

# Cost Containment in Higher Education

Deirdre Hodgson and Ben Aase

July 22, 2020

WEALTH ADVISORY | OUTSOURCING | AUDIT, TAX, AND CONSULTING

Investment advisory services are offered through CliftonLarsonAllen Wealth Advisors, LLC, an SEC registered investment advisor



Create Opportunities

# Disclaimers

*The information contained herein is general in nature and is not intended, and should not be construed, as legal, accounting, or tax advice or opinion provided by CliftonLarsonAllen LLP to the user. The user also is cautioned that this material may not be applicable to, or suitable for, the user's specific circumstances or needs, and may require consideration of non-tax and other tax factors if any action is to be contemplated. The user should contact his or her CliftonLarsonAllen LLP or other tax professional prior to taking any action based upon this information. CliftonLarsonAllen LLP assumes no obligation to inform the user of any changes in tax laws or other factors that could affect the information contained herein.*



# Speaker Introductions



Principal, Higher Education

Deirdre Hodgson



Principal, Consulting

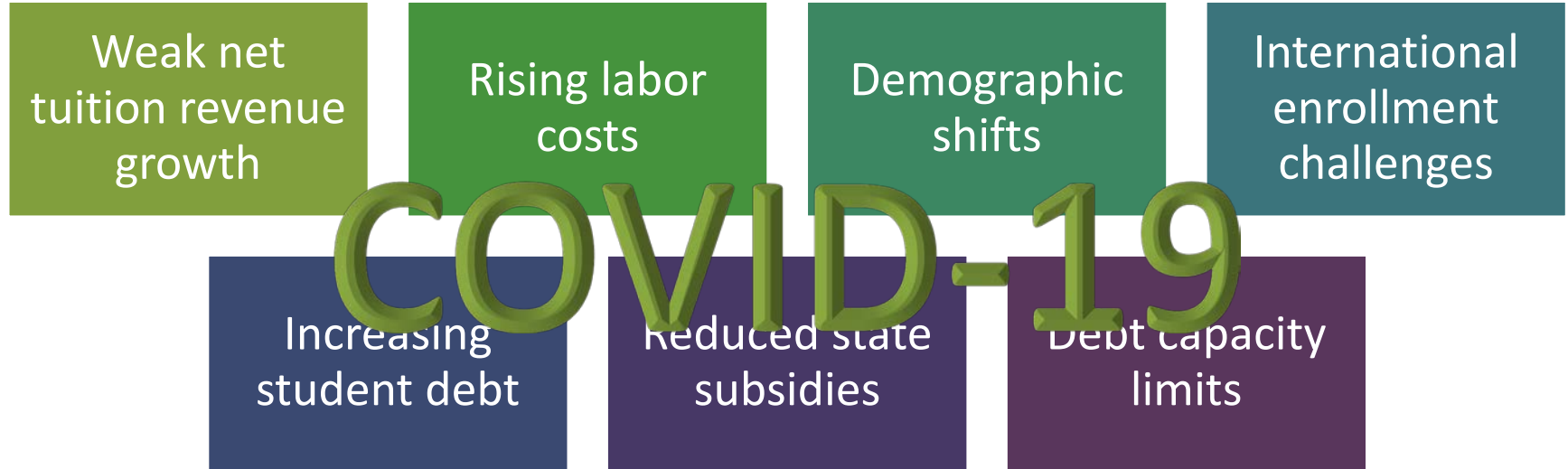
Ben Aase

## Learning Objectives

- Identify cost categories and opportunities to control them
- Identify common spending pitfalls
- Identify cost overruns using benchmarking and process review
- Outline your institution's budget approach



# Current state of Higher Education





## Polling question

Has your institution had to cut significant dollars from the 2021 budget?

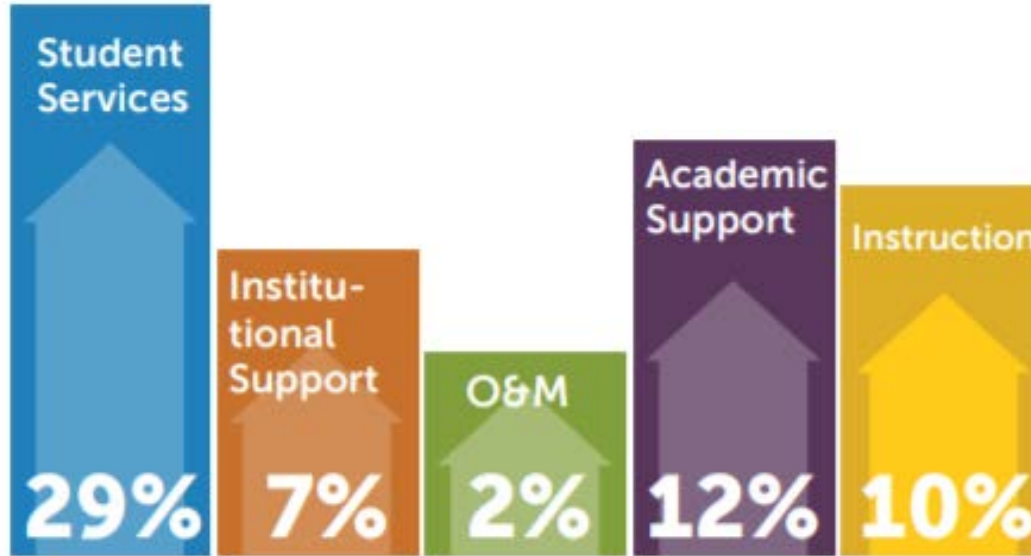
- a) < 5%
- b) 5-10%
- c) > 10%

WEALTH ADVISORY | OUTSOURCING | AUDIT, TAX, AND CONSULTING

Investment advisory services are offered through CliftonLarsonAllen Wealth Advisors, LLC, an SEC-registered investment advisor

# Cost categories

## Spending Per FTES Ten-Year Trend



Private Non-Profit Masters

# Common spending pitfalls



Replacing vacancies without careful review



Hiring for oversight



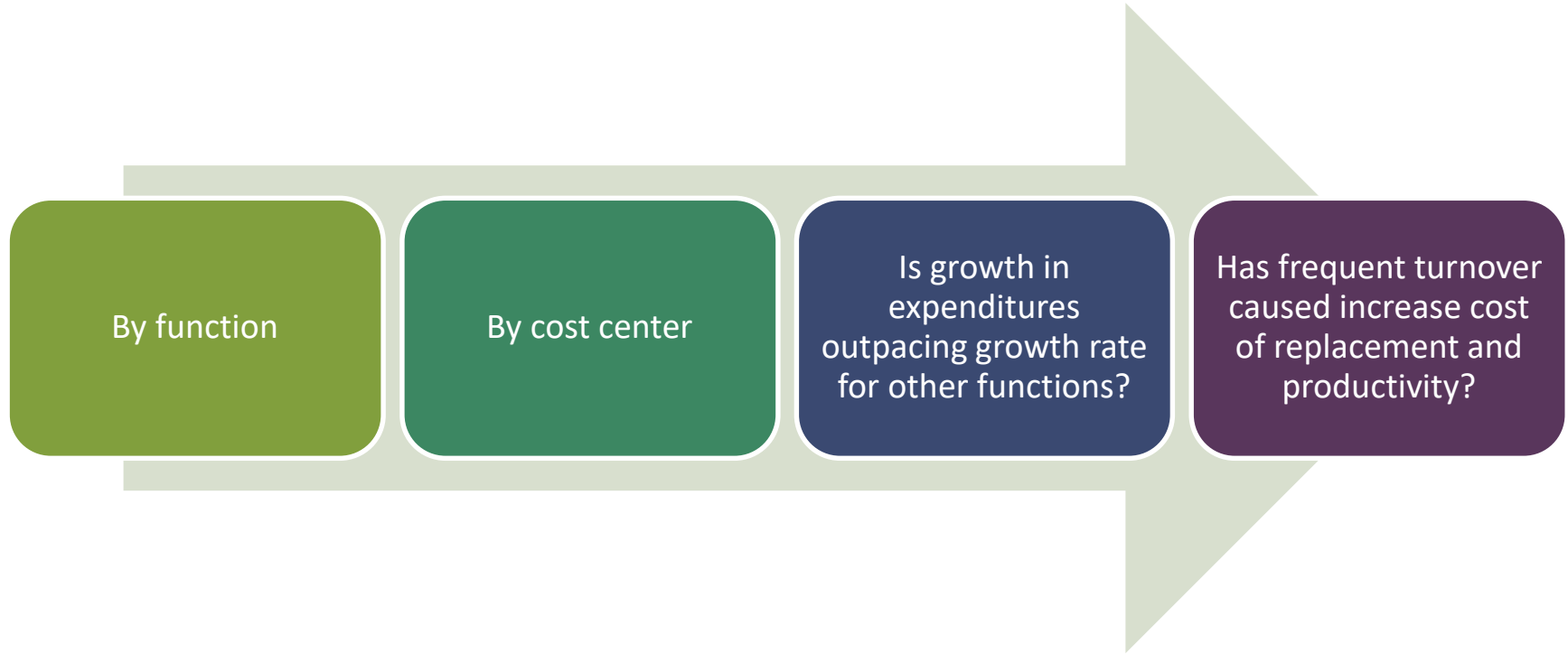
Making long-term commitments on short-term dollars



Allowing a disconnect between the academic and enrollment plans



# Salary analysis



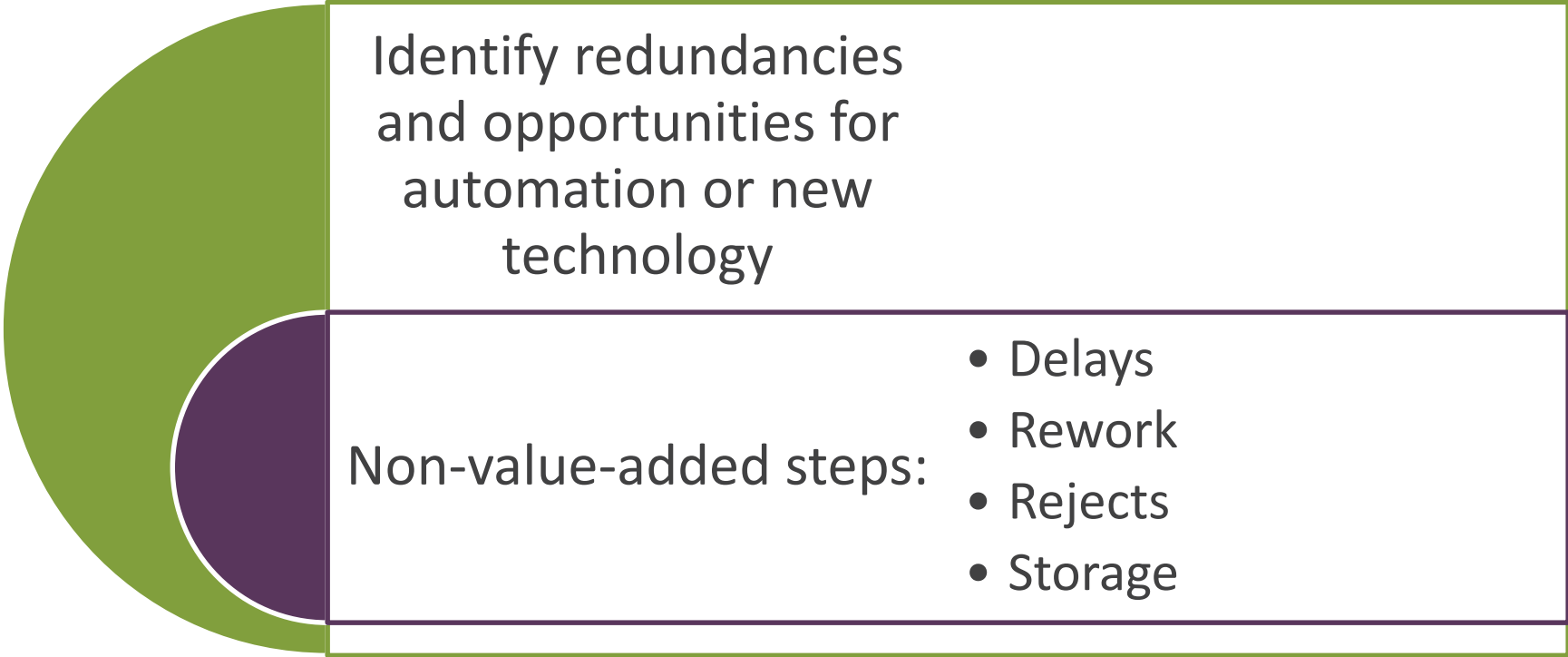
# Review organizational spans, layers, and portfolios

Are you properly leveraging positions and people?

Are the number of organizational levels and positions in line with peer institutions?

The staff-to-supervisor ratio at a smaller institution should be five-or-six-to-one, and seven to-one (or more) at larger institutions.

# Business process review



Identify redundancies  
and opportunities for  
automation or new  
technology

Non-value-added steps:

- Delays
- Rework
- Rejects
- Storage

# Benchmarking



Process time



Staffing ratios by function



Fully-loaded cost per SCU or FTEs



Examine against peers and aspirational institutions



Identify strengths and best practices or gaps between performance and strategy

# Review and prioritize academic programs

## **Relevance:**

Look for programs that have declining enrollment and increasing costs

## **Sustainability:**

Look for resource allocation commensurate with enrollment

## **Differentiation:**

What are your unique strengths and how can you play to them



## Polling Question

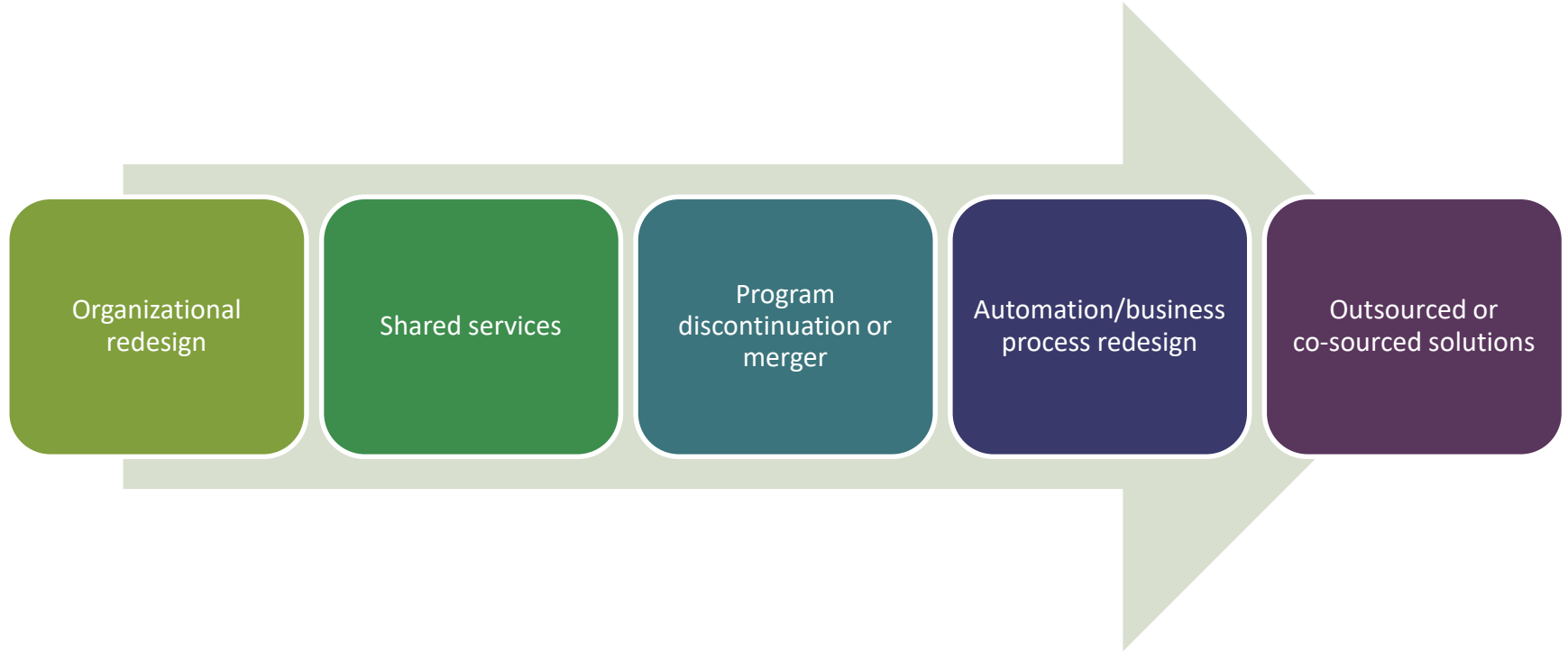
Has your organization looked at eliminating programs based on contribution margin analysis?

- a) Yes
- b) No

WEALTH ADVISORY | OUTSOURCING | AUDIT, TAX, AND CONSULTING

Investment advisory services are offered through CliftonLarsonAllen Wealth Advisors, LLC, an SEC-registered investment advisor

# Process review and best practices



# Co-sourced or outsourced solutions

## Typically outsourced

Dining services

Bookstore

Housing

Landscaping and grounds

Custodial

Facilities operations

Information technology

## Newer trends and opportunities

Controller/general accounting

Bursar

Financial aid

Human resources

Payroll





## Polling Question

Have you recently (or are you considering) co-sourcing or outsourcing functions previously staffed internally?

- a) Yes
- b) No

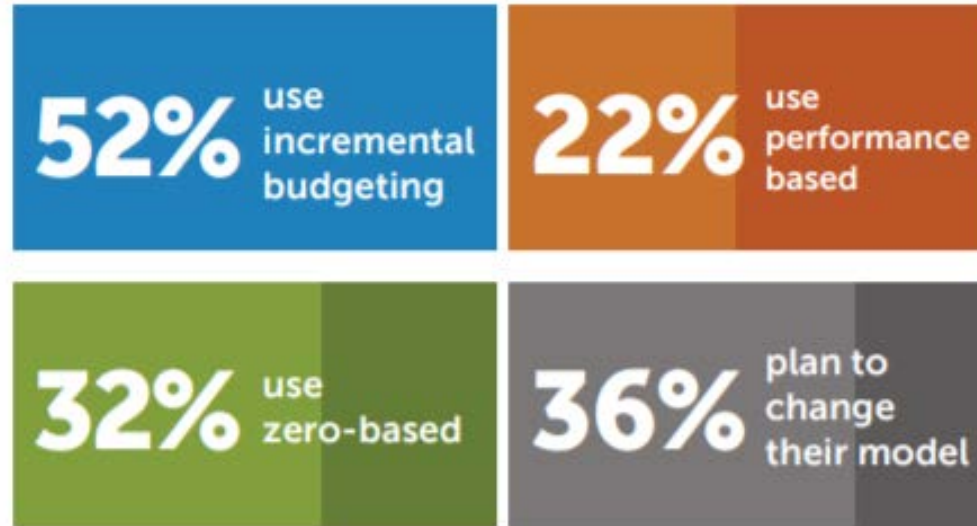
WEALTH ADVISORY | OUTSOURCING | AUDIT, TAX, AND CONSULTING

Investment advisory services are offered through CliftonLarsonAllen Wealth Advisors, LLC, an SEC-registered investment advisor

# Rethink the budget approach

## Budget Model

*Public Institutions:*



Inside Higher Education 2016 Survey  
of College and University Business Officers

# The road map



## How can we help?

- Finance department assessments
- Contribution margin analysis
- Outsourced and co-sourced solutions
- Cost containment and benchmarking analysis
- CLA Intuition™ scenario modeling
- Responding to COVID-19
  - <https://www.claconnect.com/campaign/covid-19>





[CLAconnect.com](https://claconnect.com)

© 2020 CliftonLarsonAllen LLP

Deirdre Hodgson, Principal  
Higher Education  
[Deirdre.Hodgson@claconnect.com](mailto:Deirdre.Hodgson@claconnect.com)

Ben Aase, Principal  
Consulting  
[Ben.Aase@claconnect.com](mailto:Ben.Aase@claconnect.com)

