Assuming non-labor cost growth of national median 4.5%.

EAB's Cost Containment Resource Center

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500+ Tactics to Address Immediate Shortfalls and Slow Growth Over Time

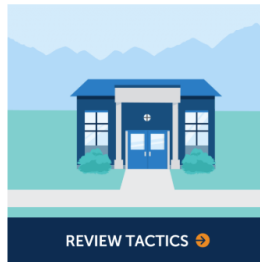
- Includes over 500 individual cost management strategies
- Represents 12+ years of EAB research
- Tactics organized by time to achieve savings (short v long-term) and type
 - Labor
 - Workflow and org design
 - Academic affairs
 - Spend and contracts
 - Technology and IT
 - Facilities and Auxiliaries
- Features short diagnostic to help leaders navigate to most relevant tactics

The Essential Guide to Cost Containment Strategies for Higher Education

Labor



Workflow and Org Design



Academic Affairs



Spend and Contracts



Technology and IT Services



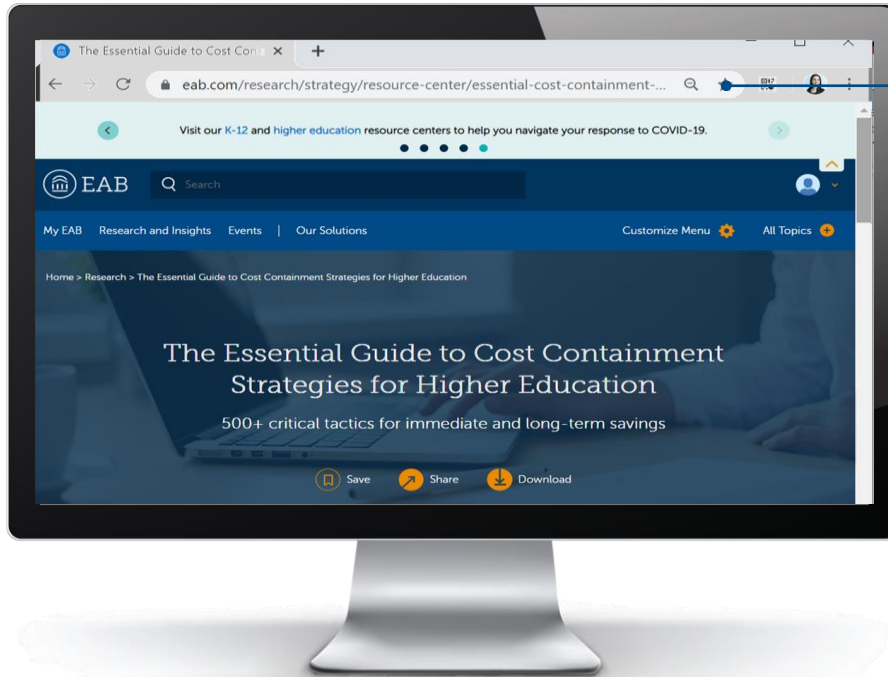
Facilities and Auxiliaries



- 1 Considerations for Short- and Long-Term Cost Containment Strategies
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A Virtual Tour of the Resource Center

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eab.com/costcontainment

Source: [The Essential Guide to Cost Containment Strategies for Higher Education](#); EAB interviews and analysis.

1

Considerations for Short- and Long-Term Cost Containment Strategies

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Walkthrough of Cost Containment Resource Center

3

**Cost Containment Strategies in the
COVID Environment**

4

Q&A

Tactics for Discussion



A Closer Look at Select Practices from the Resource Center

	Tactic	Type of Savings Opportunity	Savings Time Horizon	Corresponding Resource(s)
1	Furloughs	Labor Savings	Near-term	COVID-19 Administrative Cost Containment Playbook
2	Academic Resource Reallocation Analyses	Academic Affairs	Near-term	<ul style="list-style-type: none">• Breaking the Cost Quality Tradeoff• 10 "No-Regrets" Analyses
3	Shared and Centralized Administrative Services	Workflow and Org Design	Longer-term	<ul style="list-style-type: none">• Design a Shared Services Model that Reflects Campus Priorities• Shared Services Primer
4	Energy Savings	Facilities and Auxiliaries	Longer-term	Energy Reduction Strategies in Higher Education

Adapting Furlough Plans to COVID Realities

How Today's Policies Are Differing from the Great Recession's

	Post-Great Recession	Immediate COVID Response	Future COVID Projections
Affected institutions	Most common at public institutions, with some states mandating for all state employees	Public and private institutions enacting	Likelihood that some states and systems will mandate as they grasp magnitude of budget deficits
Targeted staff	All administrative staff, though number of furlough days required varied by salary	Staff who cannot perform duties remotely, commonly those in auxiliaries	May see more targeted announcements across summer if on-campus activities cannot resume
Duration	Short duration, amount of furlough days required of each employee defined upfront (typically fewer than 20 days)	Longer-term, some indefinite (i.e., expected to last through summer to start of 2020-21 academic year)	More institutions likely to create tiered plans with furlough durations varying by paygrade if they target staff more broadly

Select Furlough Savings from the Great Recession



Furloughs (10-15 days) yielded **\$24 million** in savings in FY09, which was 40% of their required budget reduction



System-wide furloughs (11-26 days) yielded **\$184 million** in savings in FY09-FY10, which was 25% of their budget shortfall



Furloughs (5 days) yielded **\$3.36 million** in savings in FY09, which was 60% of their required budget reduction

Supporting Staff Through Long-Term Furloughs



Select Institutions Crafting Policies that Reflect Staff Needs Amid Pandemic



Marquette University's Robust Benefits Package

- Furloughing 250 employees
- Institution will pay both the employer and employee portions of health insurance premiums
- Tuition remission benefits as well as vacation time and sick leave accruals will continue while furloughed
- Employees allowed to use remaining vacation days
- For more info about Marquette's furlough benefits, click [here](#)



University of Oregon's Coordinated Program

- Putting 282 employees on leave-without-pay status until August 31, 2020
- Developed UO Extended Benefits Program in consultation with unions to reduce employee hardships
- Employees receive minimum 30-day paid notice and continued health insurance at same rate
- For more info about Oregon's program, click [here](#)



University of Michigan's Voluntary Staff Furloughs

- With unit approval, staff can voluntarily take an unpaid furlough for 60-120 days
- Emphasizes employees will be eligible for unemployment (\$362 maximum state weekly benefit and \$600 weekly federal supplement)
- Employees will receive continued benefits and job security (unit will hold their position to return to at the end of the approved period)
- For more info about Michigan's voluntary furloughs, click [here](#)

Source: University of Michigan, "A COVID-19 update from President Mark S. Schlissel" and "Coronavirus Finances FAQs"; Marquette University, "University response to economic effects of COVID-19"; University of Oregon, "President announces staffing reductions due to COVID-19" and "COVID-19: Employment Changes and Employee Benefits"; EAB interviews and analysis.

Sample Tiered Furlough Plans

Learning from Peer Policies and Staff Communications



The University of Arizona's 2020-21 Tiered Furlough Plan¹

Projected Revenue Loss- \$250M

Income Bracket	Furlough Days	Equivalent % Pay Reduction
<\$44.5K	13	5%
\$44.5-75K	26	10%
>\$75-150K	39	15%

- Staff must take at least 8 hours of furlough time each pay period until days are fulfilled
- Furlough leave does not affect benefit eligibility, though benefits calculated as a percentage of earnings (e.g., life insurance) will be reduced slightly
- Staff continue to accrue vacation and sick leave at regular rate
- For FAQ and sample staff communications from the University of Arizona, click [here](#).

Archived Tiered Furlough Plans from the Great Recession (2009-2011)

- [Morgan State University](#)
- [Oregon State University](#)
- [University of Louisiana Monroe](#)
- [University of Toledo](#)

Additional EAB Guidance on Implementing Furloughs

- ▶ [How leaders are supporting employees through difficult budget decisions](#)
- ▶ [4 tips for communicating staff furloughs during COVID-19](#)

¹) Staff making more than \$150K are subject to pay reductions of 17-20%.

Academic Cost Drivers and Savings Opportunities

"No-Regrets" Analyses Help Leaders Balance Quality and Resource Limitations

Ten 'No-Regrets' Analyses

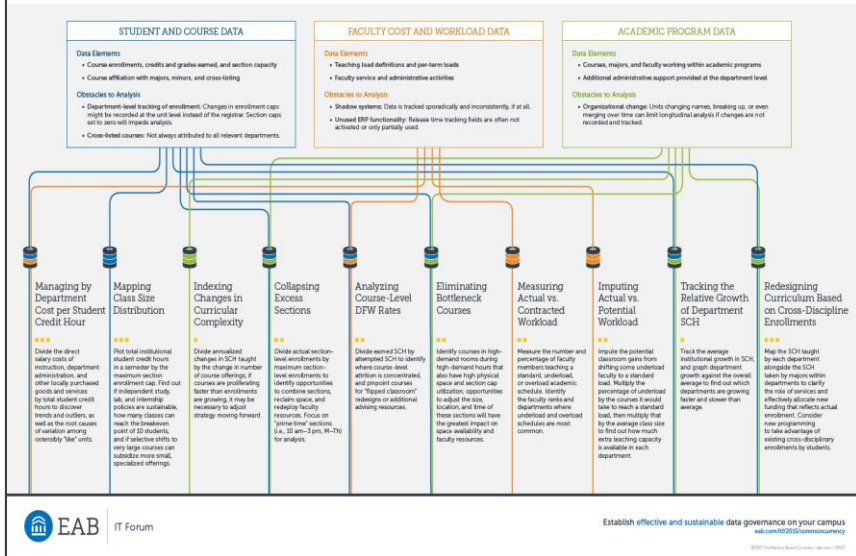
Decision Support Every Institution
Should Provide to Every Department

What information can IT provide to help academic leaders improve instructional costs while advancing teaching, research, and service missions?

In partnership with the Gates Foundation, EAB has identified 10 analyses that isolate the key drivers of academic costs, pinpoint opportunities for savings, and allow department leaders to better meet future student demand.

Provide these analyses to department chairs and deans to enhance allocation of teaching, classroom, and advising resources.

Impact on Costs
 ○ = Low
 ● = Medium
 ●●● = High



EAB's Ten "No-Regrets" Analyses

- Foundational academic data analyses for BI teams to run
- Analyses isolate key academic cost drivers and savings opportunities
- BI teams should provide analyses to department chairs and deans to enhance resource allocation decisions
- Download the infographic [here](#)



IT Forum

Establish effective and sustainable data governance on your campus

EAB-universities@eab.org

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Reallocating Rather Than Cutting

How to Leverage the No-Regrets Analyses to Generate Fungible Resources

Reduce number of sections offered

- Consolidate under-filled sections
- Limit offerings of non-essential small courses
- Reduce course repeats by improving pass rates
- Reduce non-essential curricular requirements

Reduce spending on non-tenure stream staff

- Reduce the number of part-time instructors
- Share support staff across small academic units

Increase credit hours produced by faculty

- Increase the fill rates of courses (within the cap set by faculty)
- Assess administrative course releases for necessity
- Evaluate research course releases for impact

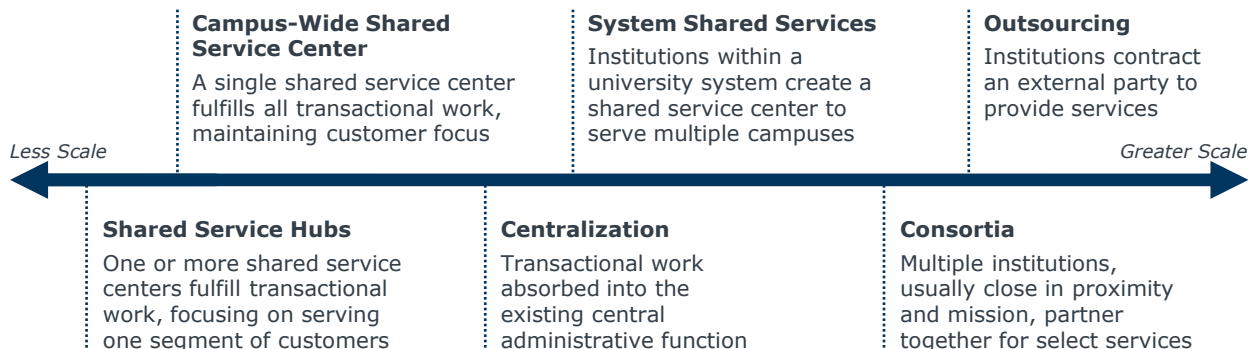
Reallocate Resources to Higher Priority and Higher Impact Activities:

- Accommodate mandated budget cuts without negatively impacting students
- Add sections to bottleneck courses
- Launch new academic programs
- Increase research capacity in targeted areas
- Increase support for graduate programs
- Allocate more faculty time to experiential learning or high impact practices

The Many Faces of Scaled Services

CBOs Increasingly Considering Full Range of Options for Cost Containment

Spectrum of Organizational Options for Achieving Scale



Resources to Support Scaled Services Evaluation and Migration

- [Shared Services Primer](#)
- [Shared Services Design Roadmap](#)
- [Compendium of Shared Services Profiles](#)
- [Shared Services Consolidation Diagnostic](#)
- [Consolidation Change Management Roadmap](#)
- [Optimizing Outsourcing Arrangements Whitepaper](#)

Developing Inter-Institutional Partnerships

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Range of Opportunities to Share Costs and Drive Greater Buying Power

The Claremont College Services (TCCS) Seen as “Gold Standard” of Higher Education Consortia...

- ✓ **Independent 501(c)(3)** that provides central academic and admin support for seven partner institutions
- ✓ **30+ shared services activities** in areas such as finance, IT, and student services that member institutions can choose from
- ✓ **Shared Workday system** aligns recruitment, hiring, onboarding, payroll, and performance management processes

Coming July 2020: Compendium of Higher Ed Partnership Opportunities

Menu of over 70 existing cost-sharing partnerships formed between higher ed institutions

...But Not Every Consortium Needs to Be a Claremont



Participates in **Charleston Higher Education Procurement Alliance (CHEPA)** with The Citadel, College of Charleston, and Trident Technical College



As part of the **Council of Independent Colleges in Virginia (CICV)** collectively purchases insurance and retirement plan at discounted rates

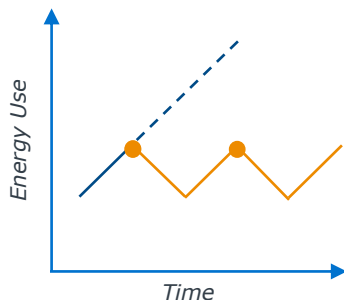


Through the **Nova Scotia Higher Ed IT Shared Services Program**, shares a central IT project management office and Microsoft contract with 10 other institutions

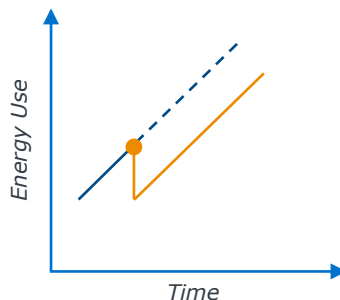
It's Not Easy Being Green

Institutions Must Pursue Lifetime of Interventions to Correct for Building Drift

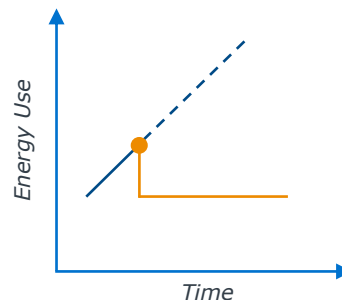
Energy Drift With and Without Recommissioning



Energy Drift With and Without Retrofits



Energy Drift With and Without Continuous Commissioning



— Energy trend without intervention

— Energy trend with intervention

● Point of intervention

Our [Energy Reduction Strategies in Higher Education](#) Whitepaper Outlines Interventions to Correct for Building Drift and Lower Total Cost of Ownership:

Section 2: Correct for Inevitable Energy Drift with Targeted Recommissioning

Section 3: Invest in Energy Retrofits to Secure Greater Utilities Savings and Reset Building Efficiency

Section 4: Scale Up Investments in Continuous Commissioning Teams and Technologies

Energy Retrofits Secure Greater Utilities Savings

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How UVA's Team Broke Through Efficiency Stall Points



Delta Force Program

- *Who:* Interdisciplinary team of Office of Sustainability staff, Facilities staff, and external professionals
- *What:* Retrofitting and recommissioning task force operating through a green revolving fund model
- *Results:* **\$20 million** in avoided energy costs since 2007
- *How:* Staged approach to retrofits
 - 1 Free energy audit** of building
 - 2 Current bulbs replaced with LEDs**
 - 3 HVAC and other retrofits implemented**, funded by the unit plus 25% interest to replenish fund

Delta Force Takes on Clark Hall

Retrofits of academic/lab building included:

- Converting all lighting to LEDs
- Installing low-flow toilets and sink aerators
- Upgrading HVAC controls
- Repairing the energy recovery system
- Scaling back airflow rates in labs

Results: 67% drop in energy costs; carbon emissions lowered by 3,000+ tons annually



Before



After

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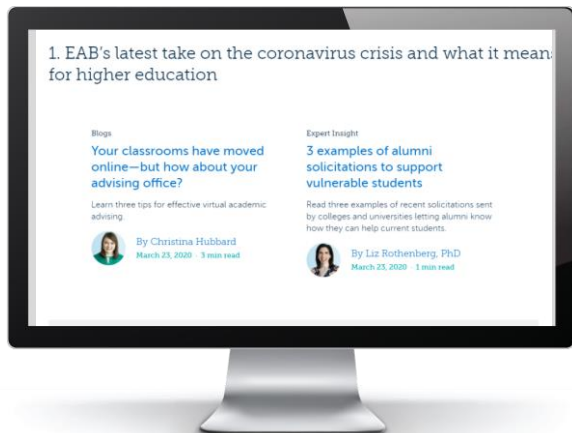
How EAB Supports Crisis Response and Recovery

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Support for Immediate Challenges

Visit our resource center now:

eab.com/COVID19



Strategy Through the Crisis and Beyond



Incoming and Current
Student Retention



Enrollment and Academic
Program Strategy



Research, Advancement, and
Community Outreach



Budgeting and Financial
Modeling



Organizational Transition
and Transformation



Interested in talking to an EAB expert
about your COVID-19 challenges?

Complete the exit survey

Please Fill Out the Exit Survey!



- As you exit the webinar, you will be directed to an evaluation that will automatically load in your web browser.
- Please take a minute to provide your thoughts on the presentation.

THANK YOU!



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