



## *Federal Regulatory Cost Burden Study Overview Discussion*

*July 2015*



## Overview

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These materials comprise the study summaries of a joint project between The Boston Consulting Group and Vanderbilt University

The findings contained herein are based upon the best data currently available. These findings are part of a larger body of work and inquiry addressing regulatory costs for the higher education industry. As such, these findings in isolation and without the supporting commentary and study framework description may present an inaccurate picture of the whole.



# Agenda

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**Background – what are we trying to accomplish?**

**Phase I: Vanderbilt-specific findings**

**Phase II: 12-institution findings and preliminary cross-sector extrapolation**

**Beliefs audit results at participating institutions**



# Complexity in Number of Regulations, Laws and Agencies Increasing Burden on Institutions

**> 35 different regulatory areas**

(e.g., Accreditation, Campus Safety, Financial Aid, Grants & Contracts, etc.)

**~200 different statutes**

(e.g., ADA, FERPA, Higher Education Act, Title IX, etc.)

**~20 different agencies to report to**

(e.g., Dept. of Education, NSF, NIH, etc.)

"HEA totals nearly 1,000 pages; there are over 1,000 pages in the official Code of Federal Regulations devoted to higher education...on average every workday ED issues one new sub-regulatory guidance directive or clarification...**No one has taken the time to “weed the garden.”**

*- Senator Lamar Alexander*



# Our Objectives

*Where we started in July 2014*

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**US colleges and universities are subject to significant federal regulation**

**While some regulation is valuable, compliance and reporting add a material cost burden to post-secondary education**

- This is especially true for Tier One research institutions
- Some university officials hypothesize this cost to be as much as 5-10 percent of total operating budgets

**We are interested in uncovering the cost and primary contributions to federal regulatory compliance, focusing on the following high-level questions**

- What is the total cost of federal regulatory compliance for Vanderbilt University?
- What are the most likely areas where Vanderbilt can manage down its cost of regulatory compliance without a change in regulation and without bearing undue risk?
- What is estimated cost of federal regulatory compliance for all higher education institutions in the US? How does the cost differ by segment?



# Two-Phase Approach for Study: First Two Phases are Complete

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## Phase I

**Categorize the federal regulations that significantly impact Vanderbilt**

**Estimate the annual cost burden borne by Vanderbilt to comply with these regulations**

**Classify costs to inform recommendations**

**Summary of findings with costs by regulatory area**

**Detailed results guide with back-up data and model for all areas**

## Phase II

**Identify participating institutions**

**Collect data across all relevant regulatory areas at each institution**

**Estimate federal compliance burden for each institution**

**Summary of findings**

**Preliminary sector extrapolation**

**Detailed findings for each participating institution**



# At Vanderbilt, Compliance Costs Estimated at ~11% of Total Expenditures<sup>(1)</sup>

	Total cost of compliance estimate (\$M)	% of 2014 VU expenses, non-clinical (\$1,365M <sup>1</sup> )
Centralized compliance costs	~39	~3%
Marbled compliance costs	~107 <sup>2</sup>	~8%
<b>Total</b>	<b>~146M<sup>3</sup></b>	<b>~11%</b>

**A portion of the \$146M recovered through federal sources (e.g., F&A) but large share funded through internal sources**

1. Total expenses (3,754M) less healthcare services (2,389M)

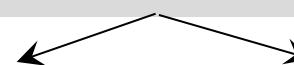
2. Mid-point for estimated range of 98 – 115M    3. Mid-point of estimated range of 137 – 155M



# Significant Variation in Burden Between Research and Non-research Areas

## Total compliance cost

Total compliance cost	\$146M
Total FY14 VU expense (non clinical)	\$1,365M <sup>1</sup>
<b>Total compliance cost per student</b> (Total students: 12,710)	~\$11K
<b>Total compliance cost per faculty<sup>2</sup> (non hospital)</b> (Total faculty: 2,787)	~\$52K
<b>% of total</b>	<b>11%</b>



## Research-related compliance cost

Research-related cost	\$117M
FY14 research expense	\$679M
<b>Total compliance cost per research faculty</b> (Faculty with active awards or applications since July 2013: 1,890)	~\$62K
<b>% of research expenditures</b>	<b>17%</b>

## Non-research-related compliance cost

Non-research-related cost	\$29M
FY14 non-research expense <sup>3</sup>	\$686M
<b>% of non-research expenditures</b>	<b>4%</b>

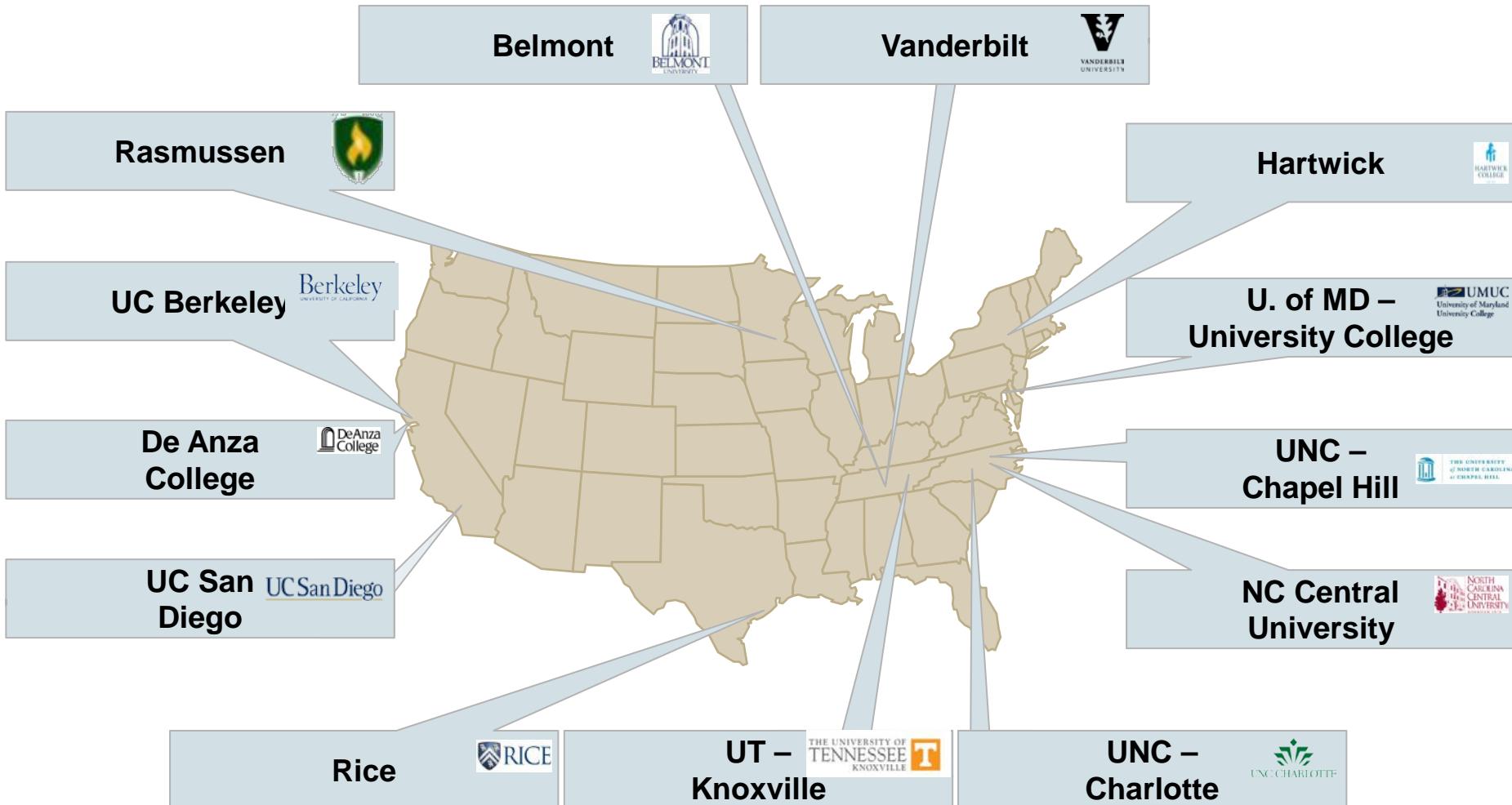
1. Total expenses (3,754M) less healthcare services (2,389M)

2. Medical Center : 1,348 "research" faculty (defined as faculty w/ either active awards or proposals since 7/1/13); University central: 1,052 full time faculty + 387 part time faculty = 1,439 faculty

3. Total expenses less healthcare services, less research expense



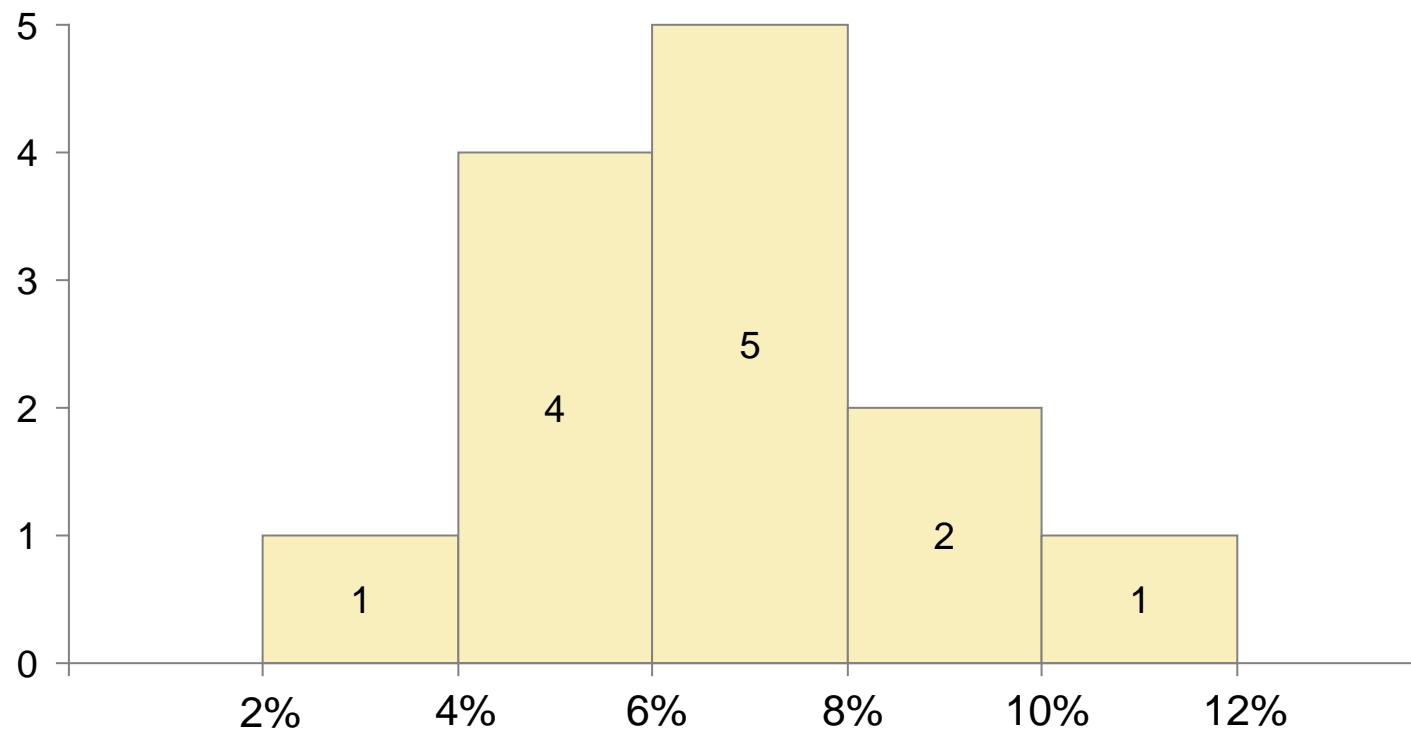
# Across Phases I and II, Estimated the Cost of Federal Regulatory Compliance at 13 Diverse Institutions





# Overall Federal Regulatory Compliance Costs Across Institutions ~3-11%

**# of institutions (N=13)**



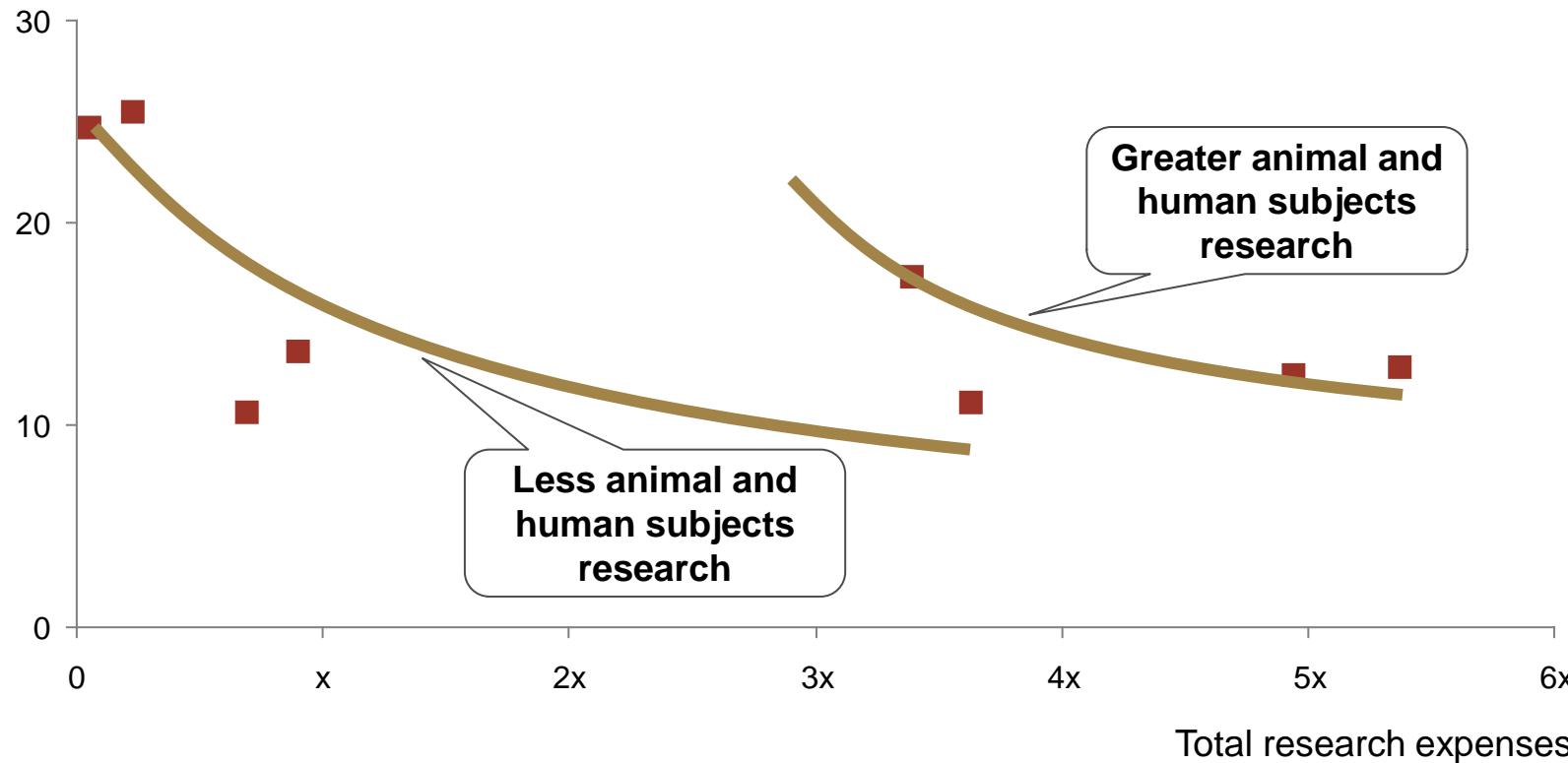
***Cost of compliance as % of FY2014 operating expenses***



# Mix and Scale Driving the Magnitude of Research Compliance Burden

## Research compliance burden by institution (N=8)

Estimated research compliance cost (% of research expenditures)

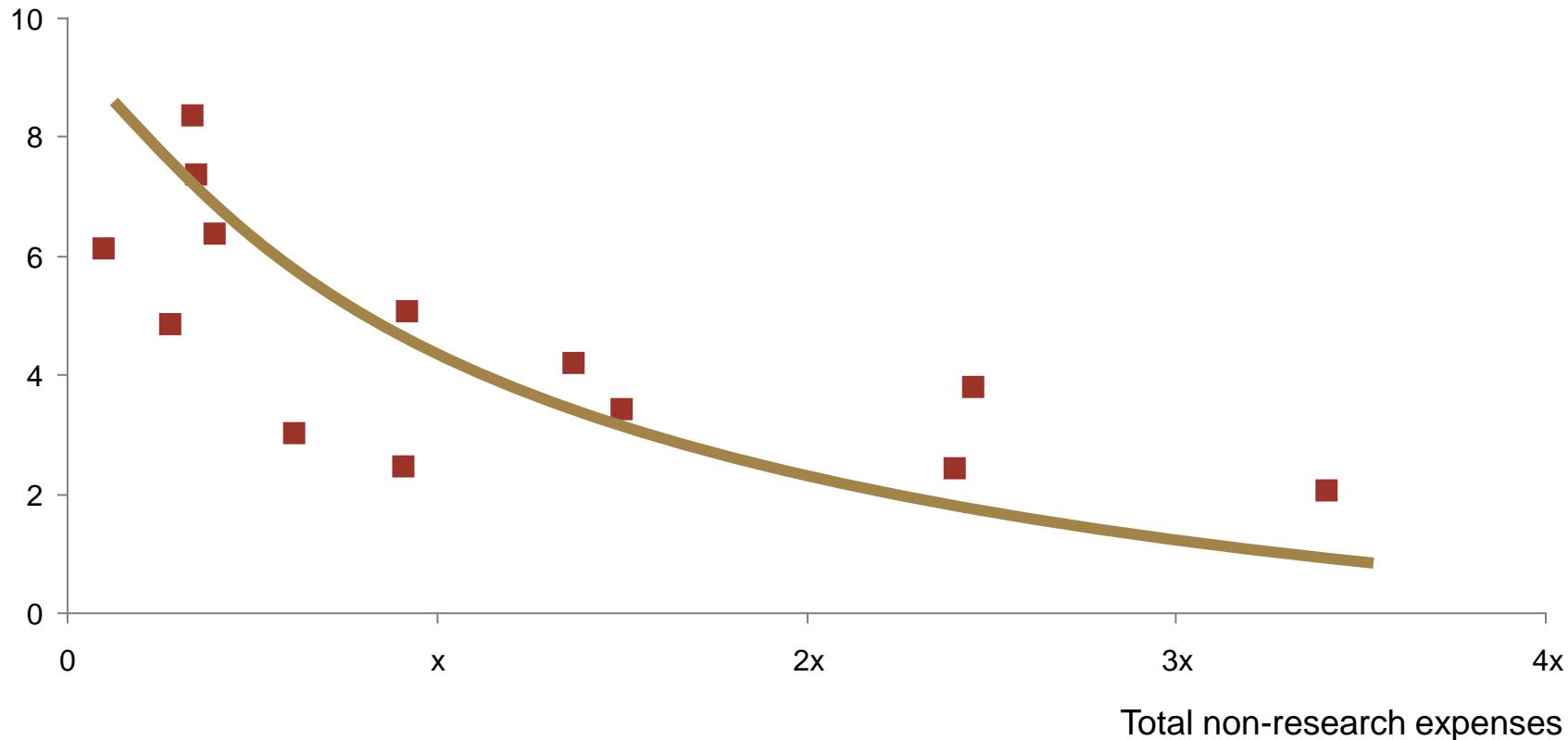




# Scale Driving the Magnitude of Higher Ed and All Sector Compliance Burden

## Higher ed. and all-sector compliance burden by institution (N=13)

Estimated higher ed and all-sector compliance costs (% of non-research expenditures)



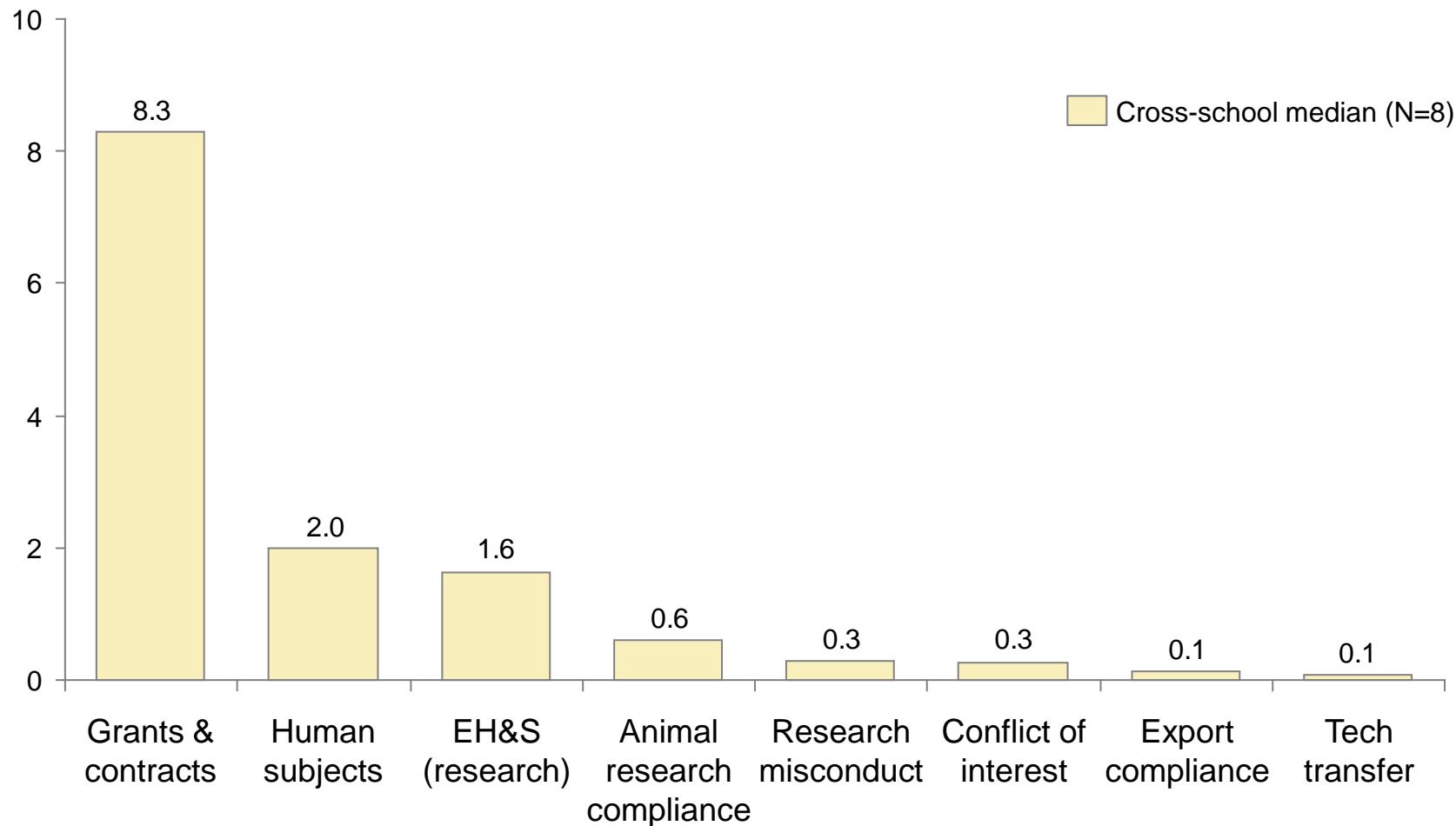
Source: Cost of Federal Regulatory Compliance Study

VANDERBILT UNIVERSITY



# Research Compliance: Grants and Contracts Largest Area

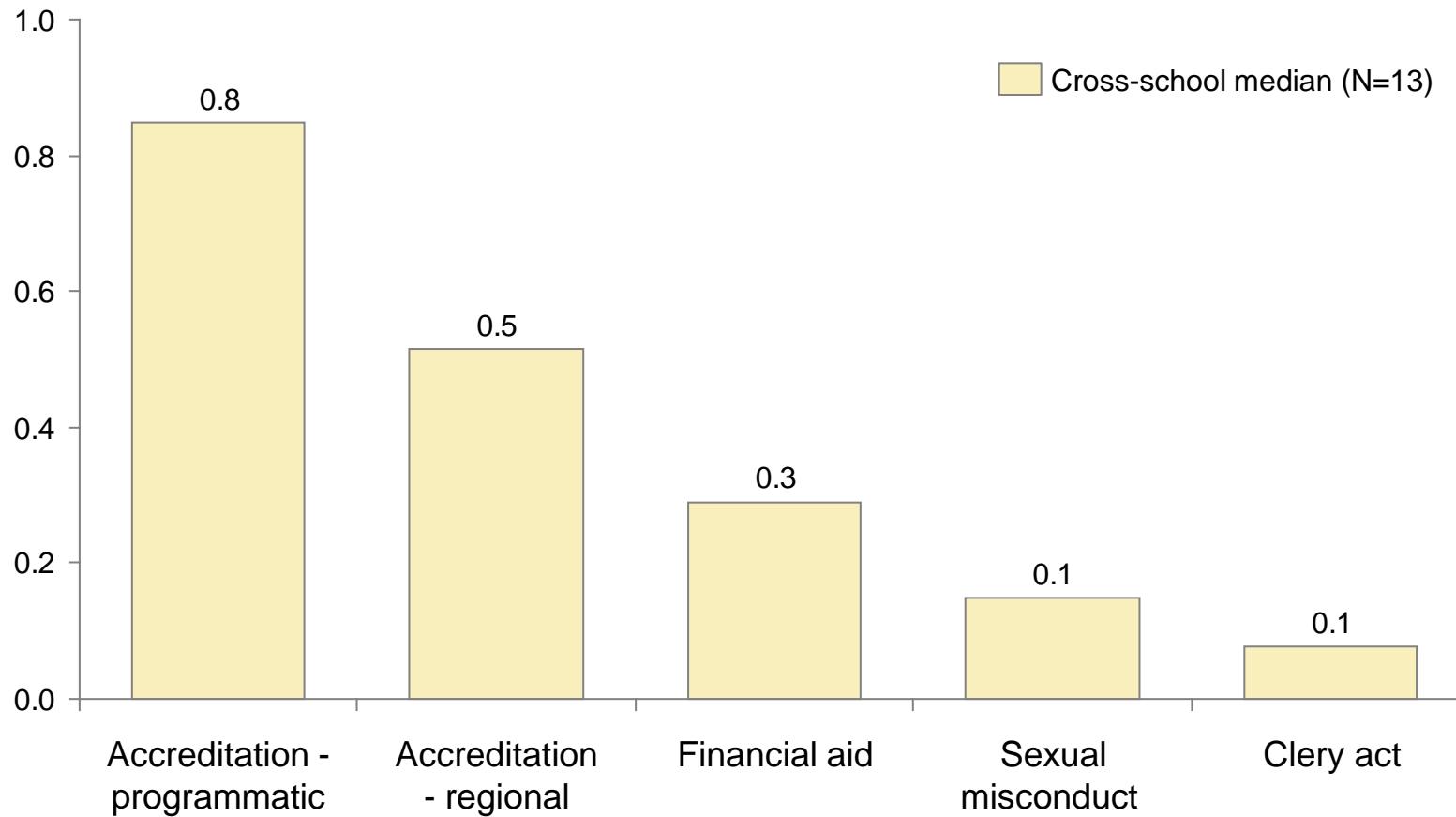
Estimated compliance cost (% of research expenditures)





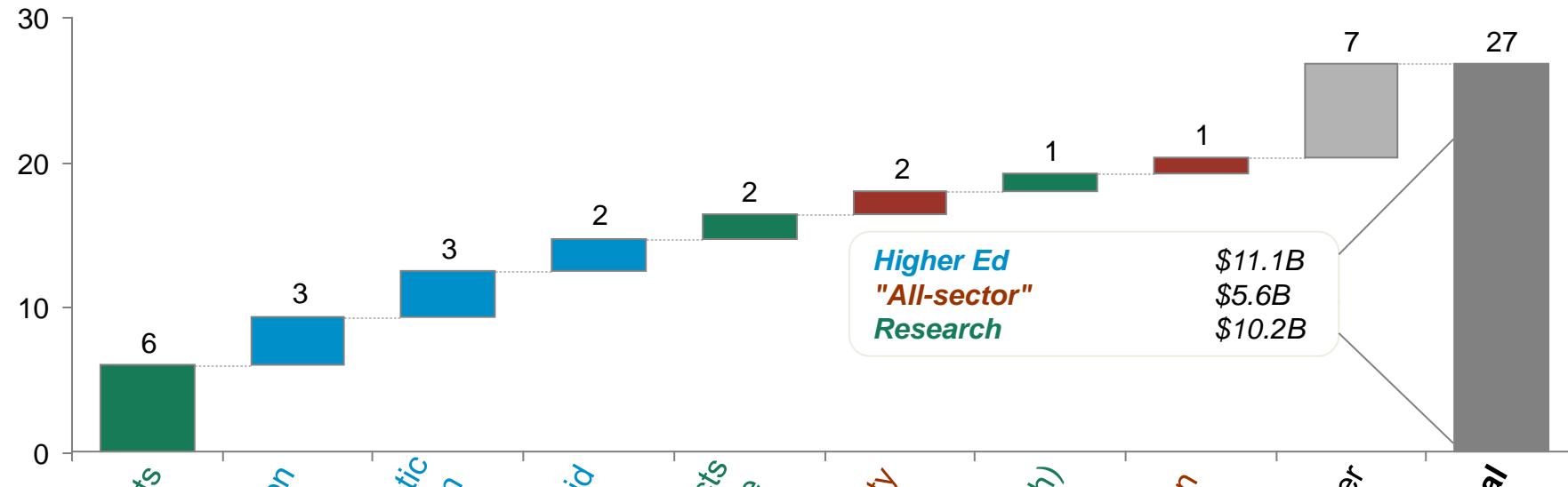
# Higher Ed Compliance: Accreditation Largest Burden

Estimated compliance cost (% of non-research expenditures)



# V Estimated Sector-Wide Cost of Compliance per Regulatory Area Based on Extrapolation from Sample Data

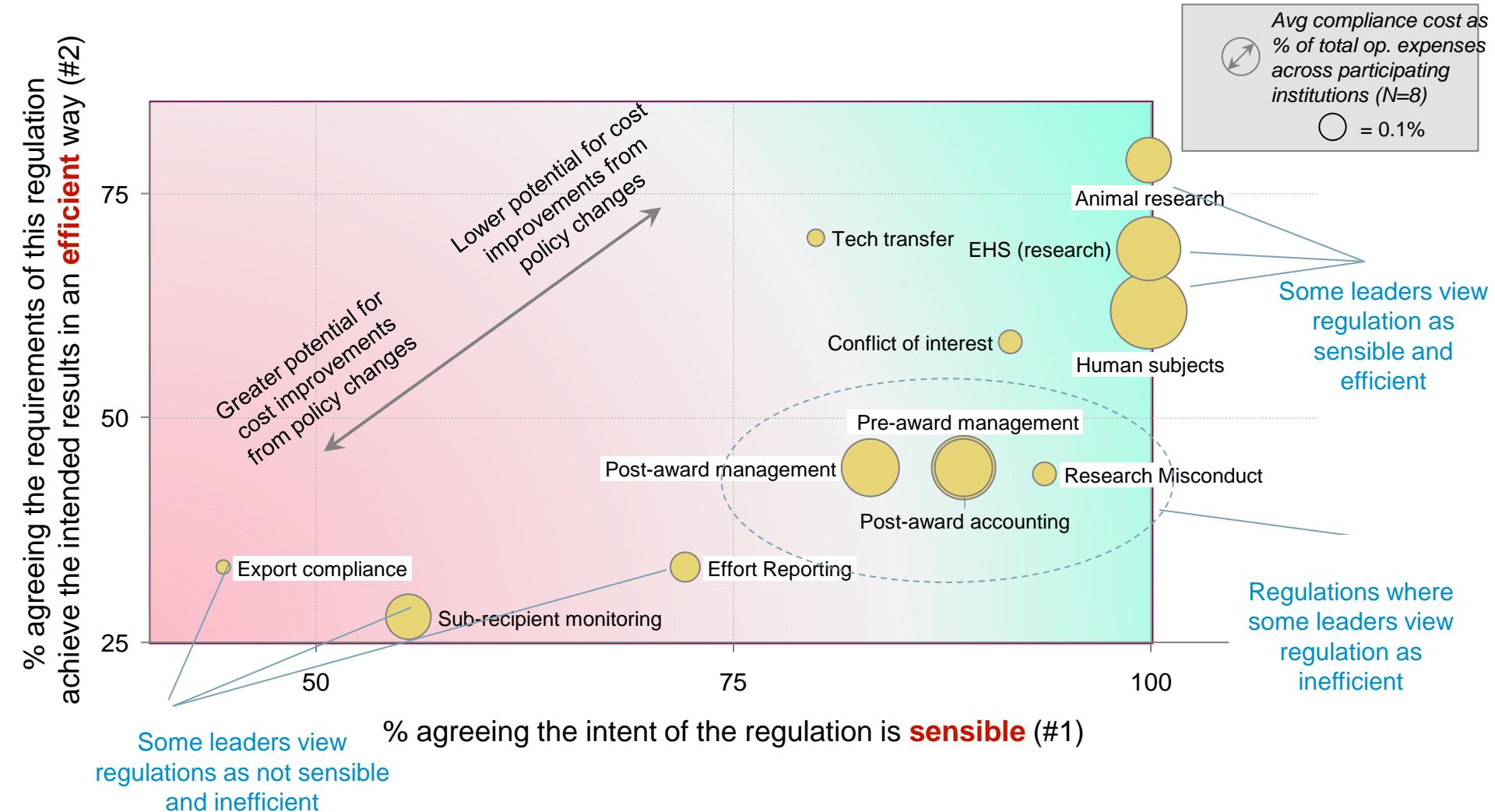
Estimated cost of sector-wide compliance (\$B)



Note: Estimation by regulatory area based on average (i.e., not medians) compliance burdens across participating institutions  
Source: Cost of Federal Regulatory Compliance Study; NSF Herd survey data; IPEDS; BCG analysis

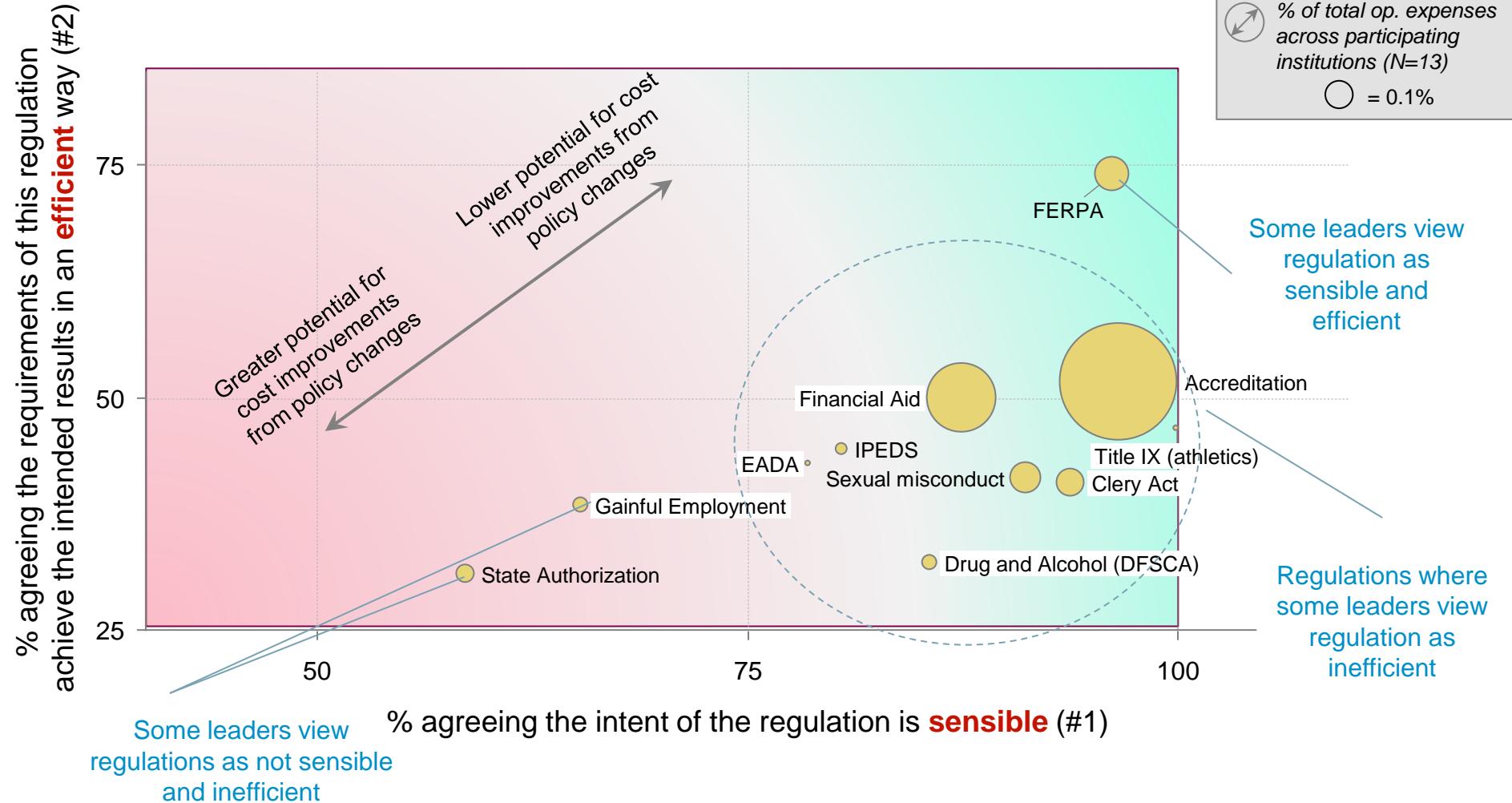


# Institutional Leadership Attitudes Towards Research Specific Policies from Participating Institutions





# Institutional Leadership Attitudes Towards Higher Ed Specific Policies from Participating Institutions



Source: Leadership attitudes survey across 7 institutions, not all institutions surveyed (N=92); BCG analysis



# Institutional Leadership Attitudes Towards “All-sector” Specific Policies from Participating Institutions

