



Federal Regulatory Cost Burden Study Overview Discussion

July 2015



Overview

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

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

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

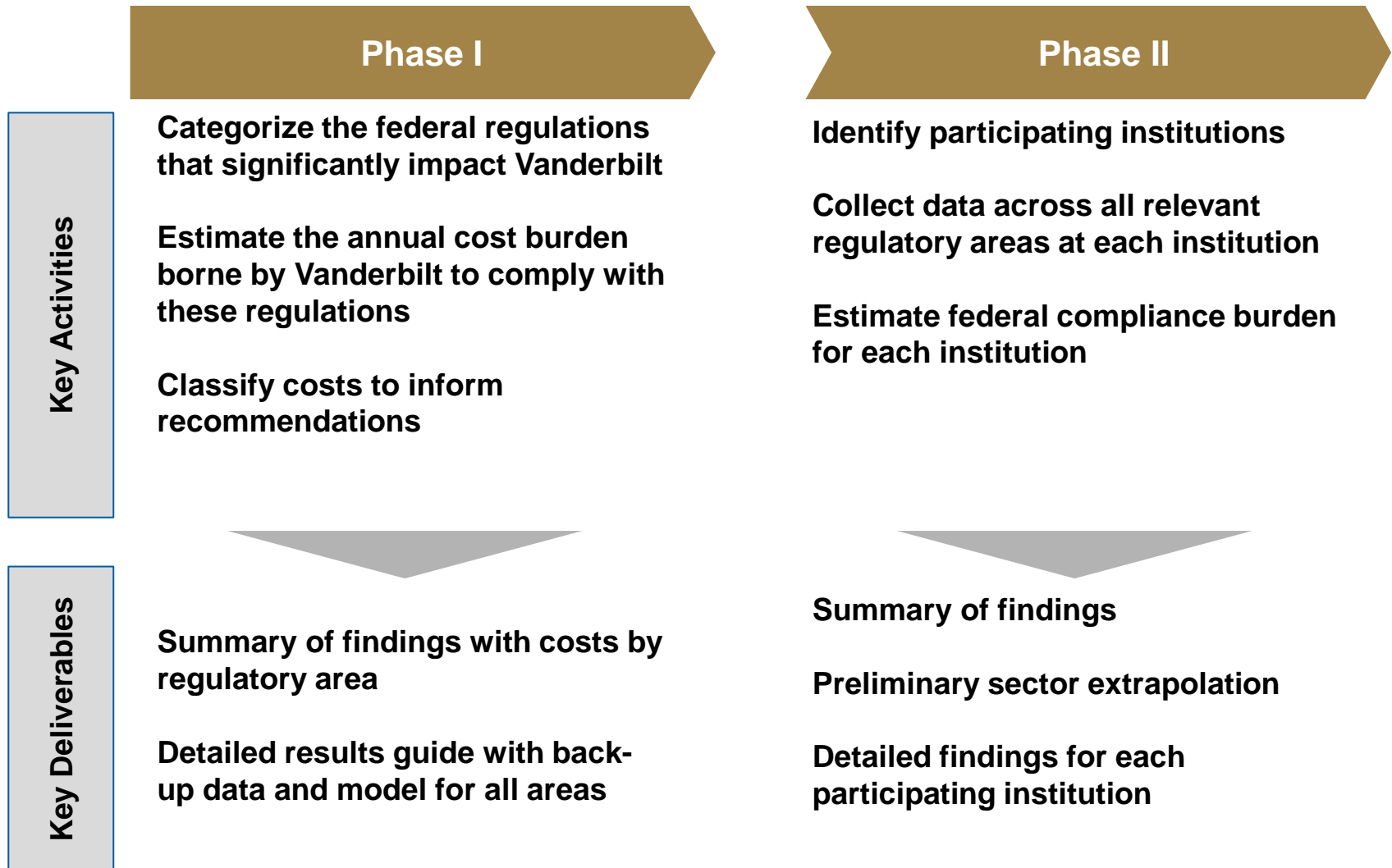
- This is especially true for Tier One research institutions
- Some university officials hypothesize this cost to be as much as 5-10 percent of total operating budgets

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





At Vanderbilt, Compliance Costs Estimated at ~11% of Total Expenditures⁽¹⁾

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

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



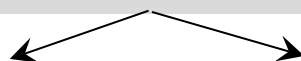
Significant Variation in Burden Between Research and Non-research Areas

Total compliance cost

Total compliance cost	\$146M
Total FY14 VU expense (non clinical)	\$1,365M ¹
Total compliance cost per student (Total students: 12,710)	~\$11K
Total compliance cost per faculty ² (non hospital) (Total faculty: 2,787)	~\$52K

% of total

11%



Research-related compliance cost

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

% of research expenditures

17%

Non-research-related compliance cost

Non-research-related cost	\$29M
FY14 non-research expense ³	\$686M

% of non-research expenditures

4%

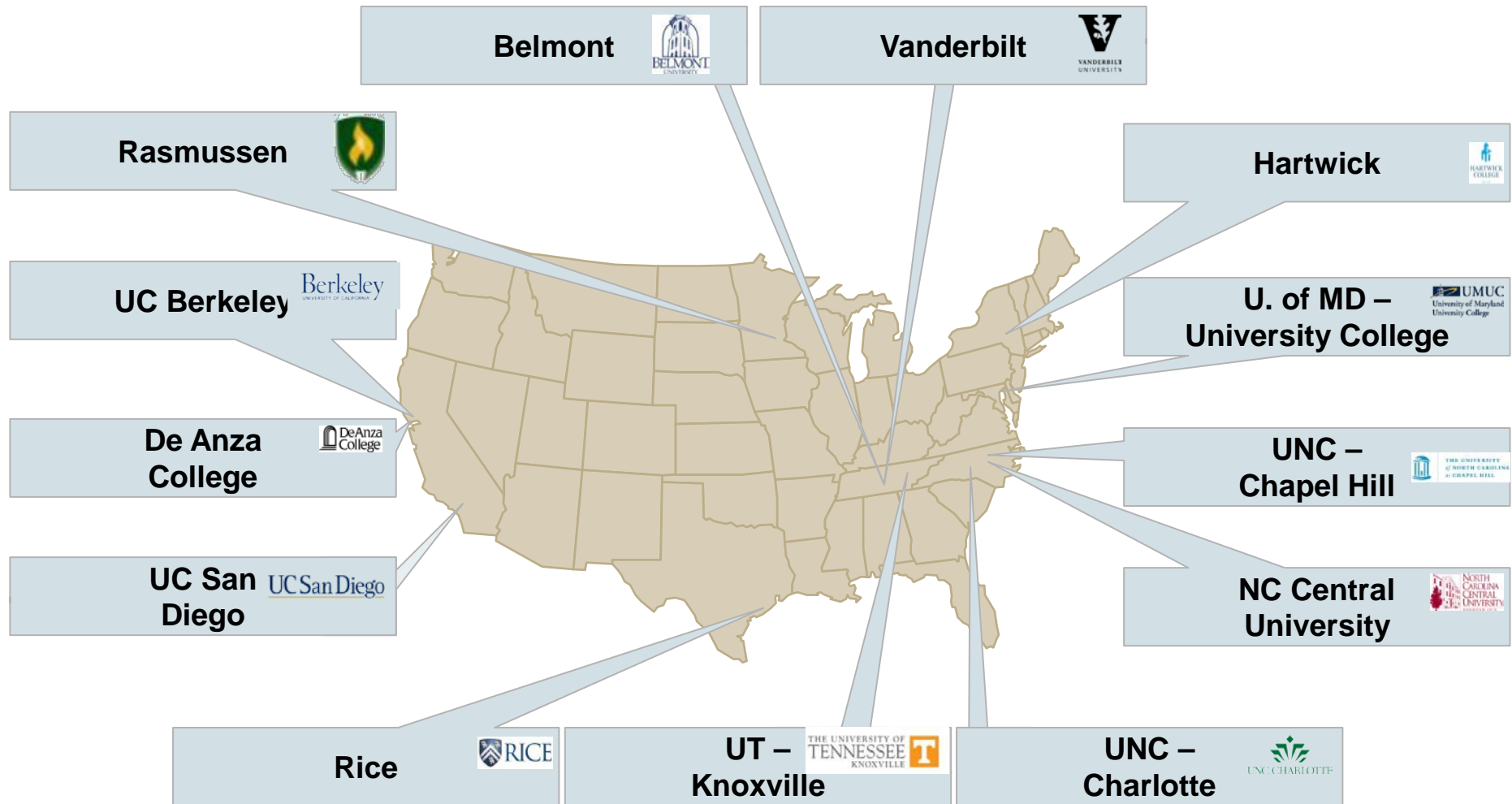
1. Total expenses (3,754M) less healthcare services (2,389M)

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



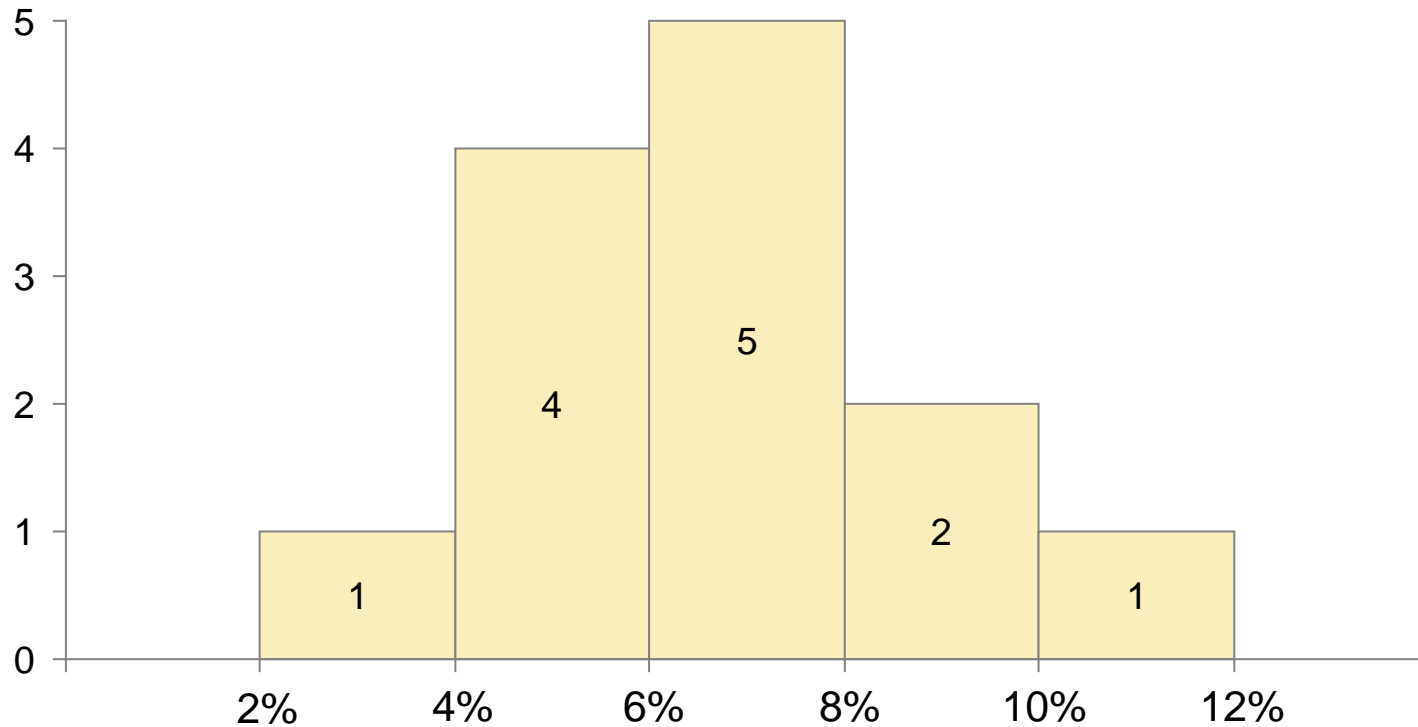
Across Phases I and II, Estimated the Cost of Federal Regulatory Compliance at 13 Diverse Institutions





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

of institutions (N=13)



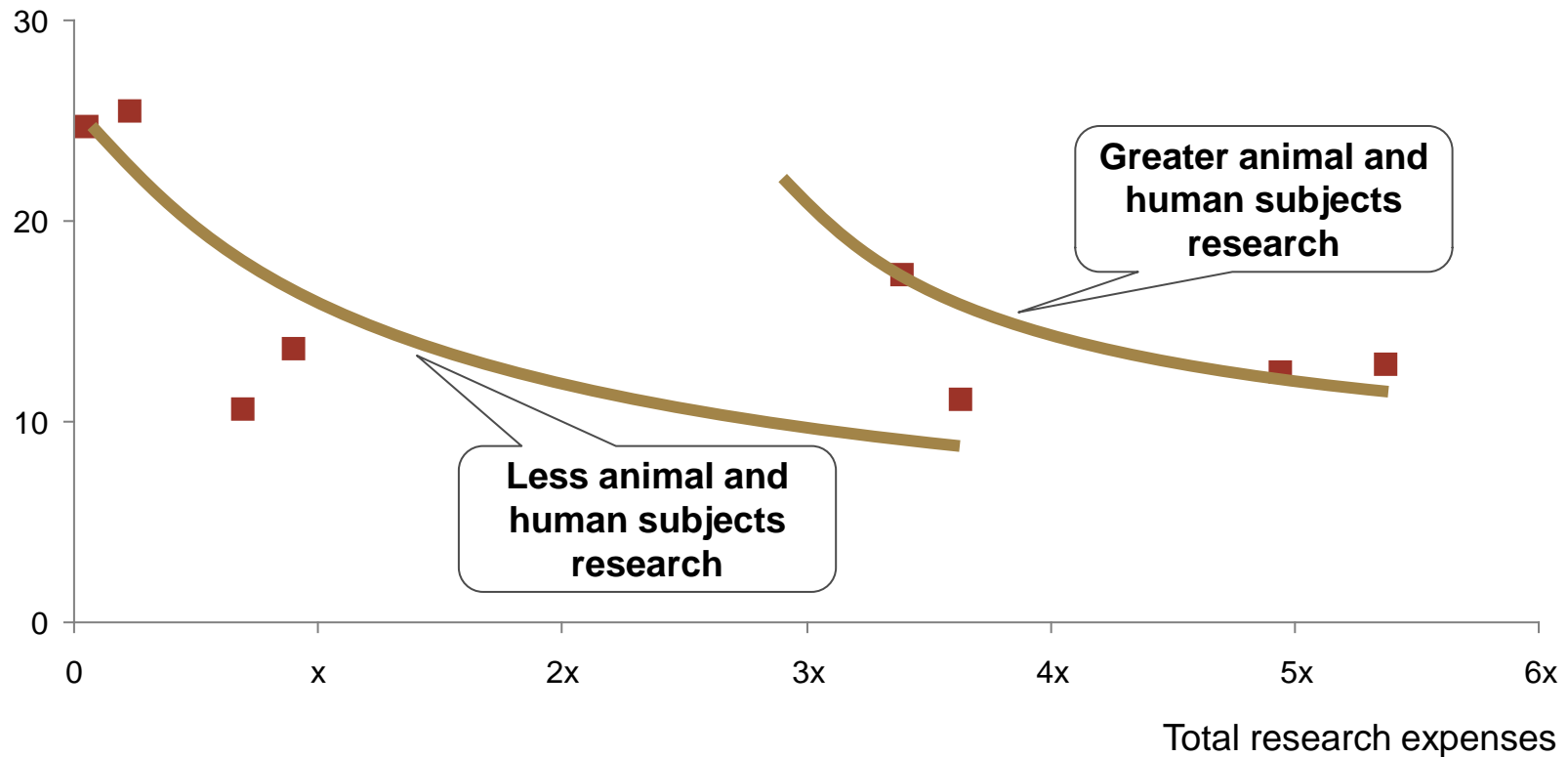
Cost of compliance as % of FY2014 operating expenses



Mix and Scale Driving the Magnitude of Research Compliance Burden

Research compliance burden by institution (N=8)

Estimated research compliance cost (% of research expenditures)

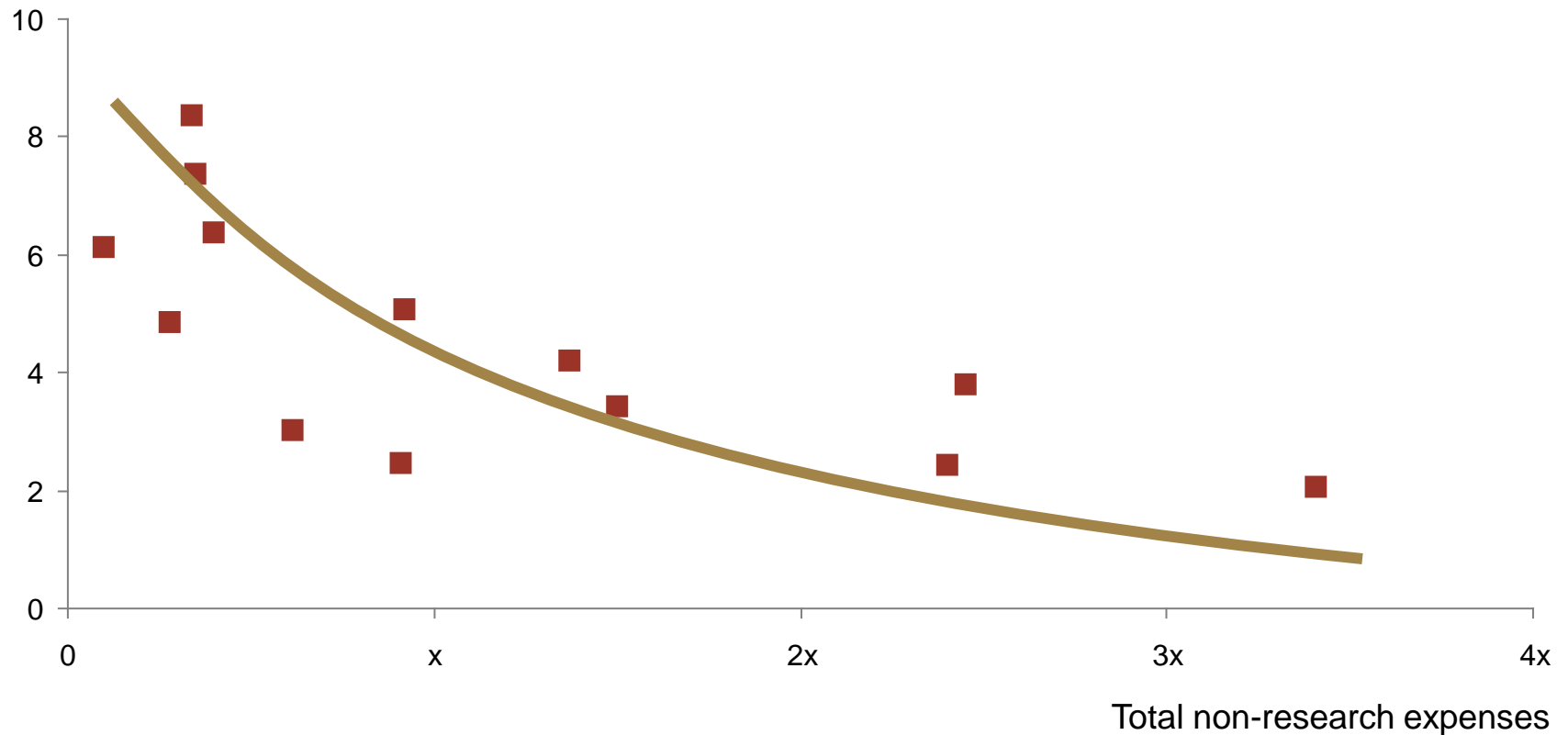




Scale Driving the Magnitude of Higher Ed and All Sector Compliance Burden

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

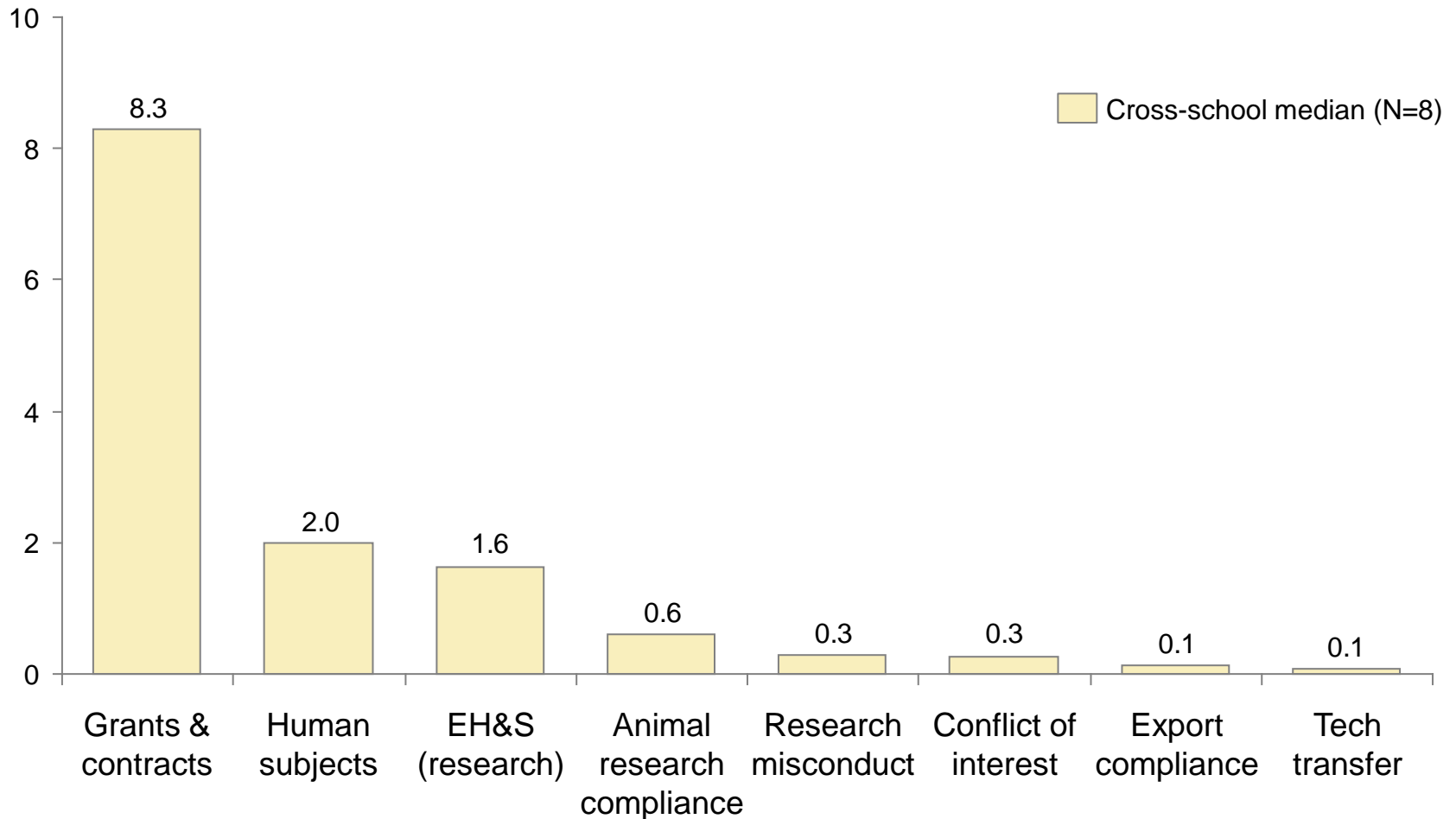
Estimated higher ed and all-sector compliance costs (% of non-research expenditures)





Research Compliance: Grants and Contracts Largest Area

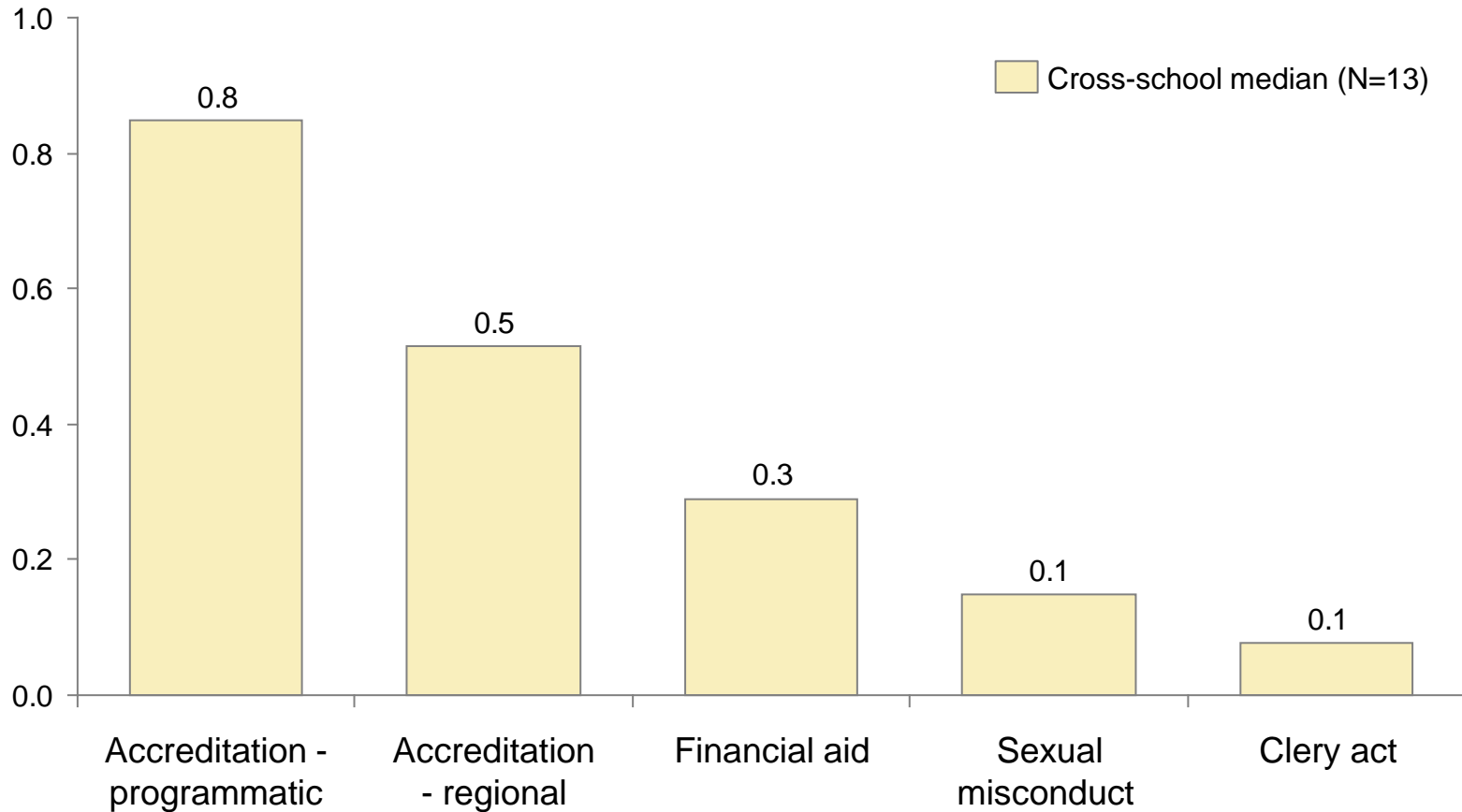
Estimated compliance cost (% of research expenditures)





Higher Ed Compliance: Accreditation Largest Burden

Estimated compliance cost (% of non-research expenditures)



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

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

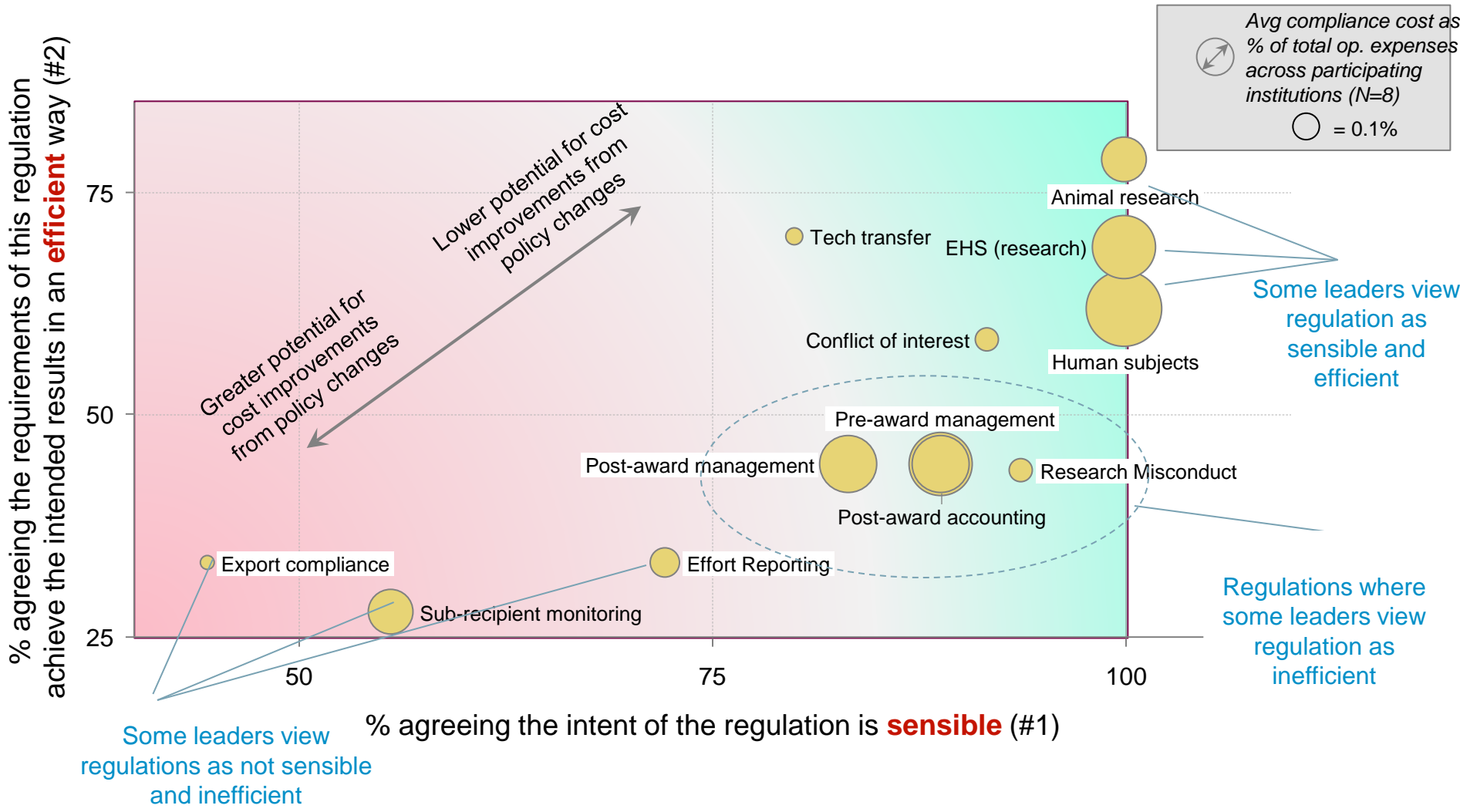


Note: Estimation by regulatory area based on average (i.e., not medians) compliance burdens across participating institutions
Source: Cost of Federal Regulatory Compliance Study; NSF Herd survey data; IPEDS; BCG analysis



Institutional Leadership Attitudes Towards Research

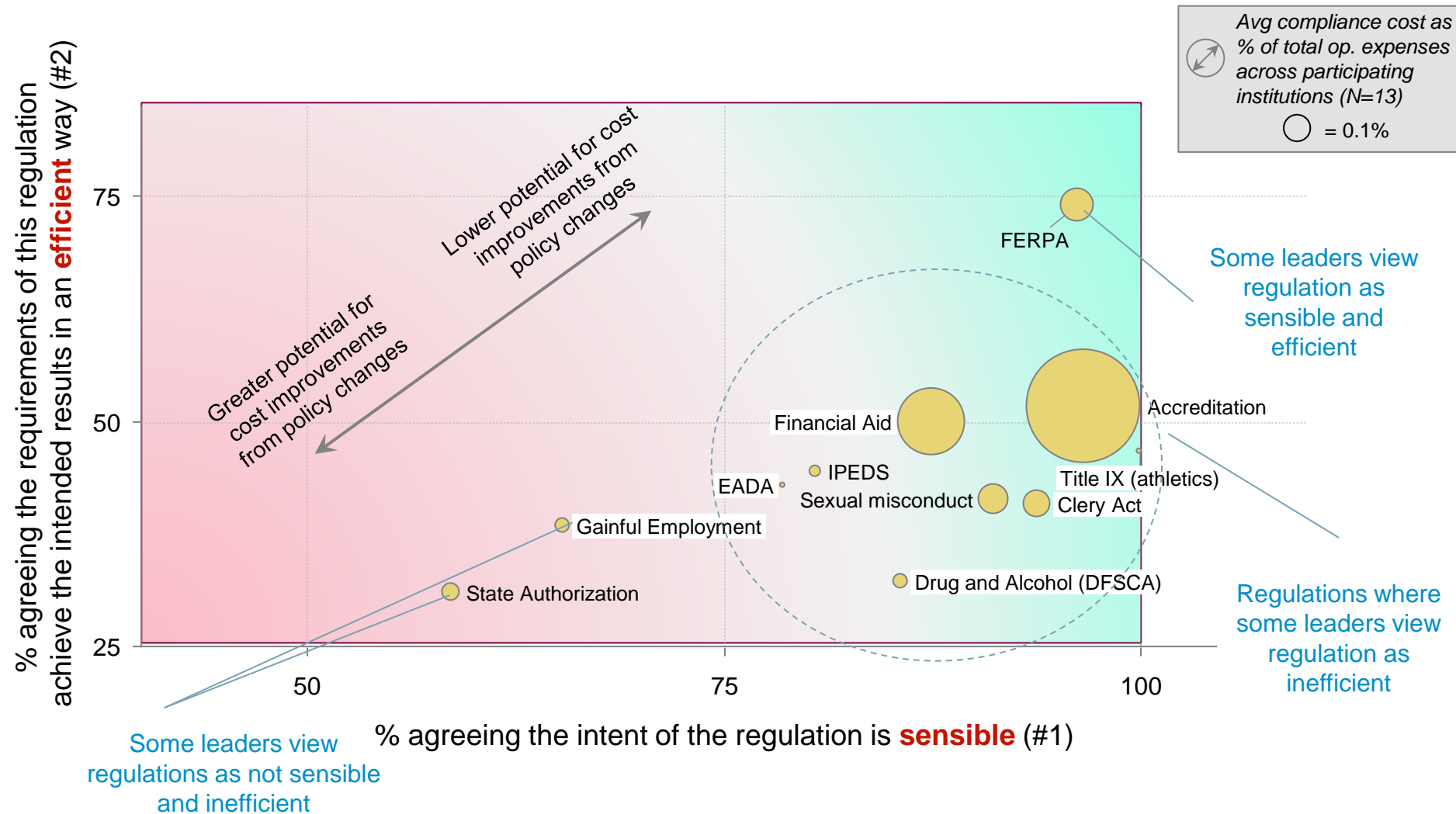
Specific Policies from Participating Institutions



Source: Leadership attitudes survey across 4 institutions; not all institutions surveyed (N=47); BCG analysis



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

