

COST CONTAINMENT

*A Survey of Current Practices
at America's State Colleges and Universities*

**American Association of State Colleges and Universities
SunGard Higher Education**

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FROM THE PRESIDENT

Constantine W. (Deno) Curris

In an era of constrained public financing and calls for greater accountability, it is essential for America's state colleges and universities to employ strategies for ensuring the maximum utility of all financial resources.

The nation's institutions of public higher education are turning to a myriad of cost savings efforts to ensure sound fiscal stewardship of the public's resources, as illustrated by the data received from over one hundred state colleges and universities in this survey on cost containment. The following report substantiates that effective strategies and programs are taking place, resulting in campuses achieving greater efficiencies.

This study also provides insight into highly replicable "best practices" which, when adopted, can produce savings that will enhance college affordability and access, while maintaining academic quality.

Constantine W. (Deno) Curris is president of the American Association of State Colleges and Universities.

FOREWORD

Jane V. Wellman

The American Association of State Colleges and Universities' (AASCU) survey of cost containment practices among the nation's state colleges and universities is a useful contribution to one of the most important public policy issues facing higher education. It demonstrates that strategies to contain growth in college costs are well in place at many AASCU institutions—clearly good news for policy makers and the American public concerned about growing college tuitions.

These largely positive findings also present a curious anomaly: On one hand, the issue of cost containment is a high priority among AASCU institutions, and on the other hand, some evidence suggests that cost containment remains somewhat of a budgetary afterthought. The institutions that responded to the survey report that cost containment strategies remain largely focused on business operations; have yet to engage the full range of academic and administrative leadership within the institutions; tend to be ad hoc rather than strategic; and for the most part are not well documented or publicly communicated. Some of this is good news, as it suggests that AASCU institutions have made it a priority to protect resources in core academic programs. But other results are somewhat troubling; particularly the weak use of data to document and publicly account for cost management. This suggests that cost management has yet to be systematically engaged at a leadership and policy level within these institutions.

The funding squeeze facing much of American public higher education is neither short-term, nor small. To the contrary, the gap between public needs to increase capacity in higher education and likely funding prospects to accomplish that is large and growing. Meeting the needs of the future will require new money,

at a level that is not going to be forthcoming unless policy makers and the public are convinced that colleges and universities are good investments of public funding. At the moment, despite generally favorable views about higher education, opinion research shows that the public and policy makers are increasingly questioning spending practices within higher education. They often equate rising tuitions with increased spending – spending they do not believe is justified by increases in quality or access. In actuality, it may be the case that most AASCU institutions are not increasing spending, despite the increased prices resulting from a cost shift from state and local appropriations to tuition revenues.

Realistically, even with growth in state resources, most of the funding needed to support future program innovation and change is going to come from reallocation of internal resources, not from new dollars from the State or tuition revenues. Without a serious resource management plan in place, one that includes cost management and reallocation of resources from savings as part of a financing strategy, funding for 'new initiatives' will always fall to a lower priority than maintaining the base budget. Strategic cost management has to be engaged to free up resources, fund new initiatives, and improve public credibility for setting priorities and managing resources to accomplish them.

However, a caution is in order against generalizing from these results. Just over a quarter of AASCU institutions responded to the survey request, and so these views may not be reflective of the real state of practice among the nation's public colleges. Trend data on revenues, enrollments and spending for AASCU institutions show that the majority have objectively been in a budget cut mode for the better part of the last decade. Cuts have been particularly severe in the states with the largest growth in populations—California, Florida, Texas and Nevada.

Regardless of the representativeness of the survey findings, the results suggest an opportunity for policy leadership going

forward. To start, institutional policy makers can enhance their ability to document and convey successes by using “cost” language that more accurately and effectively distinguishes between *cost cutting* (reducing unit costs of production), *cost containment* (reducing growth in spending), and *cost management* (finding ways to systematically reduce spending in non-essential areas in order to reallocate resources to policy priorities). Improving documentation and communication about costs is also necessary to bolster public accountability for the management of resources.

This document then can be the basis for developing strategies for going forward—improving use of data for decision making, concentrating cost cutting in non-essential areas, implementing cost containment solutions where feasible, reinvesting through better cost management in core academic areas, and improving evidence and public communication about effective practices. To that list we should add the importance of elevating this issue to a leadership priority. It’s a strong agenda for important work on a critical topic.

Jane V. Wellman is executive director, Delta Project on Postsecondary Costs, Productivity and Accountability, an independent, nonprofit organization located in Washington, D.C. Its mission is to improve cost management within higher education, through data, accountability metrics, and evidence about the relationship between funding and student access and success.

EXECUTIVE SUMMARY

Member institutions of the American Association of State Colleges and Universities are witnessing measurable success in identifying and implementing cost containment strategies in order to reduce operating costs. Nearly all survey respondents at AASCU institutions place high importance on cost containment, with most having implemented cost control strategies in multiple operational areas. As a result, a majority of the state colleges and universities participating in this study indicated sufficient satisfaction with their cost containment efforts.

Institutions rely more on support and business functions in their cost control efforts than on core academic functions. Energy management and consortium purchasing are the two most common areas of focus for cost containment. Although responding AASCU members' cost containment efforts have chiefly focused on support functions and business operations, the large majority of respondents are willing to consider any area of operation for potential cost containment opportunities. Breadth is key: Institutions witness greater satisfaction with their cost containment efforts to the degree they achieve savings in a broad range of operations and services.

Despite progress made to date, the data suggest there remains significant opportunity for AASCU members to benefit further from implementing additional cost containment strategies. While three-fourths of responding institutions indicated satisfaction with their cost containment activities, a quarter indicated some dissatisfaction, pointing to a desire for increased progress and accomplishment in realizing cost savings. Data suggest that institutional investment in identifying and implementing cost containment initiatives could be increased, producing an even greater return on investment at more colleges and universities.

The breadth of operational areas relied upon by survey participants for cost containment is impressive. However, evidence suggests that additional cost savings can be realized by judiciously utilizing a broader cross section of college and university operations, especially those associated with the academic core, where greater operational resources are expended. Currently, over one-half of participating institutions rely on contingent faculty and online learning to reduce operating costs, while only three percent indicated that this area is not considered when crafting future cost containment strategies.

Finally, the study's findings illustrate that improved accountability and transparency can be realized through a more proactive and regular reporting of both cost containment activities and the results generated.

Based upon the study's findings, and in an attempt to identify the most productive and replicable practices, American state colleges and universities may take several actions to achieve further success in realizing operational cost savings. Provided here are six recommendations:

Harness Costs through Enhanced Energy Management

A resounding 83 percent of responding institutions have successfully relied upon energy management strategies to reduce operating costs. Identifying specific energy management practices was beyond the purview of this survey, however, it is evident that various strategies are being utilized to contain costs and realize savings through sound energy conservation investments.

Take Advantage of Cost Containment Opportunities in Business Services/Processes

Perhaps not surprisingly, public colleges and universities have achieved cost savings by turning to their own business services and processes. Many of the services and processes utilized by institutions are inherent sources of cost saving opportunities

as a result of Web-enabled technologies that permit service process redesigns to simultaneously improve cost structures and service quality, the forces of market competition, and business applications that are easily outsourced. Bookstores, dining hall and residence hall operations, information technology services, electronic self-servicing, cashiering and other financial services, and vending operations have yielded cost savings.

Realize Enhanced Cost Management through Judicious Academic Programming Measures, While Taking into Account Core Academic Functions

The survey demonstrated that areas associated with institutional academic programming have the potential to deliver cost savings. Between one-third and one-half of responding institutions have achieved cost savings in six of the eight academic components surveyed related to academic programming, ranging from a review of course loads, course offerings and departmental mergers to program consolidation/discontinuation. Additionally, over one-half have achieved savings via the remaining two sources: utilization of contingent faculty and distance/online learning. Institutions should look to these areas for further potential cost savings while carefully considering the consequences so as not to degrade academic quality. As one example, technology-enabled course redesign—as pioneered by the National Center for Academic Transformation—is a method for institutions to reduce per-enrollment costs while measurably improving student learning outcomes.

Exploit the Full Potential of Purchasing Consortium Participation

A majority of respondents currently participate in purchasing consortia, illustrating that group purchasing is a critical vehicle to achieve cost savings. Expanding consortia participation and increasing the range of goods and services purchased through such arrangements may well provide additional savings opportunities.

Report and Quantify Cost Containment Outcomes

While most of the institutions that responded to the survey are actively engaged in cost containment, only a minority regularly quantify and/or report the results of their efforts. To improve accountability for results and the transparency of institutional cost containment efforts, state colleges and universities are encouraged to quantify the effectiveness of cost management efforts and to publish the outcomes. For example, realized cost savings can be presented longitudinally in terms of annual unit expenses (such as per student-FTE operating expenses) and can be reported alongside average net tuition and state appropriations (such as per student-FTE state contribution).

Invite Ideas and Solutions from Employees and Students While Also Tapping Outside Expertise

The study's findings suggest that those institutions which encourage employees to offer cost savings ideas have a greater satisfaction level with their cost containment achievements. Colleges and universities are encouraged to actively invite employee and student involvement in the identification of potential cost reduction strategies. While many cost savings initiatives implemented by AASCU institutions are internally developed (84 percent indicated that employees are the primary source for ideas), college and university officials should also look beyond their respective campuses to identify best practices. Two-thirds of respondents indicated that other higher education institutions and participation in professional meetings served as key sources for cost containment ideas and strategies. College and university officials are encouraged to utilize the full complement of available sources in their efforts to identify and implement effective cost management strategies, including external consultants and non-profit organizations that possess valuable expertise.

BACKGROUND AND OBJECTIVES

In an era of greater public expectations and challenging finances, American state colleges and universities are increasingly incorporating cost containment activities into their standard mode of operations and overall strategic plans. The purpose of this research, commissioned by the American Association of State Colleges and Universities and SunGard Higher Education, is to quantify and describe cost containment activities at American state colleges and universities. Ultimately, by identifying successful cost savings initiatives and strategies and, in turn, cataloging highly replicable best practices, the report aims to improve the quality of academic outcomes while improving cost-containment practices.

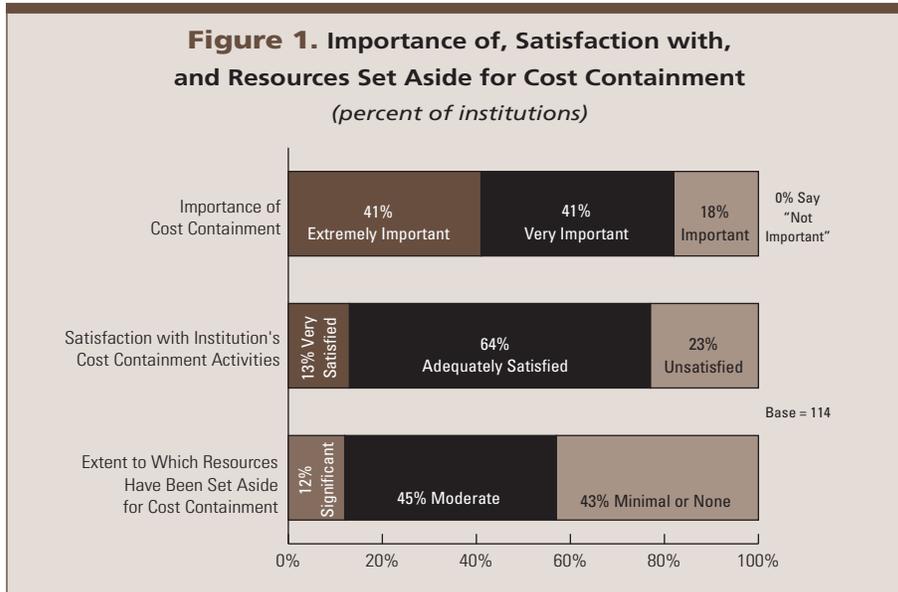
STUDY METHODOLOGY

This report is based on data provided by 114 AASCU member institutions. Institutions provided data through an online survey from November 26, 2007 to January 15, 2008. AASCU announced the research initiative to attendees at its annual meeting in November 2007. Presidents and chancellors received the invitation to participate and were asked to determine the most appropriate individual(s) (among those responsible for overseeing cost containment activities) at their institution to complete the survey. Isurus Market Research and Consulting, an independent market research firm, analyzed the data. SunGard Higher Education and AASCU provided additional contextual analysis.

DETAILED FINDINGS

Importance of Cost Containment Among AASCU Institutions

AASCU members consider cost containment to be a very important issue, and most college and university officials participating in the survey are satisfied with their institution's ability to identify, assess and implement effective cost containment strategies (see Figure 1).



Over 80 percent of respondents rate cost containment as very or extremely important to their institution's overall strategic plan, with 41 percent rating it "extremely" important. No single institution participating in the survey considers cost containment to be not important.

Despite the importance they attach to cost containment, most survey respondents are not allocating significant resources—

meaning funds, staff and time—to identify and implement cost containment measures.

- Only 12 percent of institutions set aside resources to a “significant” extent for identifying and implementing cost containment measures.
- The remainder of responding AASCU institutions are about evenly split between setting aside moderate resources (45 percent) and setting aside minimal or no resources (43 percent).

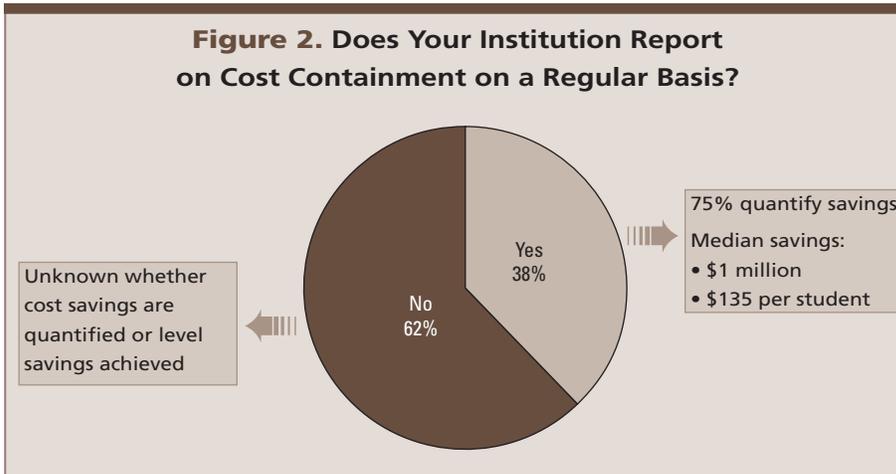
Reflecting the high importance of cost containment, more than three-fourths of survey respondents are adequately satisfied (64 percent) or very satisfied (13 percent) with their institution’s ability to identify, assess and implement highly effective cost containment strategies. However, nearly one-quarter (23 percent) are not satisfied with their efforts to date, suggesting ample opportunity for further efforts and success with respect to cost containment achievements.

Satisfaction with cost containment outcomes is related, at least in part, to the level of resources institutions devote to cost containment efforts. Institutions that set aside more resources for cost containment report being more satisfied with their ability to identify, assess and implement effective cost containment strategies.

- Among institutions setting aside resources for cost containment to a significant or moderate extent, 22 percent report being “very satisfied” and 69 percent report being “adequately satisfied,” compared to 6 percent and 57 percent, respectively, for institutions setting aside minimal or no resources.

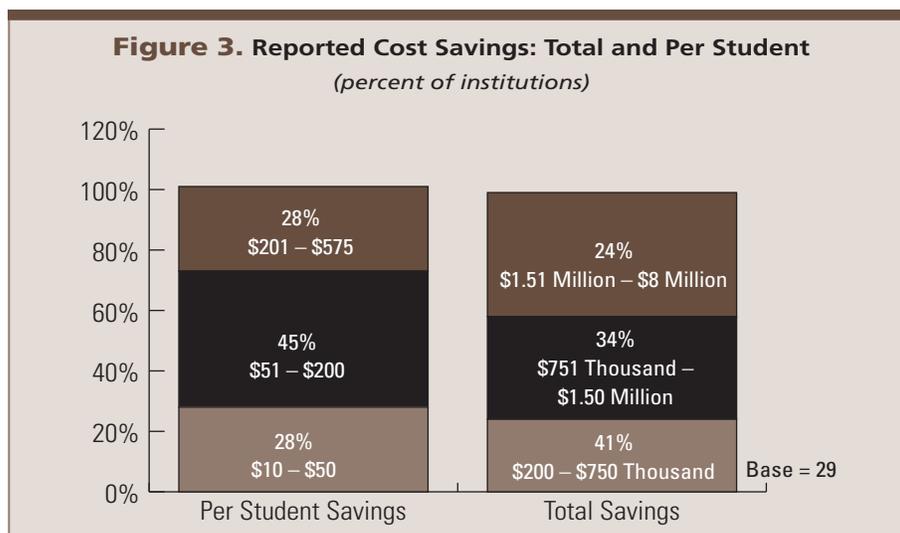
Reporting and Quantifying Cost Savings

A majority of survey participants (62 percent) do not report cost containment enhancements on a regular basis and, as a result, it is unclear to what extent a majority of AASCU member institutions are able to quantify their cost savings (see *Figure 2*). Nearly two in five respondents (38 percent) report cost containment enhancements, and among those that do, three-fourths quantify savings on a regular basis.



Of the institutions that report and quantify their cost savings on a regular basis, 26 percent supplied savings data via the survey, indicating a median total savings for the most recent reporting year of \$1 million and a median per student savings of \$135¹ (see *Figure 3*).

¹Ten of 29 institutions reported both total and per student cost savings. Nineteen institutions reported only their total cost savings. For these 19 institutions, per student savings is calculated using their reported total savings and enrollment data from the College Board's College Search Web site (<http://collegesearch.collegeboard.com>).



Responsibility for Cost Containment Strategic Planning Within the Institution

Generally, oversight for cost containment activities among responding institutions is either centralized in the Business/Comptroller's/CFO's office, or the responsibilities are shared equally among the institution's divisions.

- Cost containment is centralized in the Business office for 39 percent of respondents' institutions and shared equally in 35 percent of institutions.
- A smaller percent of participants (11 percent) have these tasks centralized in the president's office.
- Only 9 percent of respondents indicated that "no specific entity is primarily responsible" for cost containment.

Primary Sources of Cost Containment Ideas and Strategies

AASCU survey participants rely heavily on resources within higher education for cost containment enhancement ideas and strategies.

- According to the survey's respondents, the primary sources for ideas and strategies are fellow colleagues and staff (84 percent indicate this as a primary source), individuals at other institutions (66 percent) and professional meetings or associations (63 percent).
- To a lesser, but still significant extent, sources outside higher education are serving as sources for ideas and strategies, such as outside vendors or independent nonprofit organizations (38 percent) and publications (24 percent).

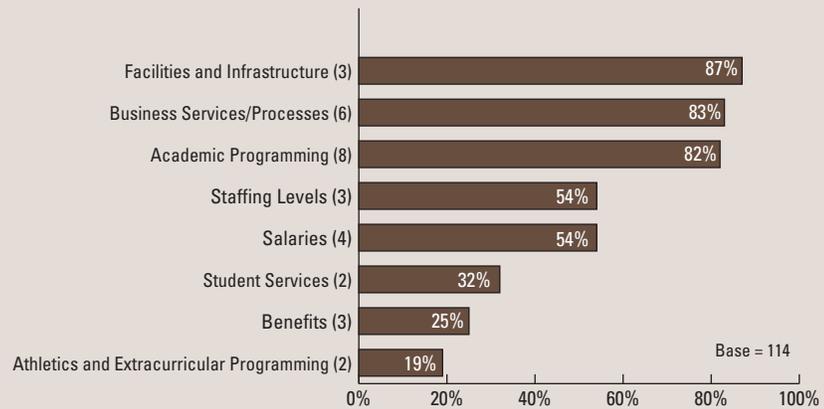
Sources of Cost Containment Within the Institution

The survey examined cost containment efforts across eight different operational areas: Salaries, Benefits, Staffing Levels, Business Services/Processes, Academic Programming, Athletic and Extracurricular Programming, Student Services, and Facilities and Infrastructure. Within these areas, respondents were asked to indicate the extent to which they have achieved cost savings from 31 specific components included as sub-categories of the eight sources (a composite of the extent to which all 31 areas have been utilized to contain costs is provided in Appendix A). A review of the extent to which savings were achieved in each of the operational areas, including the components therein, is provided below.

Responding institutions indicated that they most often look to Facilities and Infrastructure, Business Services/Processes and Academic Programming to contain costs. Over 80 percent of survey participants rely on at least one component in each of these areas for cost containment (*see Figure 4*).

- Given there are only three Facilities and Infrastructure components and six and eight Business Services/Processes and Academic Programming components respectively, institutions are more likely to rely on the individual components of Facilities

Figure 4. Sources of Cost Containment: Percent of Institutions Relying on at Least One Component for Cost Containment, Within Each Specific Area
(percent of institutions relying on at least one component of area)



Note: Number of components in each area indicated in parentheses.

and Infrastructure than they are the individual components of Business Services/Processes and Academic Programming.

- Roughly one-half of institutions (54 percent) have utilized Staffing Levels and Salaries to achieve cost savings.
- The areas of Student Services, Benefits, and Athletics and Extracurricular Programming are least likely to be utilized in cost containment efforts. Over 80 percent of institutions do not rely on any components of Athletics and Extracurricular Programming, 75 percent of institutions do not rely on any Benefits components, and 68 percent do not rely on any Student Services components.

A varying but considerable segment of the survey's respondents, ranging from 15 percent to 42 percent, have analyzed each of the individual components of the eight areas for cost containment but have not implemented cost containment measures. Although this survey did not assess the reasons that institutions have

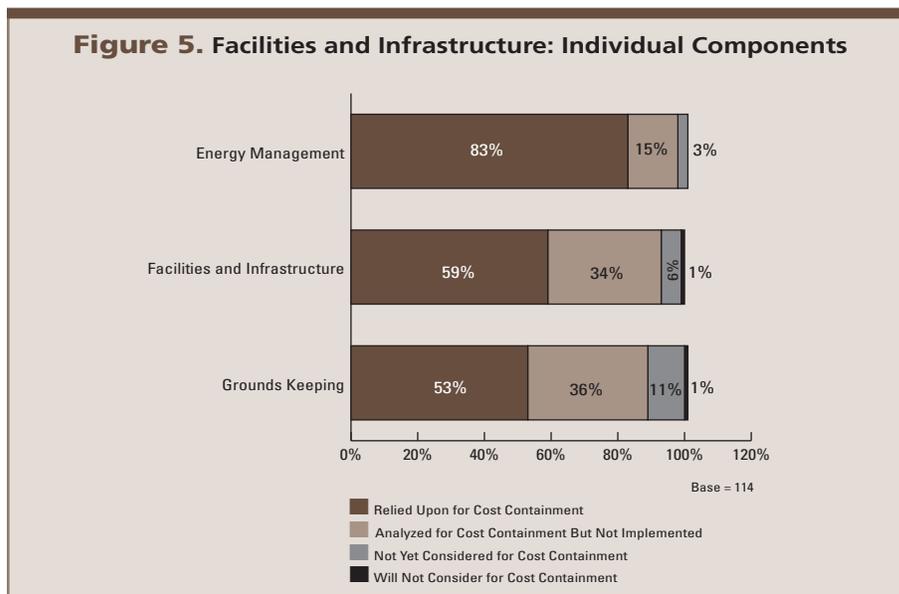
analyzed but not implemented cost containment areas, a possible explanation is that the analysis did not yield a convincing case for cost containment in a given area.

Although many responding institutions have yet to realize cost containment efforts in many operational areas, none of these areas are exempt from consideration. The large majority of institutions are willing to consider nearly all areas for possible cost containment opportunities. Benefits is the only area that a meaningful portion of institutions indicate will not be considered for cost containment.

Facilities and Infrastructure

Across the eight major categories of operational areas examined in the survey, institutions are most likely to have turned to Facilities and Infrastructure for cost containment, led by a focus on energy management (see Figure 5).

- A large majority (83 percent) of AASCU survey participants rely on energy management for cost containment.



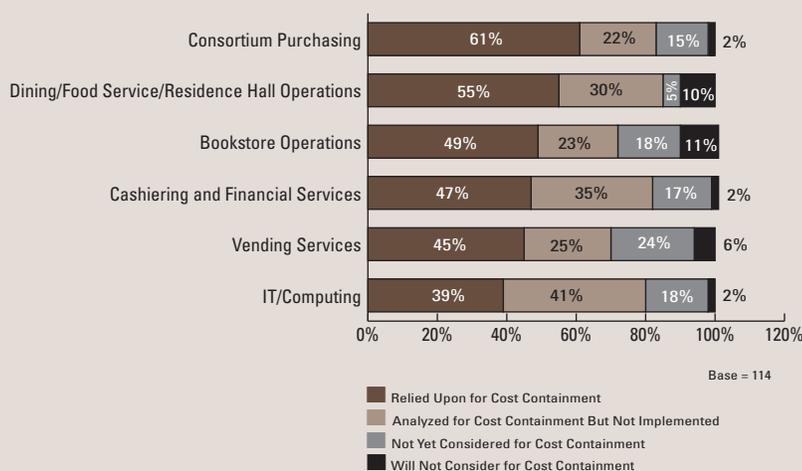
- Over half of respondents rely on Facilities and Infrastructure and Groundskeeping for cost containment.
- More than one-third of participants have analyzed but not implemented cost containment efforts for Facilities and Infrastructure or Groundskeeping.

Business Services and Processes

Trailing only Facilities and Infrastructure, Business Services and Processes is the second-most common operational area that survey respondents rely on for cost containment (see Figure 6).

- Within Business Services and Processes, institutions are most likely to benefit from consortium purchasing, followed by efficiencies in dining hall/residence hall operations.
- Institutions rely, to a roughly equal extent, on vending services (45 percent), cashiering/financial services (47 percent), and bookstore operations (49 percent) in efforts to achieve cost savings.
- Institutions are somewhat less likely to rely on IT/computing for cost containment (39 percent); however, this is the business

Figure 6. Business Services Processes: Individual Components



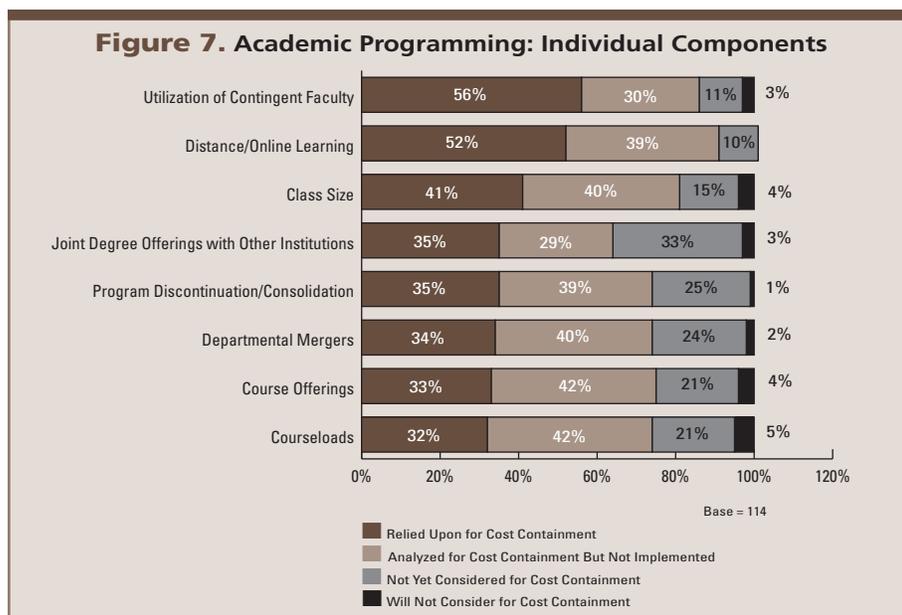
service component for which institutions are most likely to have analyzed but not implemented cost containment efforts (41 percent).

Academic Programming

A sizable majority of the state colleges and universities who responded to the survey are currently implementing cost containment strategies within the academic sector of their institutions. Four in five institutions (82 percent) have utilized at least one of the eight components identified as a source for cost savings. There is a range of strategies being implemented—some having more promise and some with a greater proclivity for potentially impeding academic quality.

- A majority of participating institutions (56 percent) utilize contingent (adjunct) faculty, perhaps one of the more controversial approaches to cost containment. Though effective from a financial perspective, this practice has been criticized as potentially compromising academic quality. Therefore, administrators should be cognizant of the savings and associated benefits and the extent to which this method is used to contain costs (*see Figure 7*).
- A slight majority of institutions (52 percent) utilize distance/online learning, a promising strategy when used properly. This approach can have positive effects on both financial and student learning outcomes.
- Four in ten (41 percent) institutions have increased class sizes to stretch instructional dollars further.

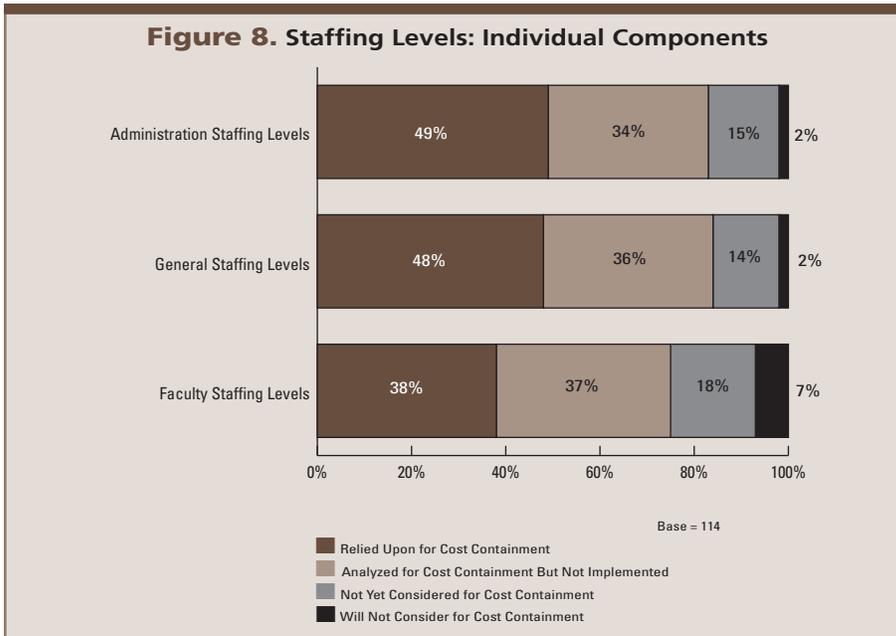
At least one-third or more of surveyed institutions are using other techniques such as discontinuing or consolidating programs with low enrollments, developing joint programs with other institutions, and putting forth other programmatic efforts. Again, if done properly, these may improve the academic offerings available to



students while cutting costs. Many institutions not currently using these techniques are analyzing them for possible future action. None of these Academic Programming areas are considered exempt from potential cost containment efforts—the percent of administrators that indicated that they “will not consider [the component] for cost containment” is very low. At the same time, a large portion (one-fifth to one-quarter) of institutions have yet to consider some components of Academic Programming for cost containment potential.

Staffing Levels

A large portion of respondents have addressed Staffing Levels to contain costs, and very few will not consider this area as a means for potential cost containment (see Figure 8). While the survey did not query respondents on specific strategies pertaining to staffing levels, it is construed that growth in staffing levels is minimized or reduced through a combination of approaches including attrition, retirements, buy-outs, and leaving unfilled positions vacant for a prolonged or undetermined length of time.

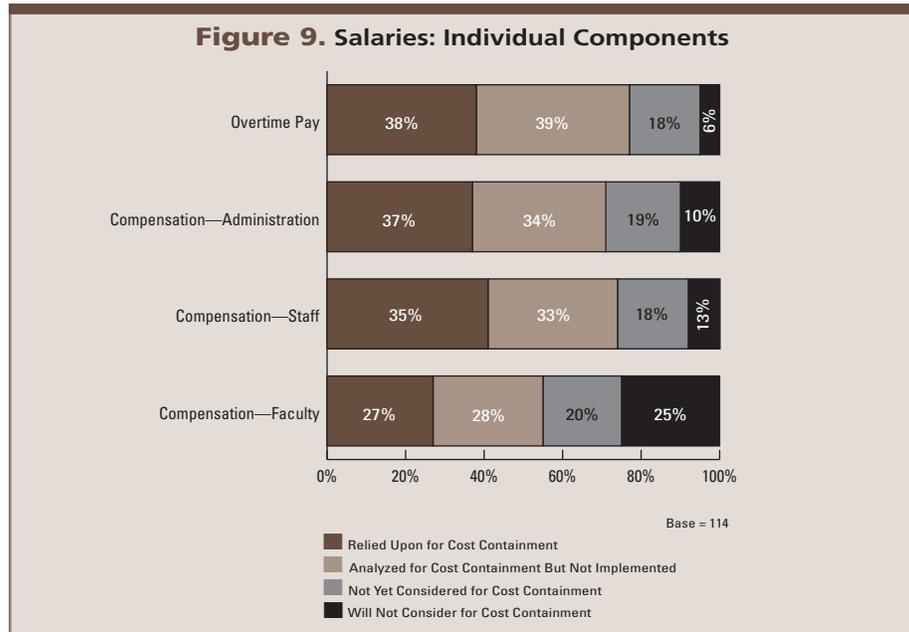


- Responding institutions are less likely to look to faculty staffing levels (38 percent) than administration (49 percent) and general staffing levels (48 percent) to achieve savings. This suggests that efforts are being put forth to protect the academic core in order to maintain the quality of instruction.
- Institutions are more likely to rely on staffing levels than staff compensation in their efforts to realize cost savings (see Figure 9).

Salaries

A majority of survey respondents have either analyzed or implemented cost savings measures involving the compensation levels of university employees, with a nearly equal split between those that examined and those that applied compensation related savings strategies (see Figure 9).

- Approximately one-third of institutions have utilized employee compensation levels as a means to achieve cost savings.

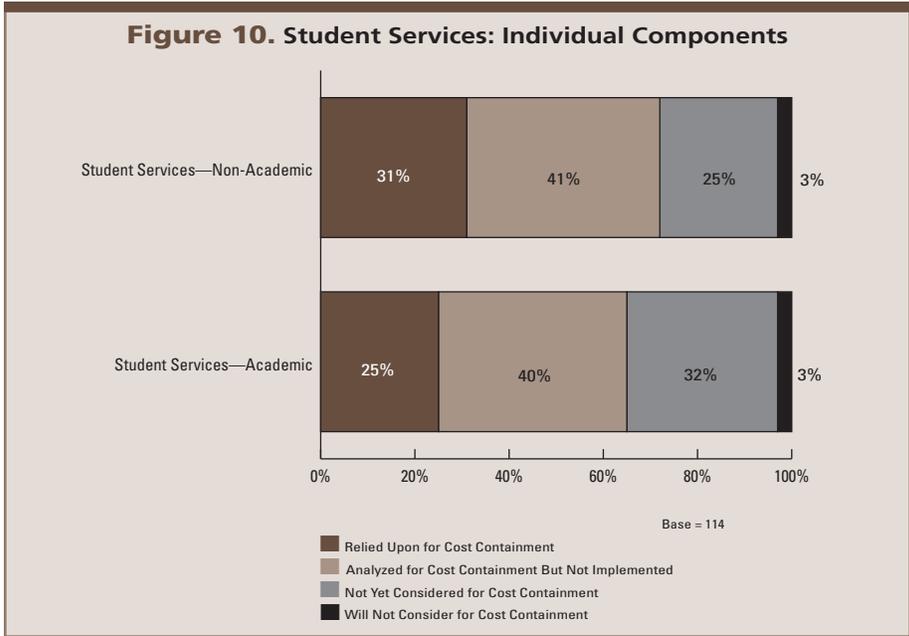


- To the extent that institutions do rely on salaries for cost containment, they rely more on administration and staff compensation rather than faculty compensation.
- Only one in 10 institutions will not consider compensation levels for administrators as a means to achieve cost savings, as opposed to a full quarter of those not considering faculty compensation levels.

Student Services

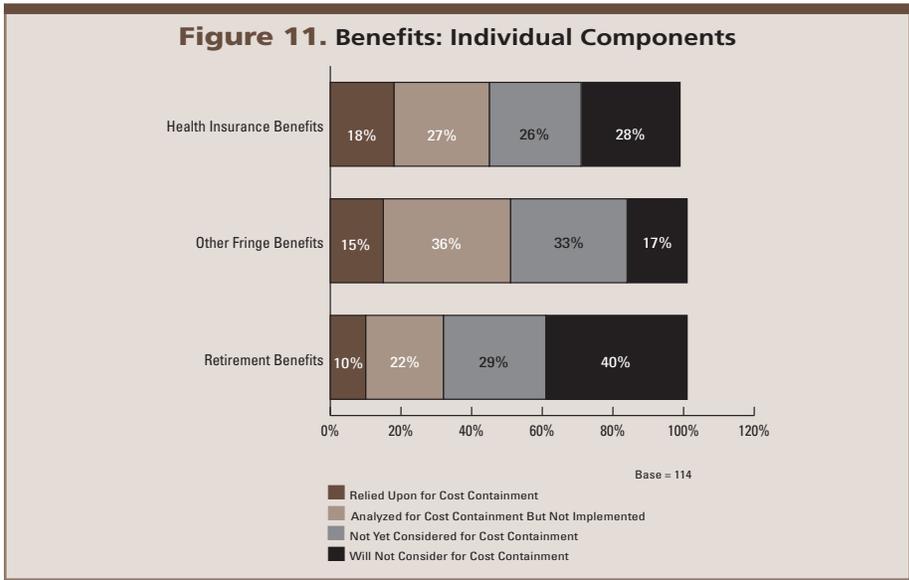
The large majority of responding institutions do not rely on Student Services for cost containment.

- To the extent that some institutions do, they are slightly more likely to rely on non-academic (31 percent) than academic (25 percent) student services (see Figure 10).
- Although most institutions have not yet relied on Student Services to contain costs, nearly all institutions would consider cost containment opportunities in these areas.



Benefits

A small proportion of responding AASCU institutions are currently turning to the area of Benefits as a source for cost containment, and a comparatively large percentage of institutions will not consider them as a source for potential cost containment (see *Figure 11*). Institutions' lack of intent to consider options for cost

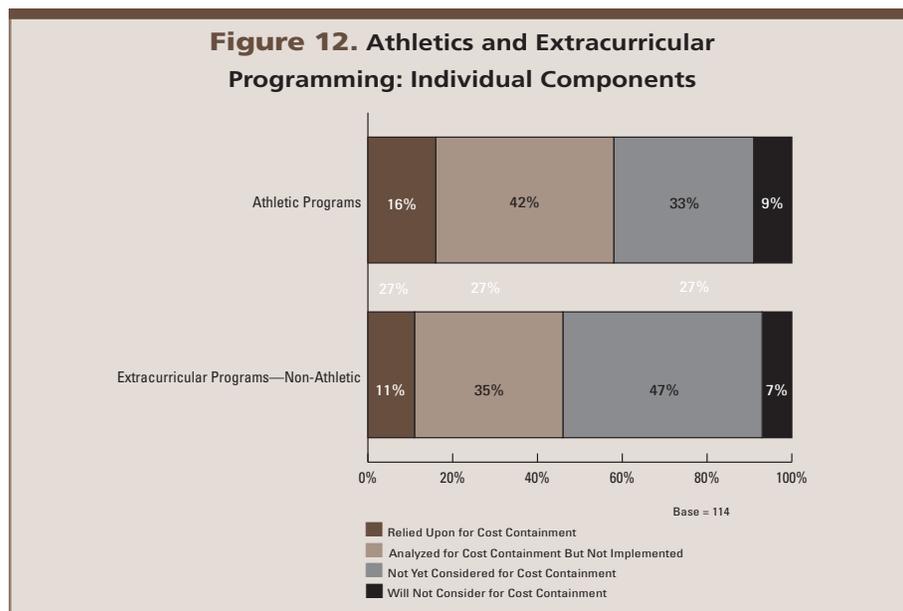


containment in Benefits indicates there are likely to be concerns or barriers preventing cost containment—issues such as state-negotiated plans, collective bargaining units, or other issues. Within the category of Benefits, institutions are slightly more likely to look to health insurance benefits (18 percent) and other fringe benefits (15 percent) for cost containment than to retirement benefits (10 percent).

Participating institutions with a higher student enrollment rely more on retirement and health insurance benefits than smaller schools: 29 percent and 16 percent of institutions with over 10,000 students rely on health insurance and retirement benefits for cost containment, respectively, compared to 11 percent and 5 percent for institutions with less than 10,000 students.

Athletics and Extracurricular Programming

Very few survey respondents rely on Athletics and non-academic Extracurricular Programs for cost containment. Most institutions have either analyzed but not yet implemented, or have yet to consider, cost containment measures in these two areas (see Figure 12).



Emerging Constraints on Cost Containment

When asked about emerging issues in cost containment, survey participants are most likely to cite issues related to:

- Energy costs and energy management (36 percent)
- Benefits costs, especially rising health insurance costs (24 percent)
- Faculty and academic programming (22 percent)
- Staffing levels and salaries (12 percent)

Responding administrators' concerns about energy and benefits are largely focused on increasing costs in both areas, and the resulting need to identify cost management strategies in each area.

Concerns about faculty and academic programming are more diverse, ranging from a general expectation that these areas have high potential for cost containment to more specific concerns about faculty workloads, program growth, efficient deployment of teaching resources, and models for course delivery.

In the area of staff levels and salaries, administrators are concerned about rising staff costs and the potential need for staff reductions.

Participation in Purchasing Consortia

A majority of AASCU institutions responding to the survey (61 percent) belong to a consortium in order to contain costs, and these institutions consider their consortium participation to be an effective strategy for cost containment.

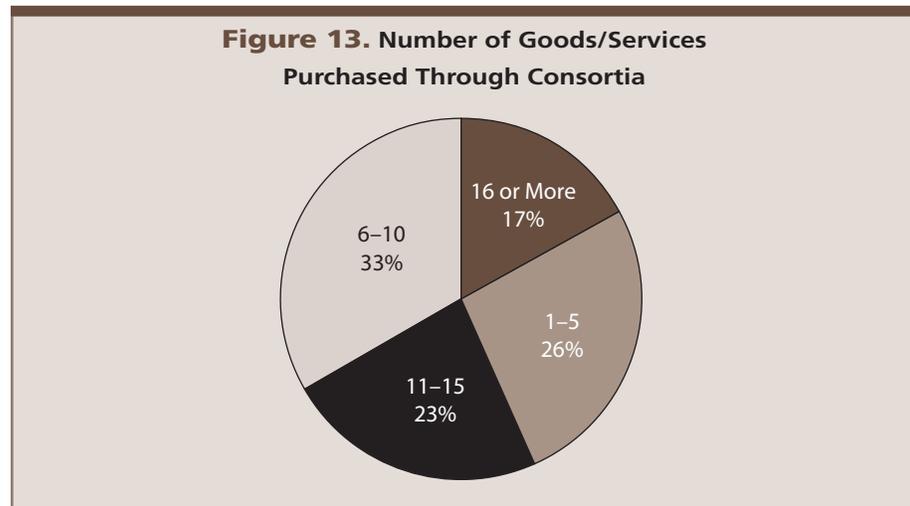
- Ninety percent of these institutions rate their consortium participation as very effective or effective.

- An additional seven percent rate their participation as extremely effective, while only 3 percent rate it as “not very effective.”

Although a majority of respondents do participate in consortia, a significant portion (39 percent) do not. Among institutions that do not belong to a consortium, reasons include:

- Potential consortium members not available in geographic area (29 percent)
- Legal restrictions by the state or state system (31 percent)
- Ability to negotiate favorable terms independent of consortia (31 percent)

The research results suggest that there is opportunity to increase the range of goods and services purchased through consortia among the institutions that already belong to a consortium. Of the 29 categories of goods and services listed in the survey, respondents whose institutions belong to a consortium on average buy 10 different types of goods and services through the consortium. Relatively few (17 percent) buy 16 or more goods and services through the consortium (*see Figure 13*).



Among institutions that do belong to a consortium, the most common goods or services purchased are computer services and information technology, many types of insurance, office supplies, library resources, and retirement benefits (see Table 1). Slightly less than half of participating institutions purchase utilities (48 percent). The goods and services least likely to be purchased through consortia include mental health, mailing goods/services, student transport, and security services (see Table 1).

Table 1. Goods and Services Purchased Through a Consortium

Heavy (>50 percent)	Moderate (25–50 percent)	Light (<25 percent)
Computer Services/IT (77%)	Casualty Insurance (48%)	Fleet Management (23%)
Liability Insurance (61%)	Utilities (48%)	Financial Services (20%)
Office Supplies (59%)	Life Insurance (44%)	Training Services (16%)
Library Resources (58%)	Janitorial Supplies (44%)	Printing Goods/Serv. (10%)
Health Insurance (58%)	Legal Services (38%)	Physical health (9%)
Property Insurance (58%)	Communications Equip. (36%)	Security Services (7%)
Worker's Comp. (57%)	Other Fringe Benefits (33%)	Student Transport (7%)
Retirement Benefits (54%)	Non-Student Transport (33%)	Mailing Goods/Serv. (4%)
Research/Med. Supplies (30%)	Course/Prg. Sharing (25%)	Mental Health Serv. (3%)

Note: Numbers in parentheses are the percent of consortium members that report purchasing the item through their consortium.

Use of Outside Consultants for Cost Containment Analysis and Solutions

Nearly one-half of survey respondents (49 percent) have used an outside vendor or nonprofit organization to analyze potential cost containment solutions, and the results are generally positive. Respondents are most likely to have used outside vendors or non-profits to study Facilities/Infrastructure (70 percent of institutions report having this studied) and Business Services/Processes (45 percent), which are the same areas that institutions are most likely to rely on for cost containment. Salaries and Benefits (21 percent), Academic Programs (14 percent), and Student Services (23 percent) are studied to a lesser extent by vendors and have also been relied on less, to date, for cost containment.

Most participating institutions that have used outside vendors consider the vendor effective, have implemented the vendor's recommendations or are in the process of doing so, and believe the vendor's recommendations resulted in cost savings.

- Forty-four percent of respondents rate their vendor "effective," 33 percent rate their vendor as "very effective," and an additional four percent rate their vendor as extremely effective. Nearly one in five (19 percent) say their vendor is ineffective.
- Most respondents (90 percent) have already implemented or are planning on implementing the consultants' recommendations.
- Two-thirds (64 percent) say the recommendations resulted in cost savings for the institution, and an additional 27 percent indicate that it is "too early to determine."

Involvement of Employees and Students in Cost Containment

The research suggests that institutions may be under-utilizing employees and, to a lesser degree, students, as potential resources for identifying cost containment strategies.

Students participate significantly in cost containment efforts at 62 percent of responding AASCU institutions. This includes serving on committees, voting on how mandatory non-academic student fees should be spent, and other kinds of student involvement. These colleges, and the remaining institutions, might consider additional ways to involve students in this important endeavor. In contrast, most survey participants do not have a program that encourages employee participation in cost containment, and those that do report moderate levels of employee enthusiasm for the program.

- Only one-third (31 percent) of respondents have a program in place that encourages employees to forward recommendations on cost containment.
- At those institutions with a program in place that encourages employee participation, few employees are seen as “very enthusiastic” (6 percent) about the program and most are either “somewhat enthusiastic” (46 percent) or neutral (37 percent).
- Among those institutions with an employee program, 60 percent report rewarding or recognizing employees whose cost containment recommendations are adopted, most commonly in the form of cash rewards, certificates or plaques, recognition at an employee event, or a mention in a staff-oriented publication.

Relating Cost Containment Success to Specific Activities

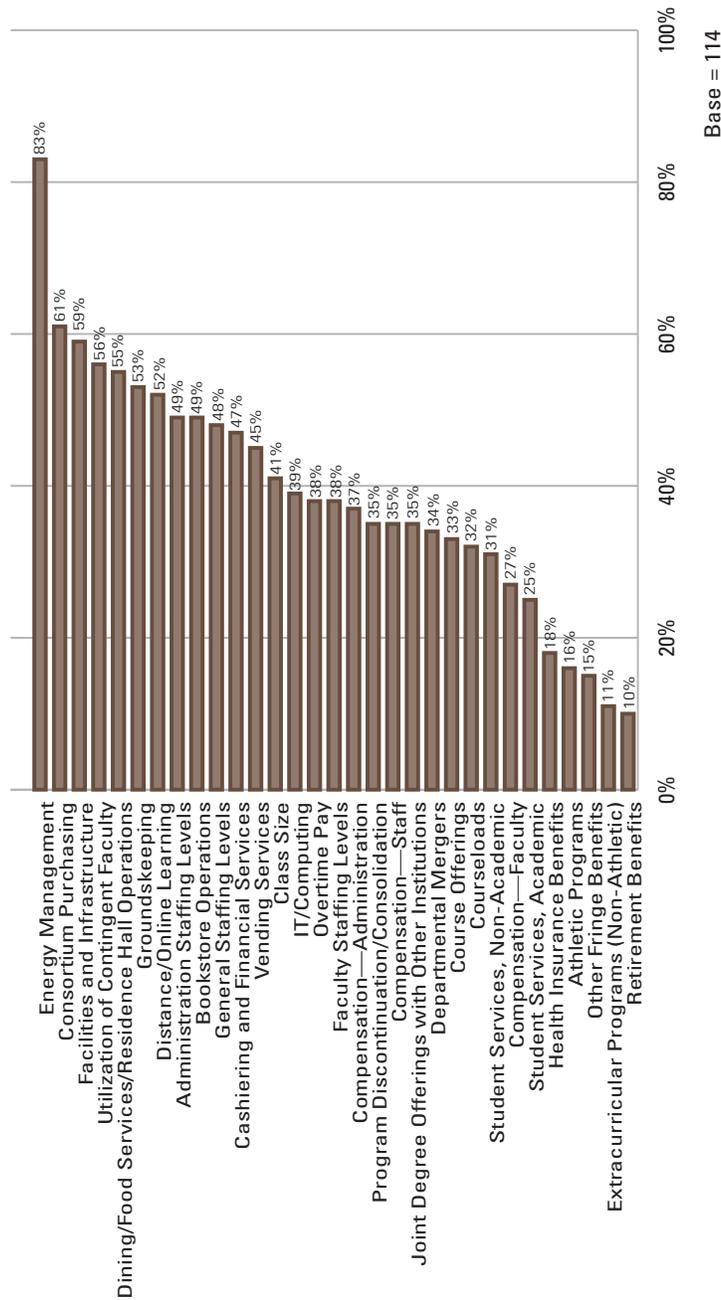
Using satisfaction with the institution’s efforts as a proxy for cost containment success, the research indicates that survey respondents that are more satisfied with their cost containment efforts are also more likely to:

- Rely on a broader range of operations and services for cost containment (59 percent of very or adequately satisfied institutions rely on more than 10 components, compared to 46 percent of unsatisfied institutions).
- Rely on the following components for cost containment:
 - Facilities and Infrastructure (65 percent of very or adequately satisfied institutions rely on this component, compared to 39 percent of unsatisfied institutions).
 - Consortium purchasing (67 percent compared to 42 percent).

- Staffing Levels, especially administration staffing levels (55 percent compared to 31 percent).
- Employee Compensation, especially faculty compensation (32 percent compared to 12 percent).
- Have an employee participation program in place (34 percent of very or adequately satisfied institutions have a program, compared to 19 percent of unsatisfied institutions).

APPENDIX A

Sources of Cost Containment: Extent to Which Institutions Rely on Individual Components for Cost Containment



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