

Approved: February 10, 2010
Date

MINUTES OF THE HOUSE VISION 2020 COMMITTEE

The meeting was called to order by Chairman Tom Sloan at 1:30 p.m. on January 27, 2010, in Room 785 of the Docking State Office Building.

All members were present except:

Representative Sean Gatewood- excused
Representative Lee Tafanelli- excused

Committee staff present:

Art Griggs, Office of the Revisor of Statutes
Doug Taylor, Office of the Revisor of Statutes
Corey Carnahan, Kansas Legislative Research Department
Lauren Douglass, Kansas Legislative Research Department
Mary Koles, Committee Assistant

Conferees appearing before the Committee:

Joe Lawhon, Legislative Division of Post Audit

Others attending:

See attached list.

Chairman Sloan gave highlights of a letter and a response from Reginald L. Robinson, president and CEO of the Kansas Board of Regents (Attachment 1), regarding the Legislative Division of Post Audit's report, State Universities: Can State Universities Provide Postsecondary Education More Efficiently to Reduce Costs? Committee members will receive an electronic copy of the follow-up task force reports requested by the Board of Regents and prepared by State University CEOs, State University Task Force Reports, December 16-17, 2009. The Chairman suggested Committee members peruse this document before Dr. Robinson appears on Monday. He also mentioned that Representative George, Representative Hawk and he had provided questions in November for Dr. Robinson to address.

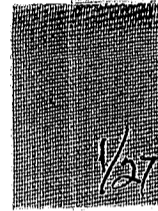
Chairman Sloan welcomed Joe Lawhon, Legislative Division of Post Audit, to the committee. Mr. Lawhon reported the findings, conclusions and ten (10) recommendations addressed in the Performance Audit Report, State Universities: Can State Universities Provide Postsecondary Education More Efficiently (Attachment 2). The report focuses on three questions: (1) how do costs per student and staffing levels compare for Kansas' six major universities, (2) what actions could universities take to reduce their academic spending, and (3) what actions could universities take to reduce their institutional spending? A print copy of the report is available in the committee secretary's files.

Numerous comments were made, questions asked, and discussions occurred during and after Mr. Lawhon's report. Those participating include Chairman Sloan and Representatives Tom Hawk, Pat George, Barbara Bollier, Deena Horst and Don Svaty.

The Chairman thanked Mr. Lawhon for his presentation. He reminded Committee members to review the State University Task Force Reports and asked them to consider the possibility of sending a letter of request to the Legislative Post Audit Committee to explore additional potential distance learning opportunities. For example, could the big engine program at Beloit be offered state wide utilizing distance learning and can more be done online in the home health education area?

The next meeting is scheduled for February 1, 2010.

The meeting was adjourned at 3:00 p.m.





KANSAS BOARD OF REGENTS

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January 27, 2010

Representative Tom Sloan, Chairman
House Vision 2020 Committee
Statehouse, Room 55-S
Topeka, KS 66612

Representative Tom Hawk, Ranking Member
House Vision 2020 Committee
Docking State Office Building
Topeka, KS 66612

Dear Chairman Sloan and Ranking Member Hawk:

On behalf of the Kansas Board of Regents, I write to you regarding the Legislative Division of Post Audit's (LPA) report entitled *State Universities: Can State Universities Provide Postsecondary Education More Efficiently To Reduce Costs?* I understand that your Committee will soon receive a copy of this report.

As you may know, this audit was initiated in April 2008 and was presented to the Legislative Post Audit Committee in August 2009. Due to timing, the audit was unable to capture the actions taken by the state universities to deal with approximately \$78 million (a 12% reduction) in state budget cuts over the past year. As a result of these cuts, which take funding back to Fiscal Year 2006 levels, we know that the state universities have already pursued many of the specific actions that are included in LPA's list of recommendations.

In September 2009, following the production of the LPA report, the Board directed the state universities to convene Efficiency Task Forces on their campuses to explore the feasibility of implementing the recommendations contained in the report. The Board requested that these task forces be composed of university officials and private and community business leaders, who would bring with them an important outside perspective. The universities were asked to report back to the Board by the end of 2009, and that 164-page report is attached for your information. In addition, the Board's Academic Affairs Committee, chaired by Regent Gary Sherrer, was tasked with reviewing the distance education-related recommendations contained in the report.

It is important to note that the Board, due to the gradual decline in state funding support over the past few decades, sharpened its focus back in 2005 on finding and implementing cost savings measures and efficiencies on all of the state university campuses. Our state universities have done a good job preserving quality in the face of such drastic budget reductions and will continue to stretch state dollars as far as possible. The LPA report supports these efforts, and the Board values the lessons and information that can be gained from an independent third-party analysis such as this.

House Vision 2020
1-27, 2010
Attachment 1

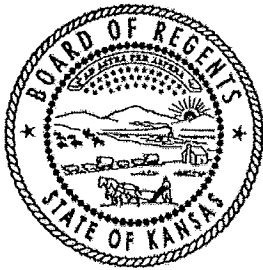
I have also attached a copy of my August 2009 testimony to the Legislative Post Audit Committee and hope you find it useful. Thank you for your continued support of higher education in Kansas.

Sincerely,

A handwritten signature in black ink, appearing to read "R. L. Robinson". The signature is written in a cursive style with a large initial "R".

Reginald L. Robinson
President & CEO

Enclosures (2)



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LEGISLATIVE POST AUDIT COMMITTEE August 28, 2009

State Universities:

Can State Universities Provide Postsecondary Education More Efficiently To Reduce Costs?

Reginald L. Robinson, President and CEO

Thank you to the auditors with the Legislative Division of Post Audit (LPA) for their professionalism, their hard work and their truly impressive effort to understand and analyze a very complex and difficult set of issues.

Thank you to state university officials for their work with LPA staff to provide all of the information that was sought, and who worked cooperatively with the LPA team. Difficult and complex audits impose a heavy burden on the auditors conducting the study, but such audits also impose significant time and information-gathering burdens on the agencies subject to the audit. I appreciate the serious work that was done on “both sides” of this complex study.

Of course, as I would guess is the case with any complex study such as the one that has just been presented to you, we have some quibbles with some of the analysis and some of the data that is presented in this report. And, some of those quibbles are significant. As I note in our written response to the audit, which is included as an appendix, we are particularly disappointed that the audit fails to include meaningful data or analysis that compares our state universities with peer institutions nationally. Instead, in our view, the data is presented in a manner that invites comparisons among Kansas’s state universities, both within and across sectors and missions, without reference to a broader set of national or even regional peers. We think that it is important that efforts to understand and analyze these cost-related matters be benchmarked against institutions with similar missions, and, as we note in our written response, we will continue to work with the state universities to use national data sources to analyze cost related issues.

So, as I noted, there are aspects of the LPA report about which we take issue. Those particular concerns are expressed in the written response I have provided on behalf of the Board of Regents and in some of the institution-specific responses to the report that are also included as appendices to the final report you have received.

But notwithstanding those particular concerns, I really want to respond to this report in a broader, and I think more productive way. So let me do that now.

First, as the report notes, the Board of Regents has not been pulled dragging and kicking into a conversation about the pursuit of efficiencies on the state university campuses. For the last several years, the state universities have, at the direction of the Board, been making special efforts to pursue campus efficiencies and have been reporting the results of those efforts to the Board of Regents. Some of those efforts have been impressive, and that work should not go unnoticed in the context of this report. The point is, the pursuit of campus efficiencies has been a focal point for the Board of Regents for years now, and I think it is important for this Committee to understand that reality.

Second, as the LPA study itself notes, it was not possible for its analysis to capture the actions that have been taken on state university campuses to respond to the very difficult budget reductions that have been experienced over the course of the last 14 months. As you all know, since the start of Fiscal Year 2009 (about 14 months ago), the state universities have experienced a 12% or \$76 million dollar reduction in their state general fund budgets. As a result of those reductions, we know that the state universities have pursued already many of the specific actions that are included within in the study's list of recommendations. Here are just some examples that reflect that action:

- ESU: Adopted university policy establishing low enrollment in lower division, upper division, and graduate courses.
- FHSU: Has already implemented the two academic reorganizations recommended on p. 41. The Departments of Special Education and Teacher Education along with the Departments of Economics and Finance and Management and Marketing have been merged as part of our recent Budget Reduction Actions. In addition, FHSU has for sometime outsourced the nonacademic functions (p. 64) of its Bookstore, Food Service and Vending Services.
- KSU: Has already outsourced many functions in the Union including the bookstore, food, and catering functions.
- KU: The only remedial course taught at KU, Math 002, is staffed in a manner to cover the full cost of the program and provide the quality instruction that helps certain students overcome this deficiency.
- PSU: Has combined academic administrative functions and reduced the number of department chairs in the College of Arts and Sciences, and when the reorganization within the College of Business is complete, another department chair will be eliminated in that college.
- WSU: Is merging the graduate school and Office of Research Administration.

Third, and most importantly, I want to convey to you in no uncertain terms that the Kansas Board of Regents takes this report and its recommendations seriously, and that we are committed to exploring aggressively the recommendations that the report lays out. For that reason, the Board will take the following action:

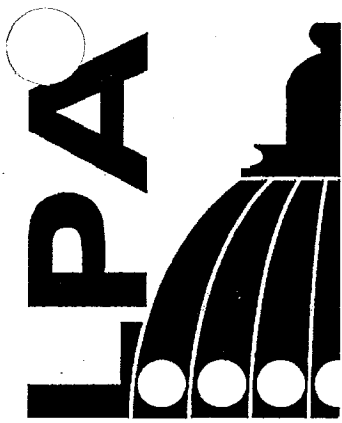
First, the Board will direct each of the state universities to convene on their campuses, task forces or committees that are charged with exploring each of the specific cost-cutting recommendations that are presented in the report. Further, each of the campus task forces must include non-university community/business leaders who can bring an important outside perspective to the review of these recommendations. The CEOs will bring forward their reports to the Board and the Board will report the results of these campus task forces to the Legislature at the start of the 2010 Legislative Session.

Additionally, regarding the distance education-related LPA recommendations, the Board of Regents will convene, under the auspices of its Academic Affairs Committee, which is led by Board of Regents Vice Chair Gary Sherrer, a task force that will review and make recommendations for full Board of Regents consideration regarding state university efforts to deliver university programs via distance education modes.

I think it's important to note, and the LPA report points this out, that it is not at all clear, from an institutional perspective, that distance education is a "cost-cutter." In state systems that have burgeoning populations and incredibly challenging higher education capacity issues as a result (like California, Florida, and Arizona), the cost-cutting implications are clear. In Midwestern states, the question is more complex. Even so, expanded distance education could present clear cost-cutting benefits for students and their families and produce significant state benefits from an access perspective, so this is an area that clearly merits exploration.

One final point regarding the pursuit of state university efficiencies, we are particularly pleased that in the course of producing its study, LPA invited the Board of Regents and the state universities to identify those changes in state statute or other policy that could enable the universities to pursue efficiencies more aggressively and effectively. Those suggestions are presented on pages 68-69 of the report. If we truly want to enable our state universities to operate in as efficient a manner as reasonably possible, a serious examination of the kinds of provisions identified in the report, such as making expanding to all six state universities and making permanent the pilot purchasing project enacted a couple of years ago, will be required.

In conclusion, again, I want to thank the Legislative Division of Post Audit for its work, and let you know that we look forward to reporting to you and others in the Statehouse at the start of the 2010 Legislative Session regarding our response to these recommendations. Thank you for your attention this morning.



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

August 2009 • 08PA24

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% |
| <i>Avg. for Regionals</i> | <i>\$8,303</i> | <i>\$9,330</i> | <i>12%</i> |
| WSU | \$10,191 | \$12,160 | 19% |
| KSU | \$10,074 | \$12,173 | 21% |
| KU | \$11,641 | \$14,191 | 22% |
| <i>Avg. for Research</i> | <i>\$10,636</i> | <i>\$12,841</i> | <i>21%</i> |

- 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.

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 13% 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 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.

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.

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.*



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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, or write to us at the address shown. We will pass along the best ones to the Legislative Post Audit Committee.

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