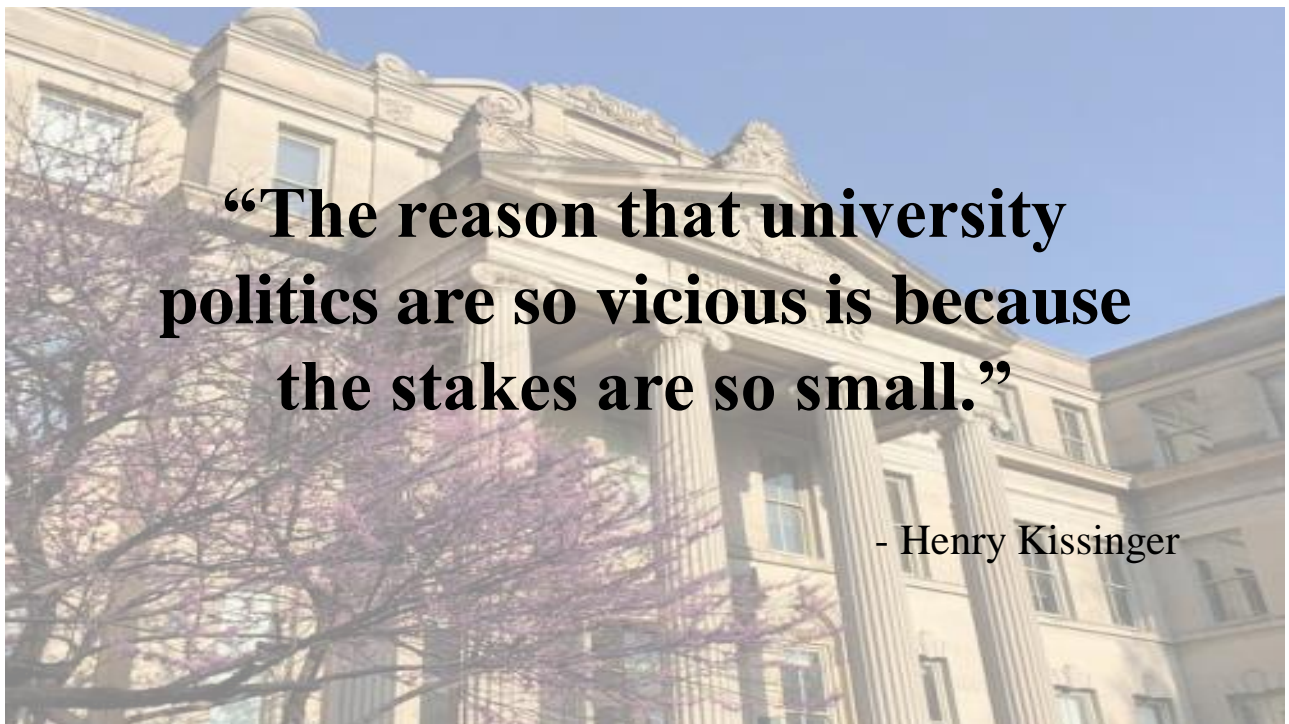


The Business & Culture of Higher Education

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Vice President, APPA Advisors

1



**“The reason that university
politics are so vicious is because
the stakes are so small.”**

- Henry Kissinger

2

What is Public Service, Outreach or Engagement?

3

Upon founding The University of Iowa in 1847, Iowa's first legislature entrusted it with a threefold mission of teaching, research, and **public service**.

The University of Colorado is a public research university with multiple campuses serving Colorado, the nation, and the world through leadership in high-quality education and professional training, **public service**, advancing research and knowledge, and state-of-the-art health care.

4

Through its three primary missions of teaching, research, and **service**, UNL is the state's primary intellectual center providing leadership throughout the state through quality education and the generation of new knowledge.

Portland Community College advances the regions long-term vitality by delivering accessible, quality education to support the academic, professional, and personal development of the diverse students and **communities we serve**.

5

The Pennsylvania State University is a multi-campus, land-grant, public research university that educates students from around the world and supports individuals and communities through integrated programs of teaching, research, and **service**.

It continues to be Wisconsin's comprehensive teaching and research university with a statewide, national and international mission, offering programs at the undergraduate, graduate and professional levels in a wide range of fields, while engaging in extensive scholarly research, continuing adult education and **public service**.

6

What is a Land Grant?

7

By the Civil War, an expanding population and rapidly developing agriculture and industry inspired a change. In 1862, President Abraham Lincoln signed the Morrill Act, providing for the donation of public land to the individual states.

Funds from the sale of these “land grants” were to be used to create institutions to teach agriculture and the mechanic arts to the American masses.

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The purpose of land-grant colleges was:

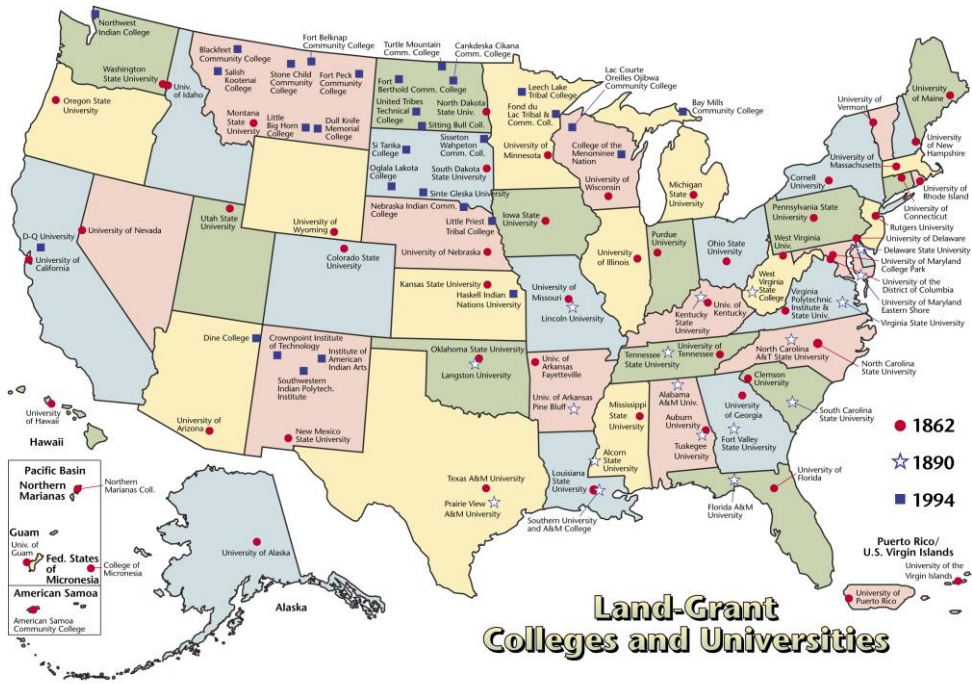
“without excluding other scientific and classical studies and including military tactic, to teach such branches of learning as are related to agriculture and the mechanic arts, in such manner as the legislatures of the States may respectively prescribe, in order to promote the liberal and practical education of the industrial classes in the several pursuits and professions in life.”

9

The land grant system encompasses three major missions: research (done by the Experiment Stations), non-formal education and information dissemination (carried out by the Extension Services), and classroom or college instruction (taught at each land grant campus).

But the major distinguishing responsibility is for "outreach" to the general public.

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What is Carnegie Classifications?

12

The Carnegie Foundation for the Advancement of Teaching, an independent policy and research center, was chartered in 1906 by an act of congress and is credited for other achievements to higher education such as TIAA, federal aid (Pell Grants) and standardized testing.

Developed in 1973, US colleges and universities are classified within the widely recognized and accepted Carnegie Classification of Institutions of Higher Education.

Statistics Canada's Centre for Education Statistics (CES) is a similar system for classifying institutions.

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Special Focus Institutions (850 listed)

Institutions awarding baccalaureate or higher-level degrees where a high concentration of degrees (>75%) is in a single field or set of related fields.

Associates Colleges (1,920 listed)

Institutions where all degrees are at the associate's level, or where bachelor's degrees account for less than 10% of all undergraduate degrees.

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Baccalaureate Colleges (809 listed)

Institutions where baccalaureate degrees represent at least 10% of all undergraduate degrees and where fewer than 50 master's degrees or 20 doctoral degrees were awarded during the year.

Master's Colleges and Universities (727 listed)

Institutions that awarded at least 50 master's degrees and fewer than 20 doctoral degrees during the year.

Doctorate (297 listed)

Includes institutions that awarded at least 20 research doctoral degrees during the year.

What is a Provost?

Universities and colleges generally organize themselves in similar manner, centering on their:

- Principle Academic Asset (Provost)
- Customers (VP Student Affairs)
- Operations (VP Finance & Administration)

Of all the positions reporting to the university’s president or chancellor, the provost is best positioned to advance.

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Figure 3. The skills needed most when presidents assume office

Respondents were asked to rate “the importance of the following knowledge skills and behavior required to be a president when you assumed your current role.” (n=165)



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What is a Governing Board?

19

Universities and colleges are governed by boards

Board members are either appointed or elected

Individual board members can exercise significant influence over specific university matters

Boards delegate authority over the day-to-day operation to the president or chancellor

20

Based on our experience with dozens of higher-education institutions, we have defined the core functions of university boards.



McKinsey
& Company

What is Shared Governance?

Legal authority originates from our governing boards and they formally delegate authority over the day-to-day operation to the president or chancellor.

The president delegates authority over certain parts of university management to other officials.

Shared governance has evolved to include more representation in the decision-making process.

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The 1966 “Statement on Government of Colleges and Universities” affirmed the importance of shared governance and state some common principles:

- American Association of University Professors
- American Council on Education
- Association of Governing Boards of Universities

Promotes faculty participation in material matters governing the University.

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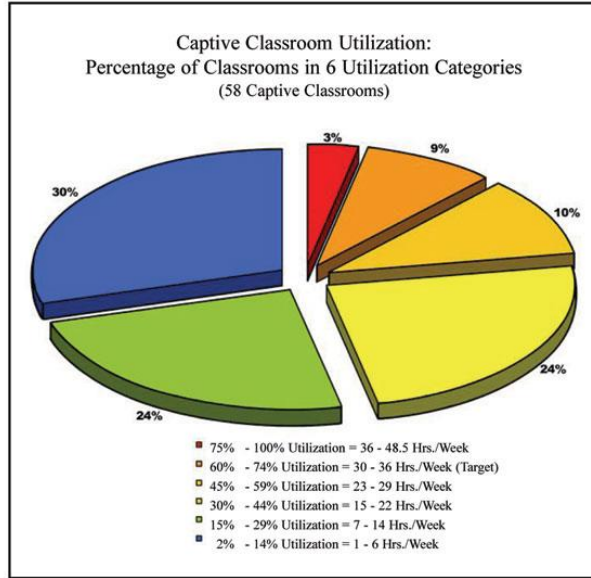
Principles of shared governance take on different degrees among institutions.

Shared governance should be understood, respected, and leveraged by our profession.

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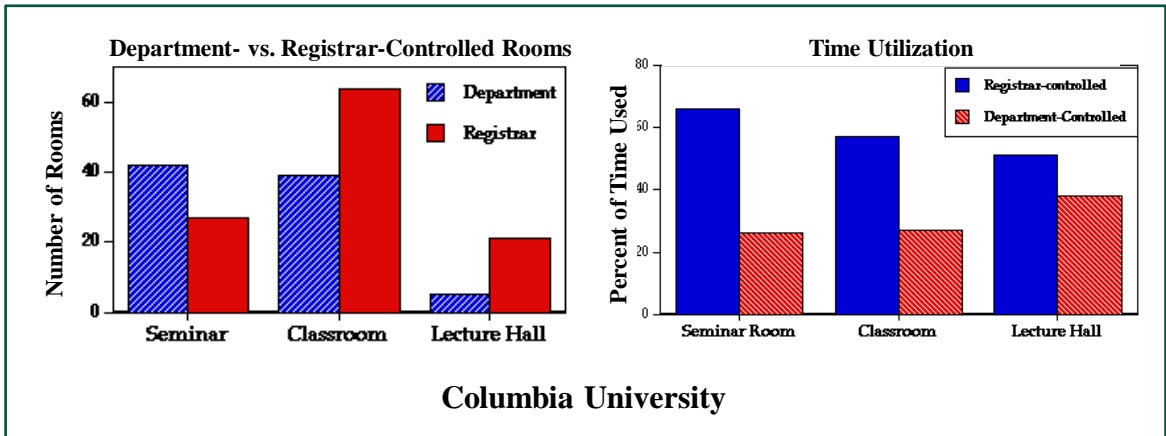
What is Classroom Utilization?

26



Syracuse University Classroom Utilization

27



Columbia University

28

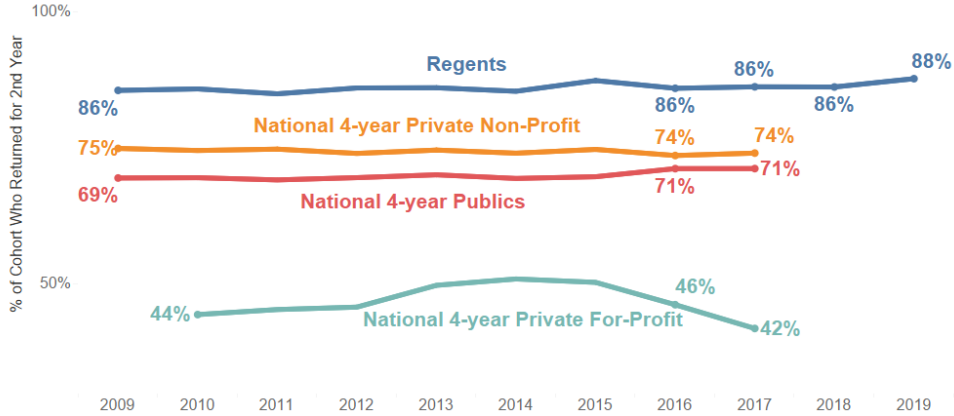
Space Use Code	Space Use Description	NASF (All Space)	% of Total (excl. residential)	% of Total
000	Unclassified Facilities	322,191	4.44%	3.81%
100	Classroom Facilities	343,623	4.74%	4.07%
200	All Laboratory Facilities	1,560,906	21.53%	18.48%
210-225	Teaching Labs	393,947	5.43%	4.66%
250-255	Research Labs	1,166,959	16.09%	13.82%
300	Office Facilities	1,876,884	25.88%	22.22%
400	Study Facilities	554,577	7.65%	6.57%
500	Special Use Facilities	1,213,910	16.74%	14.37%
600	General Use Facilities	714,511	9.85%	8.46%
700	Support Facilities	607,689	8.38%	7.19%
800	Health Care Facilities	56,675	0.78%	0.67%
	Subtotal:	7,250,966	100.00%	
900	Residential Facilities	1,195,558		14.15%
	TOTAL NASF:	8,446,523		100.00%

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What is Freshman Retention Rate?

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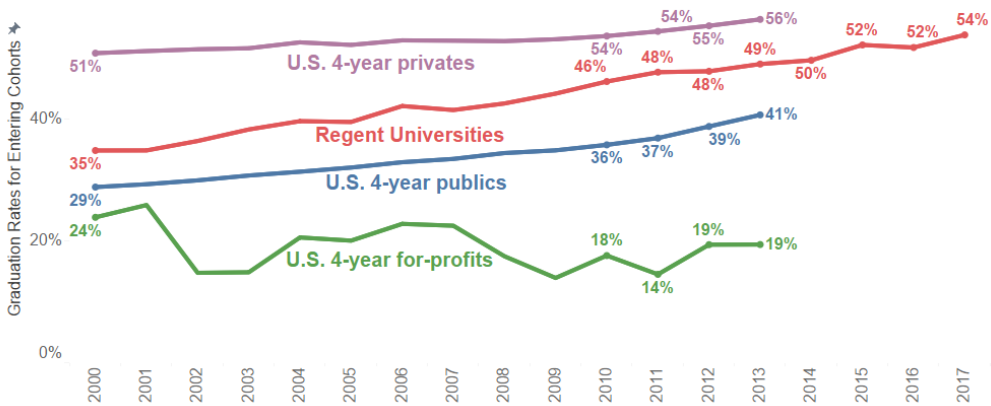
Undergraduates Who Return for a Second Year at Same College by Institutional Type



Sources: Iowa Board of Regents & National Student Clearinghouse Research Center "Persistence & Retention - 2018" Report

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Iowa Public University Four-Year Graduation Rates by Entry Cohort with National Benchmarks



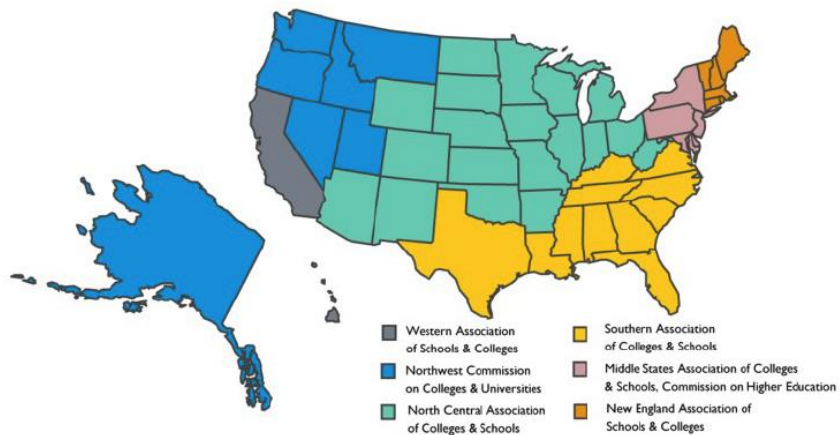
Source: Iowa Board of Regents
Comparison groups use Integrated Postsecondary Education Data System (IPEDS) data showing all Title IV, U.S. 4-year colleges & universities by sector
Workbook: Fall 2021 Grad & Retention Report, BOR Warehouse Supplement

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What is Accreditation?

33

Accrediting agencies are private educational associations of regional or national scope.



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The accrediting agency, in collaboration with educational institutions, establishes standards.

Ensures that the education provided by institutions of higher education meets acceptable levels of quality by verifying that the institution or program meets established standards.

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Accreditation...

- Assists prospective students identify acceptable institutions
- Assists in determining the acceptability of transfer credits
- Creates goals for self-improvement of weaker programs
- Stimulates a general raising of standards among institutions

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In-depth self-evaluation study measures performance against the standards established by the accrediting agency.

Accrediting agency selects team to visit institution to determine if the applicant meets the established standards.

If applicant meets its standards, the accrediting agency grants accreditation or pre-accreditation status.

37

Who is Faculty?

38

Is this a fair generalization?

- Intelligent, confident and curious
- Independent Cowboy
- No budget, no staff and no boss
- Limited interactions with administration
- First loyalty is to their field, not to their institution
- Insular and not informed about business operations

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What is Professor?

40

Distinguished Professor (usually "Named Chair")

Professor ("Named Chair")

Professor ("Full Professor")

Associate Professor

Assistant Professor

Clinical Professor/Professor of Practice

Research Associate/Lecturer/Instructor

Adjunct Professor/Lecturer/Instructor

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What is Tenure?

42

Rooted in academic freedom; tenure allows faculty to explore and to be controversial.

The intent of tenure is to allow original ideas to be more likely to arise, by giving scholars the intellectual autonomy to investigate the problems and solutions about which they are most passionate, and to report their honest conclusions.

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DoE statistics put the combined tenured/tenure-track rate at 56% for 1975, 46.8% for 1989, and 31.9% for 2005.

Tenure is an intensive formal review of the candidate's record of research, teaching, and service.

In 1940, the AAUP recommended that the academic tenure probationary period be seven years - still the current norm.

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Facilities professionals need to recognize the “publish or perish” pressures that are placed on young faculty.

Tenure is often viewed unfavorably by the public.

45

What is the General Education Fund or General Operating Fund?

46

The General Fund supports education and research and is funded from tuition, state appropriations, research grants, and endowments

Understanding what is and isn't supported by the General Fund is key to our business

Non-general funded operations are generally known as auxiliaries

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Largest auxiliaries typically found in Higher Ed:

- Hospitals and health clinics
- Intercollegiate athletics
- Housing
- Food services
- Bookstore and retail
- Utilities production and distribution
- Hospitality and conferences
- Parking and transportation
- Performing arts

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Auxiliaries are funded from “fees for services rendered”

Self-supporting business model

Able to reinvest in their business, borrow through bond issues

Future income streams are pledged against the bond loan

Operate very much like a private business

Should not drain resources from the General Fund

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Charge-back or Recharge Units

- General Fund units that charge for services rendered for non-general fund budgets
- Effective way to allocate expenses

Recharge services common within facilities organizations:

Key & Card Access	In-house Construction
Repairs	In-house Design
Trash Hauling	Grounds Services
Project Management	Moving & Set-up

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Are fee-for-services reflecting a fully loaded rate?

General Fund should not subsidize these services so establishing the correct fully loaded cost recovery rate is critical

The hourly cost of an employee needs to be adjusted for:

- Direct Wages
- Overhead Burden
- Billable Hours

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Sample Rate Calculation

Direct Wage	\$ 30/hr	\$30
Benefits (33%)	10/hr	40
Overhead (50%)	15/hr	55
Billable Hours (78%)	15/hr	70

The \$30/hour employee is charged out at \$70/hour
or 2.33 times direct wage.

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What is the Endowment?

53

Typically, 4-6% of the endowment's assets are spent annually to fund operations or capital spending; which represents the proportion that historically could be spent without diminishing the principal amount of the endowment fund.

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Private Institutions	State	Endowment ^[3] (billions USD - FY2022)
Harvard University	Massachusetts	\$49.444
Yale University	Connecticut	\$41.383
Stanford University	California	\$36.300
Princeton University	New Jersey	\$35.794
Massachusetts Institute of Technology	Massachusetts	\$24.740
University of Pennsylvania	Pennsylvania	\$20.724
University of Notre Dame	Indiana	\$16.729
Northwestern University	Illinois	\$14.121
Columbia University	New York	\$13.280
Washington University in St. Louis	Missouri	\$12.252
Duke University	North Carolina	\$12.116
Vanderbilt University	Tennessee	\$10.206
Emory University	Georgia	\$9.998
Cornell University	New York	\$9.838
Johns Hopkins University	Maryland	\$8.244
Dartmouth College	New Hampshire	\$8.066
Rice University	Texas	\$7.814
University of Southern California	California	\$7.319
Brown University	Rhode Island	\$6.141
New York University	New York	\$5.149
Carnegie Mellon University	Pennsylvania	\$3.857
California Institute of Technology	California	\$3.635
Williams College	Massachusetts	\$3.534
Boston College	Massachusetts	\$3.337

Public Institutions	State	Endowment ^[5] (billions USD - FY2022)
University of Texas System	Texas	\$42.668
Texas A&M University System ^[6]	Texas	\$18.243
University of Michigan	Michigan	\$17.347
University of California System ^[6]	California	\$15.418
University of Virginia	Virginia	\$9.858
Ohio State University	Ohio	\$6.961
University of Pittsburgh	Pennsylvania	\$5.529
University of Minnesota ^[4]	Minnesota	\$5.366
University of North Carolina at Chapel Hill ^[4]	North Carolina	\$5.318
University of Washington	Washington	\$4.678
Pennsylvania State University	Pennsylvania	\$4.608
Michigan State University	Michigan	\$3.880
Purdue University System	Indiana	\$3.676
University of California, Los Angeles	California	\$3.561
Indiana University System	Indiana	\$3.515
University of Wisconsin-Madison	Wisconsin	\$3.497
University of Illinois System ^[4]	Illinois	\$3.115
University of Iowa ^[4]	Iowa	\$3.054
Georgia Institute of Technology ^[6]	Georgia	\$2.928
University of California, Berkeley	California	\$2.648
University of California, San Francisco	California	\$2.620
Virginia Commonwealth University ^[6]	Virginia	\$2.409
University of Kansas	Kansas	\$2.279
University of Florida	Florida	\$2.276
University of Missouri System	Missouri	\$2.145

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What is Indirect Cost Recovery?

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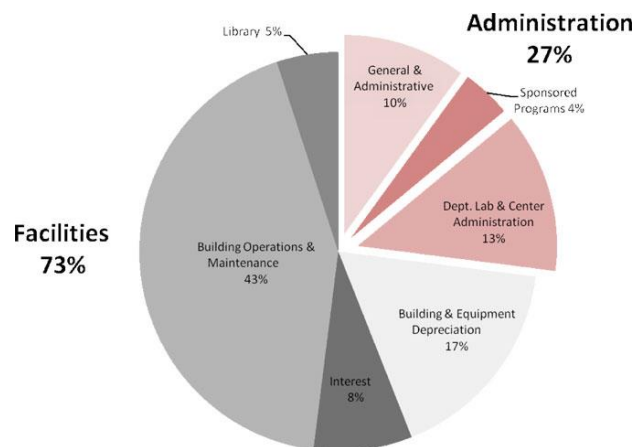
Direct Costs are the costs of conducting a specific research project, such as salaries, graduate student stipends, travel to scientific meetings, specific equipment, and supplies.

Indirect Costs, also known as Facilities and Administrative (F&A) Costs, represent the cost to support general institutional infrastructure.

Include expenses that cannot be attributed to a specific research project, but which are necessary for the conduct of research.

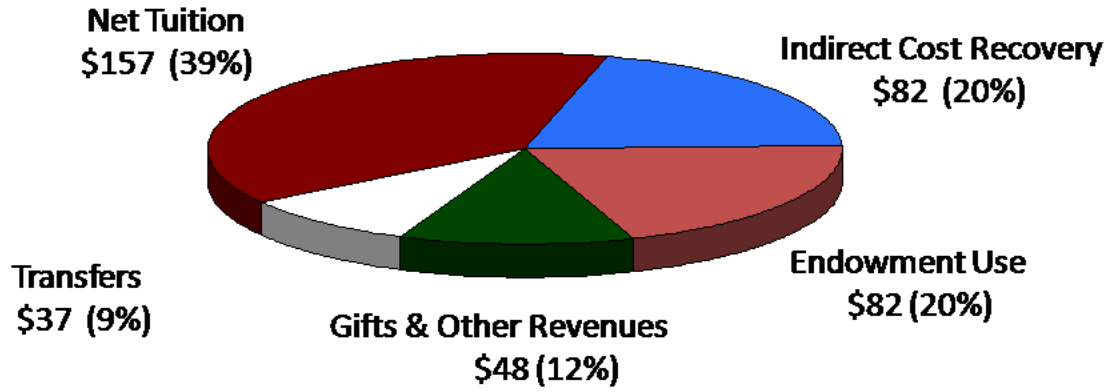
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Indirect cost recovery rates are negotiated and include facilities maintenance and utilities



Massachusetts Institute of Technology

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University of Rochester

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Thank You!

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