**Affordability Subcommittee Report**

**As of January 21, 2016**

**Which goals of the plan will be addressed by identified strategies?**

* Reduced time to degree
* Allocate 25% of state scholarship funds to need-based programs
* Re-allocate institutional spending to maximize efficiency and effectiveness
* Increase core expense ratio.
* Administrative Positions
* Raise Faculty Salaries to Regional Average
* Short Term Goals should be ready by April 30.
* Short term goals could include fiscal session recommendations
* More substantive changes would have to be made during the general session (long-term goals).
* Efficiency and Personnel policy changes could be short-term.
* Affordability Policy Audit (Suggested by Dr. Powell)
* Tuition & Fees
* State Appropriations
* Financial Aid

**What changes are necessary to achieve progress toward the goals?**

* Reduced time to degree
* Degree Plans for first two years
* Summer bridge program (including financial aid)
* Effective Advising for both scheduling and financial aid
* Has the enrollment/financial aid process become to complicated?
* Allocate 25% of state scholarship funds to need-based programs
* Will need to look at current scholarship and grant programs
* Harold will provide data on success of current programs.
* Re-allocate institutional spending to maximize efficiency and effectiveness
* Discover which degrees the state needs, and how to draw students to those degree programs
* Institutions should spend more wisely; spend money in ways that will save money in the future.
* Important to have a consolidated and united message for all of the institutions can get behind.
* Develop Best Practice Strategies for Institutions.
	+ **SHARED SERVICES**
		- Issues:
			* Different Platforms – Expensive to combine
			* Loss of control within departments, Loss of jobs is a fear.
			* Worries of not being able to get things done quickly enough
		- Benefits:
			* Less Cost
			* Better Contract Negotiation
	+ **CAPITAL IMPROVEMENT MATCH OF STATE MONEY**–
		- Long-Term Goal
	+ **PUBLIC/PRIVATE PARTNERSHIP** –
		- risk of potentially costing more due to the potential of ad valorem taxes. Could we seek legislation to protect these partnerships if it benefits the greater good?
	+ **COMMUNICATION**
		- Lunch and Learn/Training Series
	+ **SUMMARY SHEET OF TALKING POINTS**
		- What we’ve done, What we’re doing, What we hope to do.
		- How do we track progress?
* Increase core expense ratio/Administrative Positions
* How can we understand the cost of administrative positions?
* Can we add more personnel data to the series 17 report?
* Can we use SACUBO as a common benchmark for Arkansas Institutions?
* Raise Faculty Salaries to Regional Average
* Could we also consider salaries of student support/other staff?
* What do other states do in regard to legislative oversight/personnel
* Can this be achieved with current funding?

**What barriers, if any, exist that make adoption of the identified strategies difficult?**

* Financial Literacy
* Students who do not understand student loans take on excess debt.
* Can K-12 help with this issue?
* Could a First Year Experience course help with this?
* Student Loan Debt
* Students consider all student loan debt when thinking of the cost of college (not just tuition and fees)
* We need to develop a unified understanding of student loan debt – how much of the states debt is coming from public/private/proprietary schools?
* Consider debt by category. Is median a better measure of debt than average?
* People perceive that they cannot afford college, perception of the media is that student loan debt is bad.
* Tuition Increases
* We need to understand why tuition is increasing and be able to present it in a way that is clear and easy to follow.
* Some reasons include utilities, mandatory wage increases.
* Lack of capital funding causes tuition to increase.
* Tuition Increase Justification Summary from ADHE:

 *Institutions submitted a wide array of reasons for increasing tuition. The most common reason given by institutions was the increased cost of technology. As time passes, it is extremely important for colleges and universities to keep up with trends in new technology. It is paramount to keeping students educated and ready for the workforce. Along with upgrading technology, many institutions are working to become more involved with economic and workforce activities in their region and in the state, which contributes to rising costs.*

*Many institutions also mentioned the rising costs of employee benefits, such as healthcare, as a source of need for increases in tuition. In addition, many institutions have faculty salaries below the SREB minimum, and need to increase tuition in order be able to pay a competitive salary to faculty.*

*Institutions also noted that security costs have increased as they work to keep students more safe on their campuses. Other increases were attributed to rising costs of utilities, scholarship costs, and more emphasis on student services. Student services is an especially important category – the quality of student services provided is directly related to student retention.*

*Many of these costs are unavoidable if colleges and universities want to remain competitive in the industry. The two main revenue sources for institutions are state funding and tuition & fees. In order to balance their budgets, institutions have to consider tuition & fee increases if their state funding remains flat.*

* Is raising tuition the only option – does it actually increase revenue?
* Regulatory Obligations
* How can we help legislators understand the importance/benefits of higher education?
* Could be helpful to show them benefits on a district level
	+ Colleges and universities are usually one of the largest employers.
	+ Higher Education produces good professional employees who give back to the communities they work in.
* Could we compare allocations to higher education in Arkansas to other states?
* “Administrative Bloat” Is a concern at the legislative level.
	+ Need to understand what constitutes an “Administrator” with a good definition
	+ What are the reasons for increased institutional support? Are there things encouraging the growth of administrative positions?
		- Cost of Buildings and Maintenance
		- Regulatory Cost – can we determine how compliance with regulatory obligations affects cost?
	+ Arkansas – instructional cost is less than administrative cost
		- Do we need to be close to the national average? Probably not. We need to compare peer institutions instead.
* Vanderbilt Regulatory Study
	+ Compliance adds to cost
	+ Costs range between 3% and 11% of annual operating expenditures for federal regulatory compliance. Not including STATE legislative requirements.
	+ We need to get a list of the legislative reports that schools must complete? List federal and state.
	Should Include: *Academic, Procurement, Finance (already have), Purchasing, Personnel, and Federa*l
* Personnel and Reallocation
	+ The state personnel classification system makes it difficult to grow employees.
	+ Also makes it difficult to motivate employees since it they cannot be easily promoted.
* Reallocation
	+ How can institutions reallocate without new funds?
		- Reallocation may include getting rid of programs or people (or moving people around).
		- Administrative expenses are not the only things that should be considered. “Nothing should be sacred” when considering reallocation.
		- Even health insurance costs have been pushed more onto employees.
		- Opportunity costs are an important consideration.
* Financial Aid Practices and Policies
	+ Divorce rate is high? Does that make a difference to financial aid if parents are not contributing?
	+ Could financial aid directors be more active in giving FAFSA changes?

**What partners, external to higher education, will be important to the identified strategies?**

* K-12 could help educate students about fiscal responsibility.
* Legislators will be very important to allocating targeted money that could make higher education more affordable.
* Legislators will also be vital to make it easier for institutions to borrow money.

**What resources (technological, human, physical, financial) are necessary to implement identified strategies?**

* Expense Ratios
* Core Expense Ratio - the only expenses that matter for institutional effectiveness (Graduation) are instructional, academic support and student services. Other things are important, but do not make a difference towards graduation rates.
	+ It is possible to OVERSPEND and waste money when it would not further benefit the institution or graduation rate.
	+ If institutions UNDERSPEND on these areas, they will underperform.
	+ Legislators would say the non-core is “administrative bloat”
* SACUBO Benchmarking
* What makes it valuable?
	+ Consistent data that is available earlier (same as IPEDS). Less than 9 months after fiscal year ends.
	+ Also provides data on employees that does not appear to be available anywhere else. Gives a breakdown by functional area. Would help to determine if “Administrative Bloat” exists.
* Questions about SACUBO:
	+ - How far reaching is SACUBO?
		- How many states are participating?
		- How many schools are currently participating? Around 350
		- Is there an overall report?
		- How much does it cost? It is free to participate
		- How will legislators react to the data? Dr. Powell said that it is important that we present the data with context.
		- How difficult is it to break out employees by functional area? Not that difficult. It can be done.
* Concerns about SACUBO:
* Institutions are hesitant because of employee categorization. We could collect this without SACUBO, but we would not have the comparison data
* Data could be misunderstood at the legislative level
* Participation
	+ We should try to get institutions to participate now.
	+ ADHE would be most effective at encouraging participation
	+ Tara will draft an email in the context of having support from the affordability subcommittee.
* AP Courses
* How do AP courses affect affordability?
	+ We should look at the Chris Foley University of Indiana AP study. (Are these using data of people who passed the exams only?)