



# Academic Cost Containment

Ensuring Financial Sustainability in the Wake of COVID-19

Academic Affairs Forum  
Business Affairs Forum

# Planning for a More Complicated Future

## COVID Exacerbated Existing Forces While Creating New Challenges

### Looming Birth Dearth



14%

Decrease in number of 18-Year-Olds (2026-2029)

### Erosion of Public Faith in Higher Education



38%

Of adults think higher ed has a negative impact on the way things are going in the country

### Impact on Institutional Diversity Goals



8.3%

Decrease in Black undergraduate enrollment in summer 2020 term

### International Student Downturn



86%

Of new international students unable to enter the United States

### Unprecedented Public Health Expenditures



40%

Of CBOs expect testing, contact tracing, and campus cleaning to be the greatest additional expenditure this year

### Combatting the Coronavirus Cliff



50%

Students may lose more than 50% of the learning gains in math from the last school year by fall 2020

### Impact of Recession on Family Finances



43%

Of U.S. adults report that someone in their household has lost a job or taken a pay cut due to the outbreak

### Plummeting State Revenue Projections



25%

State revenue is projected to drop by 25% in 2021 fiscal year

Sources: Tammy Kolbe and Rick Staisloff, "Moving to Offense: A New Playbook for Confronting Budget Shortfalls", *Inside Higher Education*, August 6, 2020; Kim Parker, Juliana Menasce Horowitz, Anna Brown, "About Half of Lower-Income Americans Report Household Job or Wage Loss Due to COVID-19", *Pew Research Center*, April 21, 2020; Audrey Williams June, "Summer Enrollment Numbers Are In, and the Patterns Are Confounding", *Chronicle of Higher Education*, September 1, 2020; Kim Parker, "The Growing Partisan Divide in Views of Higher Education", *Pew Research Center*, August 19, 2020; Megan Kuhfeld and Beth Tarasawa, "The COVID-19 slide: What summer learning loss can tell us about the potential impact of school closures on student academic achievement", *NWEA Research*, April 2020; Institute of International Education. (2019). *IPEDS Fall Enrollment 2018*, EAB 2020 Coronavirus Survey, March 17, 2020; Gallup and Inside Higher Education, "The 2020 Inside Higher Ed Survey of College and University Business Officers"; Grawe, Nathan D., *Demographics and the Demand for Higher Education*, 2017; EAB Analysis.

# Bring Our Campus Community Along with Us



## Culture of Mistrust Creates Critical Change Management Roadblocks



“I am fearful of the future of academia, because **I am unsure whether the administrators making ruinous, dangerous decisions can be held fully accountable...**I am afraid university life will become increasingly corporate and **faculty will be seen increasingly as disposable...**”

*Non-Tenure Track Faculty Member  
Public University in the Big Ten*



“It’s a bad sign if your president, your provost, or both create a task force to engage in a thorough curricular review, especially if its members are hand-picked and required to sign nondisclosure agreements. **Don’t assume competence or good faith on the part of the administration or the board.**”

*Tenured Faculty Member  
Regional Private University*

## Ongoing Crisis Reduces Trust in Administrators, Confidence in Shared-Governance

42%

Of faculty said their trust in their administration had decreased during COVID-19

31%

Of faculty are not at all confident that shared-governance mechanisms<sup>1</sup> appropriately represent the faculty perspective

# Confronting Our Own Myopia

## Comprehensive Review of the Academy Challenging but Necessary

### A Decade of EAB Research on Individual Elements of Academic Cost Management

- [Smart Growth](#) (2011)
- [Breaking the Trade-Off Between Cost and Quality](#) (2014)
- [The New Academic Program Review](#) (2015)
- [Working with Academic Leaders to Improve Space Utilization](#) (2016)
- [Making the Academy Market Smart](#) (2016)
- [Enfranchising Faculty in the New Budget Reality](#) (2016)
- [The Instructional Capacity Playbook](#) (2018)
- [New Program Launch Guidebook](#) (2018)
- [Academic Vital Signs](#) (2018)
- [Rightsizing the Program Portfolio](#) (2019)
- [The Multidisciplinary Reorganization Toolkit](#) (2019)

### Current Crisis Creates Need for Comprehensive Academic Cost Containment Framework



**Temporary Strategies  
to Decrease Total  
Compensation Costs**



**Recurring Analyses to  
Improve Instructional  
Efficiency & Capacity**



**Permanent Structural  
Changes to Realize  
Portfolio Savings**

# Key Success Strategies

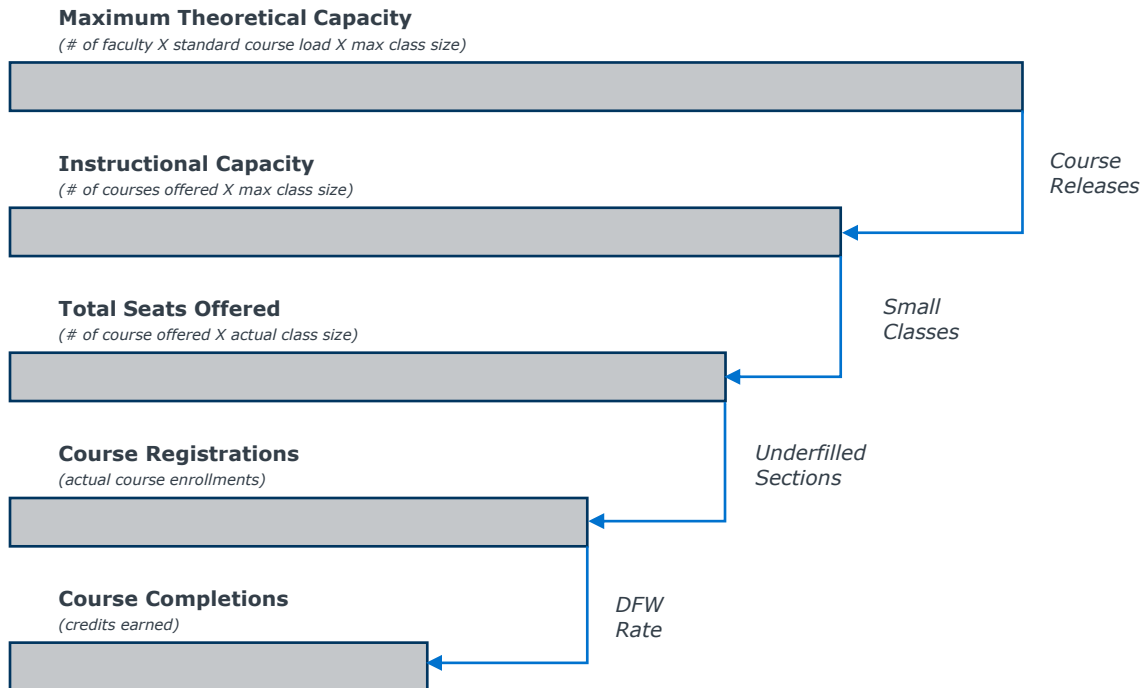


- ❖ Include language in contingent faculty contracts to allow for an emergency reduction in force
- ❖ Codify centralized control of faculty line allocation
- ❖ Institute one-year waiting period before reallocating faculty lines
- ❖ Allow faculty to choose between possible compensation or workload changes

# Unused Academic Capacity Wastes Resources



## Identify and Remove Factors That Limit Instructional Capacity



# Hardwiring Academic Efficiency



## Five Strategies to Effectively Manage Instructional Capacity and Costs

### Analyze Instructional Capacity Gap



Positive number indicates capacity to add sections or reduce reliance on adjuncts

### Track SCH per Faculty FTE Targets



Department-specific goals help hold faculty accountable for department financial performance

### Reduce Unfunded Course Releases



Course release targets and criteria to assign releases help institutions allocate resources in a principled way

### Offer Small Courses Less Frequently



Low enrollment electives can be offered every year or every other year instead of every term

### Collapse Underfilled Sections



Increasing section sizes by a few students can help eliminate unnecessary under enrolled sections

For more information see "[Academic Vital Signs: Aligning Departmental Evaluation with Institutional Priorities](#)" and "[The Instructional Capacity Playbook](#)" on eab.com

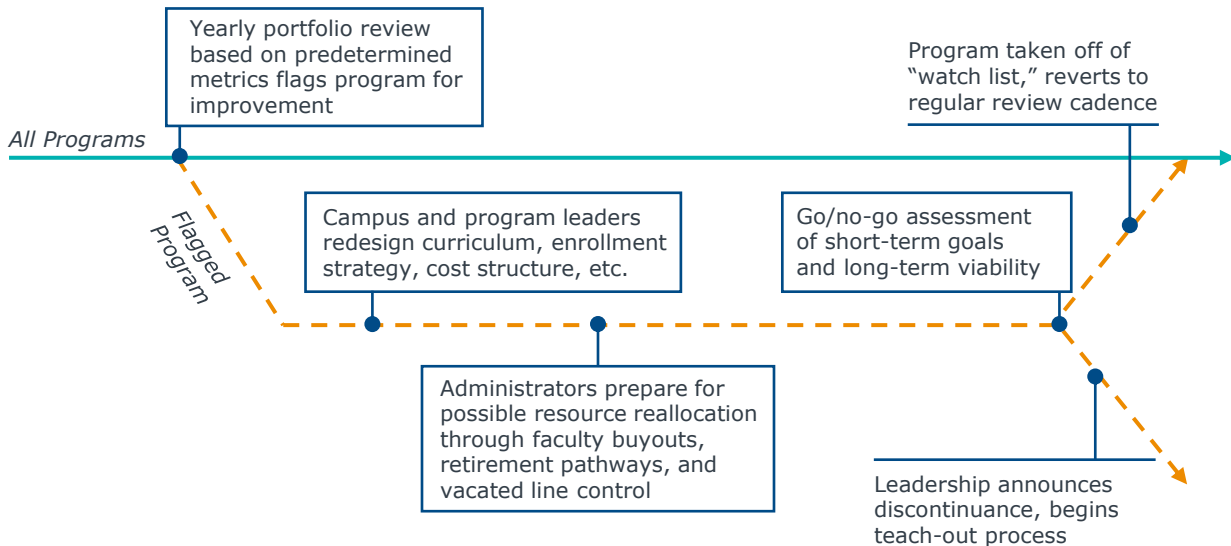


# The Right Tool for the Job



## Annual Program Review Builds a System for Continuous Improvement

### Illustrative Process for Annual Program Review



### Four Advantages of Annual Reviews

- 1 Intervene while there's still time
- 2 Improvements might fix the problem
- 3 Socialize the need for change
- 4 Buy time to loosen fixed costs



# The Inputs to Program Assessment

Core Financial and Mission-Oriented Priorities Should Inform Assessment

## Three Approaches for Program-Specific Data



### Other Critical (Less Easily Quantifiable) Program Factors

- Centrality to Mission
- Impact on Student Success Outcomes
- Impact on Diversity, Equity, and inclusion Goals
- Impact on Research and Scholarship



1) Profit and loss.

# Laying Our Cards on the Table



Educate and Equip Faculty Leaders to Improve Resource Management

## Tactics to Improve Faculty Trust In and Understanding of Budgeting Processes

### Annual Budget Explanation Report

Contextualize decisions through a faculty-oriented, easy-to-follow review of institution's annual finances



### Budget Scenario Explorer

Illustrate resource allocation trade-offs by simulating budgetary decision-making processes



### Faculty Administration Boot Camp

Expose faculty to larger strategic financial decisions through interactive workshops on institutional administration



### Embedded Faculty Project Manager

Demystify university operations and decision-making by placing faculty members in administrative offices



### Department Chair Mini-MBA Training

Empower department leaders with primers on department-level budget issues and scenario-based training



For more information see "[Enfranchising Faculty in the New Budget Reality](#)" on eab.com



# Key Success Strategies



- ❖ Conduct formal program evaluations annually
- ❖ Share data on internal and external benchmarks openly with faculty leaders
- ❖ Connect performance and data to major resource decisions
- ❖ Review institutional policies and procedures governing faculty layoffs with general counsel
- ❖ Involve faculty in decision-making through finance and budget committees

# How EAB Supports Financial Sustainability



## EVALUATE CURRENT STATE

- Educate board and faculty on financial realities
- Clarify areas of focus and differentiation
- Benchmark program portfolio against peers and employer demand



## FORECAST GROWTH OPTIONS

- Identify existing programs for refresh
- Prioritize and sequence new launches to seed future growth
- Assess adult and graduate org structure and operations



## ANALYZE FISCAL RESILIENCE

- Identify and realize immediate cost savings
- Review larger business and budget model restructuring options
- Strengthen capacity for financial management, change and innovation

## Select Resources and Services



Market intelligence



Cost containment resource center



Business and budget model best practices



Presentations to board and faculty



Change management support



Organizational design consultations