



# Legislative Post Audit Performance Audit Report Highlights

State Universities: Can State Universities Provide Postsecondary Education More Efficiently To Reduce Costs? (A K-Goal Audit)

## Report Highlights

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### Audit Concern

Universities across the country are taking steps to become more efficient in how they deliver postsecondary education. The February 2008 issue of State Legislatures magazine reported that officials from the university system in Maryland had taken steps to increase faculty workload, limit undergraduate degree requirements, and encourage enrollment at less-expensive public institutions. This information led to questions about whether the six public universities in Kansas could apply some of the same sorts of techniques to achieve greater efficiencies and reduce the overall cost of providing a college education.

### Other Relevant Facts for Question 1

The Board sets tuition rates and each university is allowed to retain all the tuition money it generates. From 1997 to 2008, undergraduate tuition rates increased from 46% at WSU to 209% at KU.

Data show that students' costs for attending Kansas universities increased by 9% to 34% from 2003 to 2007.

Between 2005 and 2008, FTE student enrollment for all six universities increased by 2%, but that increase varied considerably among universities—ranging from almost 8% at Pittsburg State to a slight decrease at the University of Kansas.

### AUDIT QUESTION 1: How Do Costs per Student and Staffing Levels Compare for Kansas' Six Major Universities?

#### AUDIT ANSWER and KEY FINDINGS:

- We focused on expenditures funded by SGF and tuition revenues, and excluded the KU Medical Center and K-State's Veterinary School and Extension programs. In fiscal year 2008, the range of general use operating expenditures per FTE student for the six universities ranged from \$8,330 at Fort Hays State to \$14,191 at the University of Kansas. Overall, Emporia State and the University of Kansas spent about \$2,000 more per FTE student than their in-state counterparts.
- From 2005 to 2008, the increase in general use operating expenditures per FTE student varied from 8% at Pittsburg State to 22% at the University of Kansas. For this period, education inflation increased by almost 13%.
- Educational expenditures per FTE student accounted for 72% to 85% of universities' general use operating expenditures. In general, most of the differences in the amounts spent for educational programs appeared to be caused by differences in staffing and salary levels.

University	Total General Use Operating Expenditures per FTE Student		
	2005	2008	% Change
FHSU	\$7,420	\$8,330	12%
PSU	\$8,206	\$8,880	8%
ESU	\$9,284	\$10,781	16%
<b>Avg. for Regionals</b>	<b>\$8,303</b>	<b>\$9,330</b>	<b>12%</b>
WSU	\$10,191	\$12,160	19%
KSU	\$10,074	\$12,173	21%
KU	\$11,641	\$14,191	22%
<b>Avg. for Research</b>	<b>\$10,636</b>	<b>\$12,841</b>	<b>21%</b>

- Overall, Emporia State and Kansas State had more total staff per FTE student in 2008 than their in-state counterparts. Emporia State also had significantly more staff per 1,000 FTE students than three out-of-state peers; comparable data weren't available for the research universities.
- Across all six universities, total staffing levels increased by 4.4% from 2005 to 2008. These amounts varied from 7% at Fort Hays State to less than 1% at Wichita State.

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### DO YOU HAVE AN IDEA FOR IMPROVED GOVERNMENT EFFICIENCY OR COST SAVINGS?

If you have an idea to share with us, send it to [ideas@lpa.ks.gov](mailto:ideas@lpa.ks.gov), or write to us at the address shown. We will pass along the best ones to the Legislative Post Audit Committee.

**AUDIT QUESTION 2:** *What Actions Could Universities Take To Reduce Their Academic Spending?*

**AUDIT ANSWER and KEY FINDINGS:**

Other states have taken or are considering actions in each area described below to save costs or change the way they deliver educational services:

- **eliminating or combining low-enrollment course sections.** In Kansas, about 13% of all undergraduate, organized course sections taught in Fall 2007 had low enrollments. Of 91 sample low-enrollment sections, university officials reported that 20 could have been combined or offered only once during the year.
- **eliminating or combining academic departments.** In Kansas, they currently range from 20 at Emporia State to 63 at Kansas State. Departments that teach similar areas of study may have the potential to be combined.
- **collaborating with others to share course content, teachers, and instructional programs.** Cross-institutional collaboration was more prevalent among university systems (Kansas has stand-alone universities). Competition for students and other resources can limit universities' interest in or willingness to share resources and have a system-wide perspective, but such sharing offers a lot of potential for increased efficiencies.
- **increasing the number of courses and programs offered online or through distance learning.** Most Kansas universities offered few online courses in Fall 2007-Spring 2008. About 43% of student credit hours awarded by Fort Hays were earned online that year, compared with 0.2% at the University of Kansas.
- **increasing faculty workloads.** The typical requirement for faculty teaching load is 12 credit hours per semester (as low as 6 for research faculty). A 10% increase in average faculty workloads for Fall 2007 would have resulted in the universities needing 330 fewer FTE staff to teach the same number of courses and students. We estimated those staff accounted for about \$23.5 million in salary and benefit costs.
- **reducing or eliminating the provision of remedial courses, or changing who teaches them.** We estimate Kansas likely could reduce its instructional costs by about \$60,000 by having community colleges teach remedial courses.

**Other Relevant Facts for Question 2**

*About 18% of the regional universities' and 11% of the research universities' undergraduate organized course sections met our definition of low enrollment (9 or fewer students for courses at the 0-499 level; 4 or fewer students for courses at the 500-699 level). Across all universities, the average low-enrollment class size was about 5 students.*

*Given the size, breadth, and commonality of the educational services the universities provide, there are numerous opportunities for university staff to work together and jointly develop and provide education programs that can be used by more than one university.*

*Statewide for academic year 2008, 30% of the bachelor's and masters' degree programs didn't meet the Board's minimum requirements for the number of degrees awarded (10 students for undergraduate programs and 5 for master's programs).*

*Remedial courses represented only about 1% of all organized course sections taught in Fall 2007-Spring 2008. Providing remedial education is part of the stated mission of Kansas' community colleges, but there is no such requirement at the university level.*

*The University of Maryland increased average faculty workloads at the department level. In practical terms, when the standard is a teaching load of 12 credit hours per semester, a 10% increase in average faculty workloads would be the equivalent of 1 of every 3 FTE instructional staff having to teach an additional 3-hour class per semester, or each FTE instructional staff having to teach 1 additional class every 3 semesters.*

**AUDIT QUESTION 3:** *What Actions Could Universities Take To Reduce Their Institutional Spending?*

**AUDIT ANSWER and KEY FINDINGS:**

Other states have taken or are considering actions in the areas described below:

- **making better use of existing classroom and laboratory space.** For the Fall 2008 semester, the universities achieved only 5 of 24 space usage criteria developed by the Board that measure usage and occupancy.
- **consolidating or changing administrative functions and processes.** These include purchasing, IT, financial aid, and general administration. Again, this step is most common among states with university systems.
- **outsourcing additional non-academic services.** Some Kansas universities already have outsourced various functions and services, such as food service, and operation of the bookstore. Other outsourcing options that could help realize cost savings include ground maintenance, student housing, and custodial staff.
- **making changes in a variety of other areas,** including reducing the frequency of trash collections, altering practices to reduce energy costs, and increasing recycling efforts. Kansas universities reported taking many actions in the past few years to reduce their overall costs, but there are many other opportunities.

**We Recommended**

- We recommended that the Board of Regents and university officials consider the potential for increasing the universities' efficiency in each of the areas mentioned in this report. Because, like all State agencies, the universities have had significant budget cuts recently and may have taken a number of additional actions to reduce costs and increase their efficiency since our analyses were performed, we also recommended the Board ask university financial-management staff to prepare and submit more current data to Board staff and the Legislature in all the areas discussed in this audit.

**Agency Response:** *The Board generally concurred with the report's findings, conclusions, and recommendations. Each of the six State universities provided additional context or data for readers to consider.*

**Other Relevant Facts for Question 3**

*The Board's standard space-usage requirement is a minimum average usage rate of 30 hours per week for classroom space and 20 hours per week for teaching labs. Only Kansas State met both the Board's criteria in these areas, and PSU met one criteria.*

*In Fall 2008, the Board asked university officials to identify and report actions they had taken to reduce overall costs.*

*The reports included a summary of cost-cutting steps taken and their results. A sample of the steps they reported taking is described below:*

- *Academic reorganization—eliminating or reorganizing some programs*
- *Administrative restructuring—reorganizing and reducing some staff*
- *Construction – keeping dorms open during renovation*
- *Electronic technology/paperless—renegotiating hardware and software contracts*
- *Energy – green technology, and conservation efforts*
- *Purchasing – renegotiating contracts, Pilot Purchasing Project*
- *Recycling – paper, aluminum, surplus property*
- *Misc. – reducing lease costs, streamlining jobs, revising schedules*

*Again, several of the other state examples we reviewed had university systems with multiple campuses and a single executive with authority and command over the system. This may make it easier to consolidate and coordinate across universities.*