



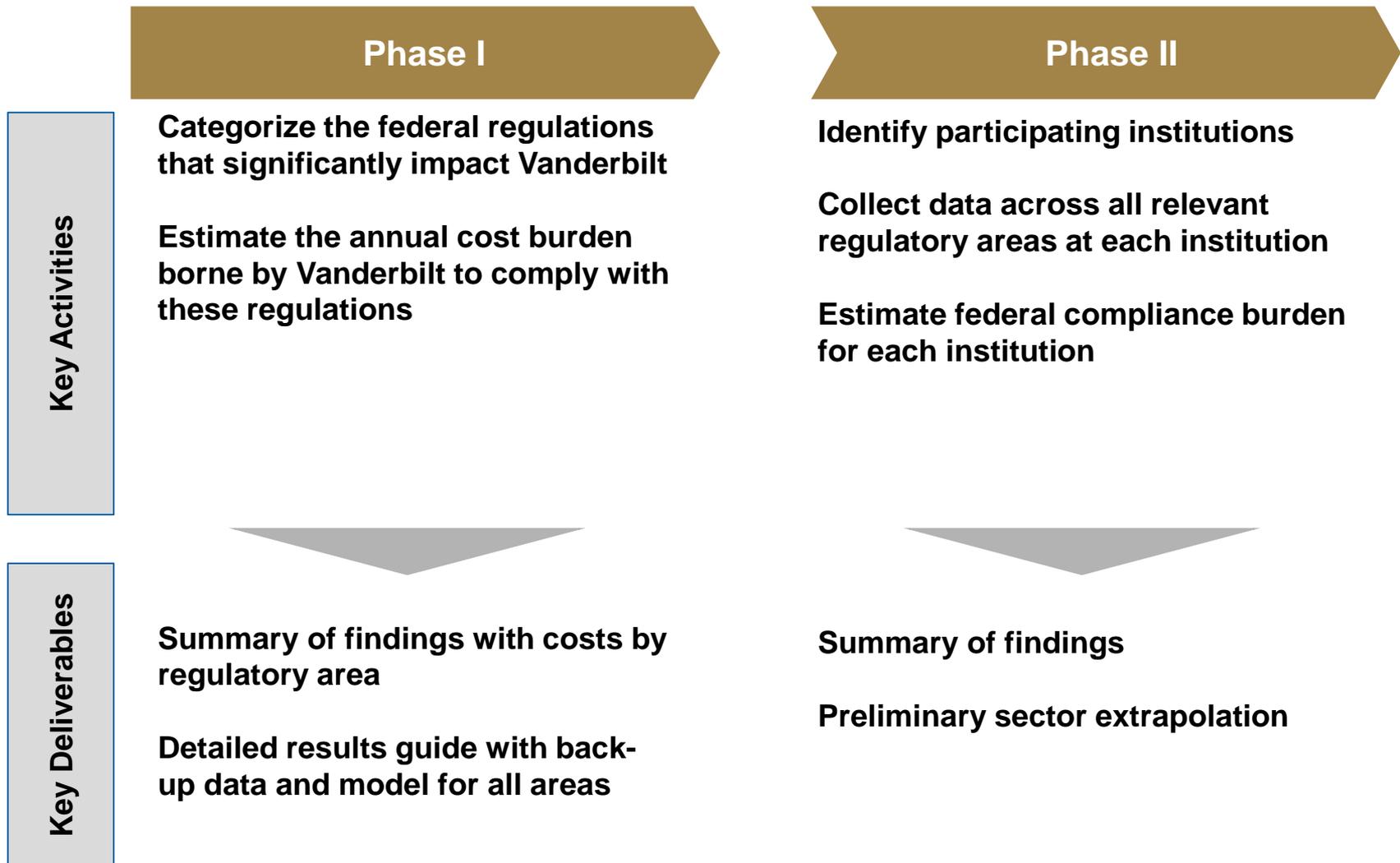
***Federal Regulatory Cost Burden:  
A Multi-institutional Study  
Overview and Findings***

**Completed by and with the Boston Consulting Group**

*October 2015*



# Two-Phase Approach for Multi-institutional Study





# Methodology Anchored on Defining Scope, Employing Tools and Methods and Following Principles

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Scope

## Categories of regulatory areas

- Research
- Higher education
- All-Sector

## Types of costs

- Labor
- Nonlabor
- Indirect costs of labor

2

Tools and Methods

Decentralized Costs:  
*incurred from academic depts. and research centers*

- Survey instrument with detailed compliance activities and examples
- Select interviews/worksheets

Centralized Costs:  
*incurred from central / admin offices*

- Interviews with key contacts and worksheets

Salary and benefits data and relevant budgets

3

Principles

Principles to determine if an activity is required to comply with federal regulation

# Scope of Regulatory Areas Assessed

## Research

- Conflict of interest
- Environmental health and safety compliance (related to research)
- Export compliance
- Federal grants and contracts management
- Human/animal research compliance
- Research misconduct requirements
- Technology transfer requirements

## Higher education

- Accreditation
- Clery Act
- Drug and alcohol prevention
- Equity in athletics data report (EADA)
- Financial aid
- FERPA
- IPEDS reporting requirements
- Gainful employment
- Sexual misconduct (Title IX)
- State authorization
- Title IX athletics administration

## All-Sector

- Anti-discrimination
- Disability
- Environmental health and safety regulations (outside of those related to research)
- Finance
- FISMA
- Immigration
- Other human-resources related requirements



# Types of Costs Considered

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- **Labor costs:** including activities such as reporting (including data gathering), giving and receiving training, institutional policy development and review, oversight and management (including answering questions from employees, students, parents, etc.), time spent interpreting regulations, preparing and implementing operational changes, responding to potential issues of noncompliance, interacting with regulators and auditors, and any day-to-day activities resulting from the practical impact of regulations.
- **Nonlabor operating costs:** including any outsourcing of the above activities to external vendors; external trainings and conferences (including travel costs); materials, supplies, and services to support the above activities (e.g., equipment, facilities); software licensing fees; and fees associated with permits, licenses, applications, and registrations. Note that taxes, penalties, and benefits paid were not included in cost estimates (e.g., FICA, ACA, ERISA).
- **Indirect costs of labor** were estimated based on labor costs: the ratio of specific categories of indirect costs to total institutional labor was determined and applied to the estimate of compliance-related labor costs. Specific categories of indirect costs included utilities, operating leases, minor equipment (e.g., computers), insurance, professional development, recruitment, travel, telephone, office supplies, computer software, printing, postage, freight and shipping, courier service, direct mail, memberships, and subscriptions.

# Tools and Methods

Cost type	Tool / Method	Description
<p><b><u>Decentralized Costs:</u></b>  <i>incurred from academic depts. and research centers</i></p>	Surveys	<ul style="list-style-type: none"> <li>Estimated time spent by faculty and admin staff in academic departments and research centers on compliance through survey               <ul style="list-style-type: none"> <li>Survey contained detailed description of specific activities and examples as relevant</li> </ul> </li> </ul>
	Worksheets / Interviews	<ul style="list-style-type: none"> <li>Gathered decentralized time costs in several areas where information collected centrally</li> </ul>
	Data	<ul style="list-style-type: none"> <li>Leveraged budget and payroll data to inform estimates</li> </ul>
<p><b><u>Centralized Costs:</u></b>  <i>incurred from central / admin offices</i></p>	Worksheets / Interviews	<ul style="list-style-type: none"> <li>Provided detailed worksheets to leadership of various administrative offices with example activities and instructions to complete</li> <li>Employed iterative process to resolve questions and to ensure methodology consistency</li> </ul>
	Data	<ul style="list-style-type: none"> <li>Leveraged budget and payroll data to inform estimates</li> </ul>



# Principles to Determine if an Activity is Required to Comply with Federal Regulation

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**The following principles were used as guidelines to determine if an activity is required to comply with federal regulation:**

- The institution would have been ineligible for a U.S. federal program if it had not performed the activity;
- The institution would have stopped receiving a U.S. federal benefit if it had not performed the activity;
- The institution would have risked violation or penalties under U.S. federal law if it had not performed the activity; or
- The institution performed the activity to determine whether any of the above items applied.



# Summary of Findings

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**Across all 13 institutions, federal regulatory compliance burden ranges between 3% and 11% of annual operating expenditures, with a median value of 6.4%**

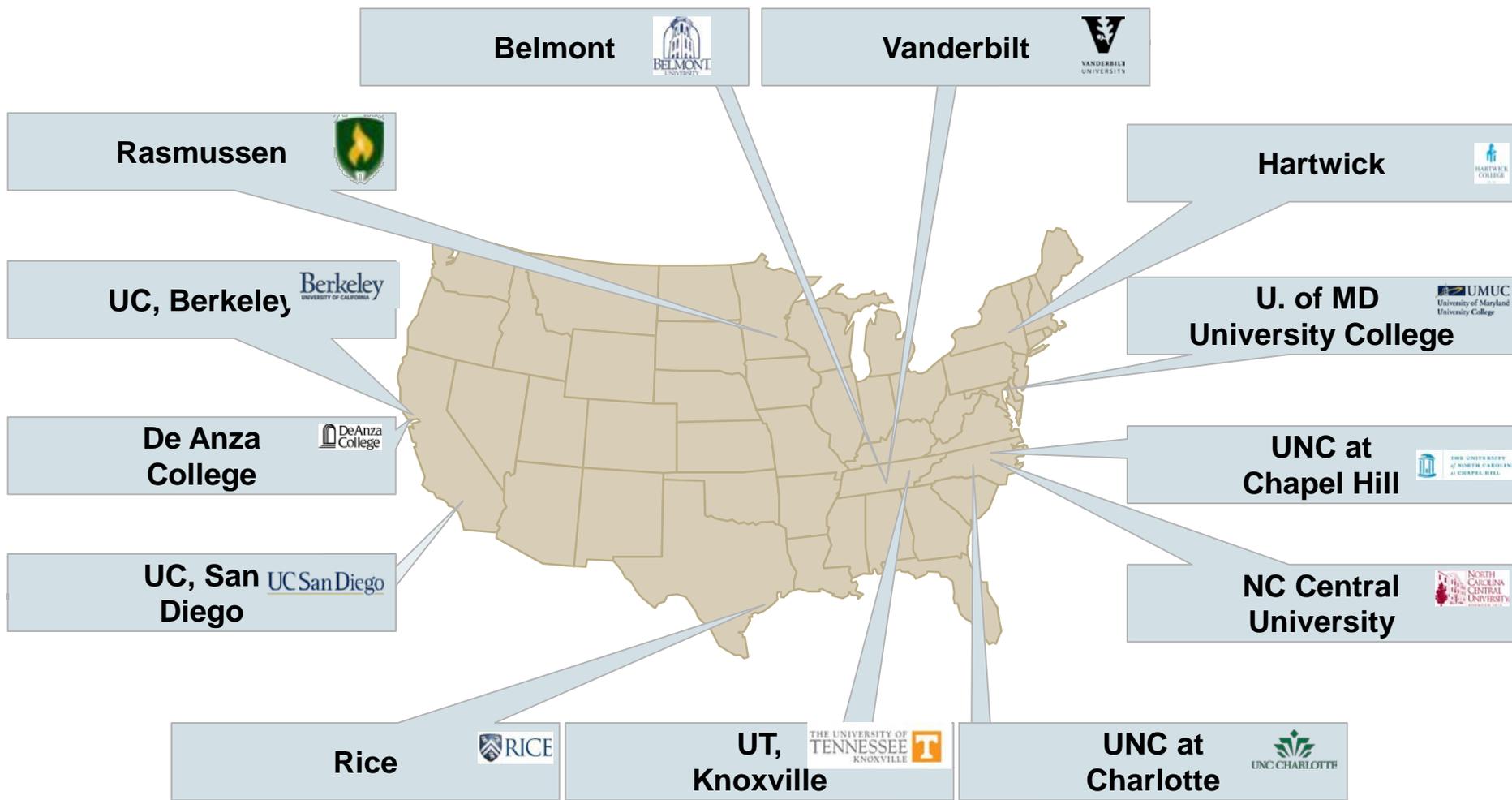
- In research related areas, significant drivers on the cost of compliance include mix of research being conducted (e.g., medical school-based research vs. humanities) and overall scale in the research enterprise
  - Grants and contracts is the largest area, followed by human subjects and environmental health and safety
- In nonresearch related areas, smaller institutions generally having a higher unit cost, with accreditation being the largest cost area

**Time spent on federal compliance ranged on average from 4% to 15% with research staff, research faculty and admin staff in academic departments having higher values**

**Sector extrapolation results in a sector-wide estimate on the cost of federal regulatory compliance of ~\$27B**

- Methodology based on an institutional segmentation and on various scale tiers on research and nonresearch
- Higher education and all sector compliance ~60% of total burden, research compliance ~40%

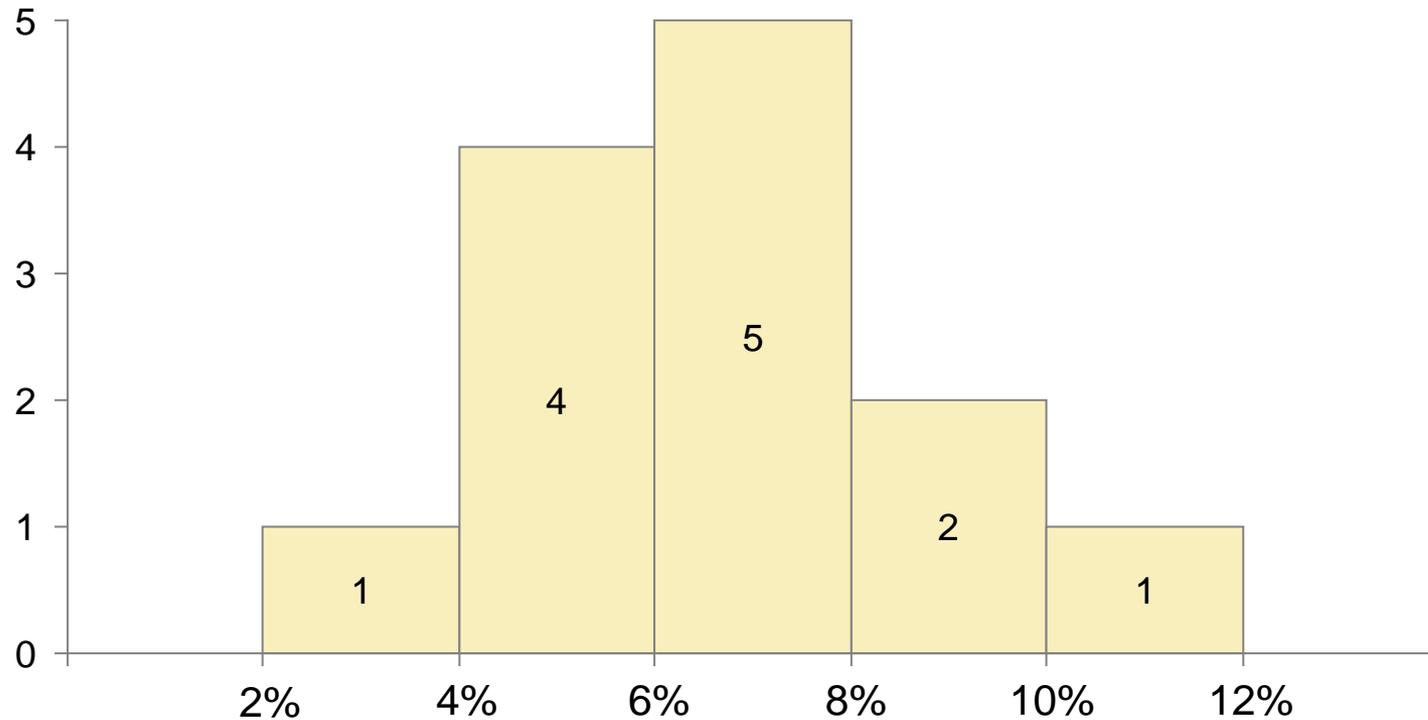
# Estimate the Cost of Federal Regulatory Compliance at 13 Diverse Institutions





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

*# of institutions (N=13)*

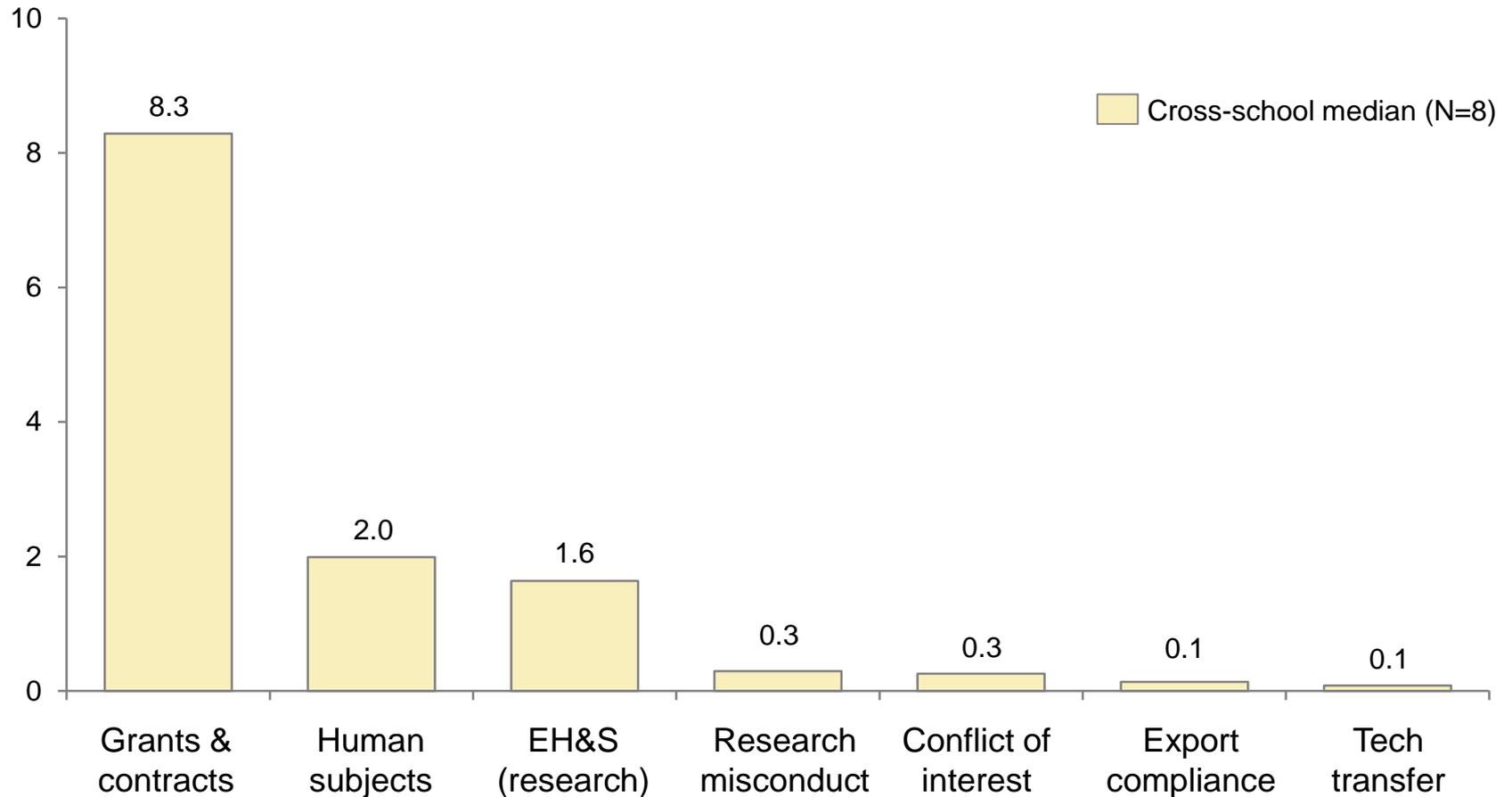


***Cost of compliance as % of FY2014 operating expenses***



# Research Compliance: Grants and Contracts Largest Area

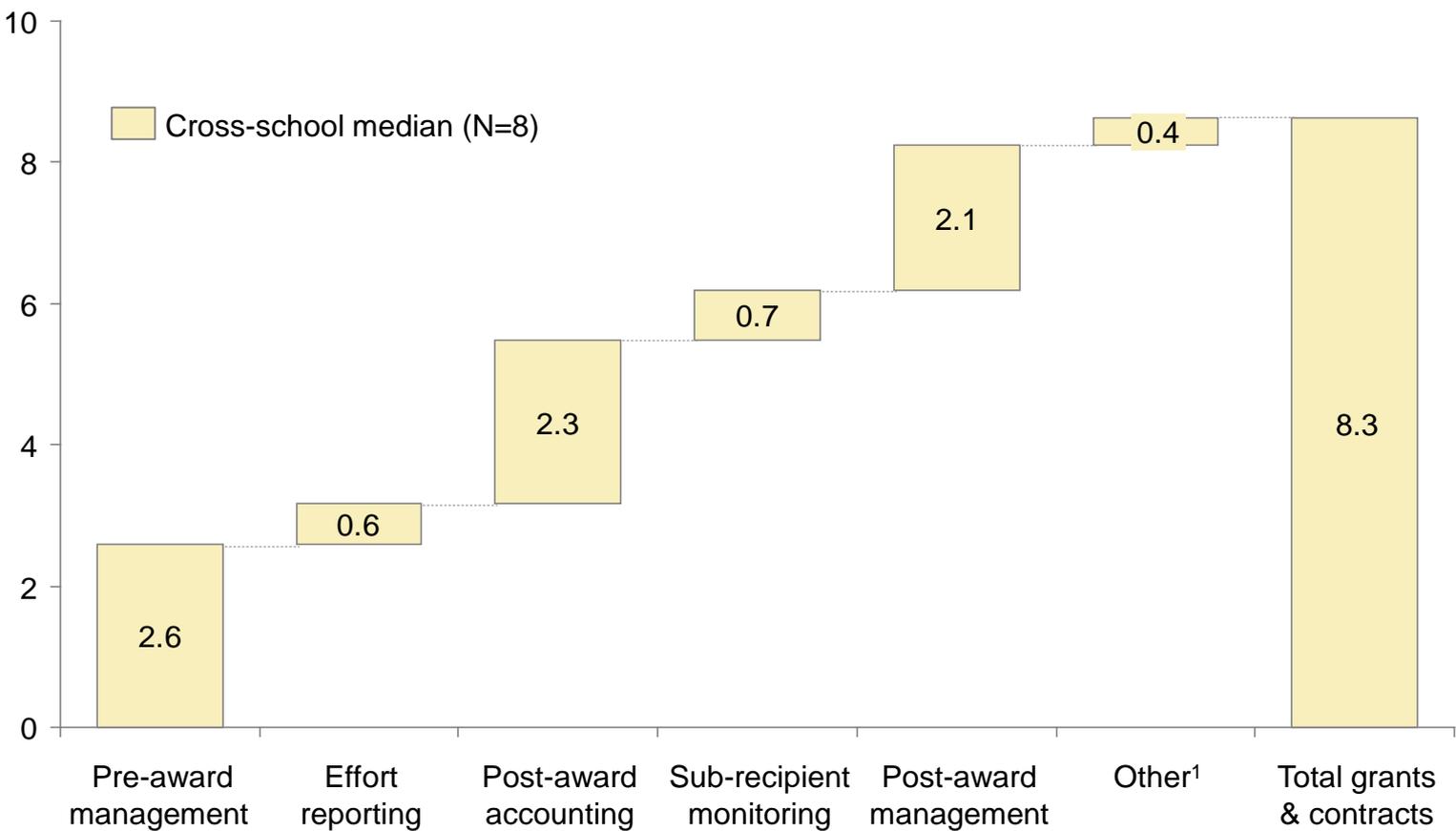
Estimated compliance cost (% of research expenditures)





# Grants and Contracts Compliance Driven by Pre-Award Management, Post-Award Activities

Estimated compliance cost (% of research expenditures)



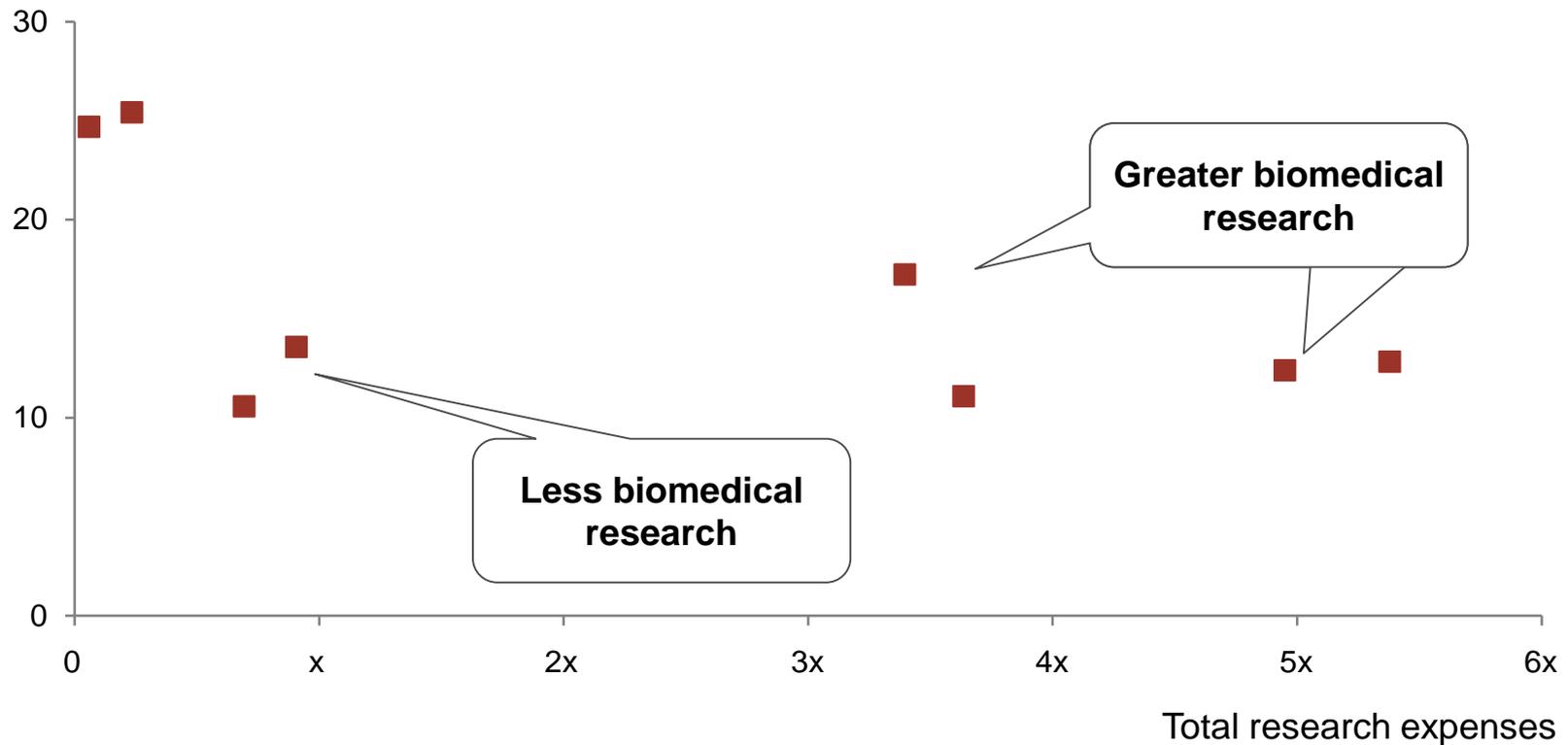
1. Includes unclassified activities such as training and oversight  
Note: Total of 8.3 represents the total grants and contracts median of the 8 research institutions, not the sum of individual medians of sub-categories (e.g., pre-award management, effort reporting, post-awarding accounting, sub-recipient monitoring and post-award management)  
Source: Cost of Federal Regulatory Compliance Study



# Mix and Scale Driving the Magnitude of Research Compliance Burden

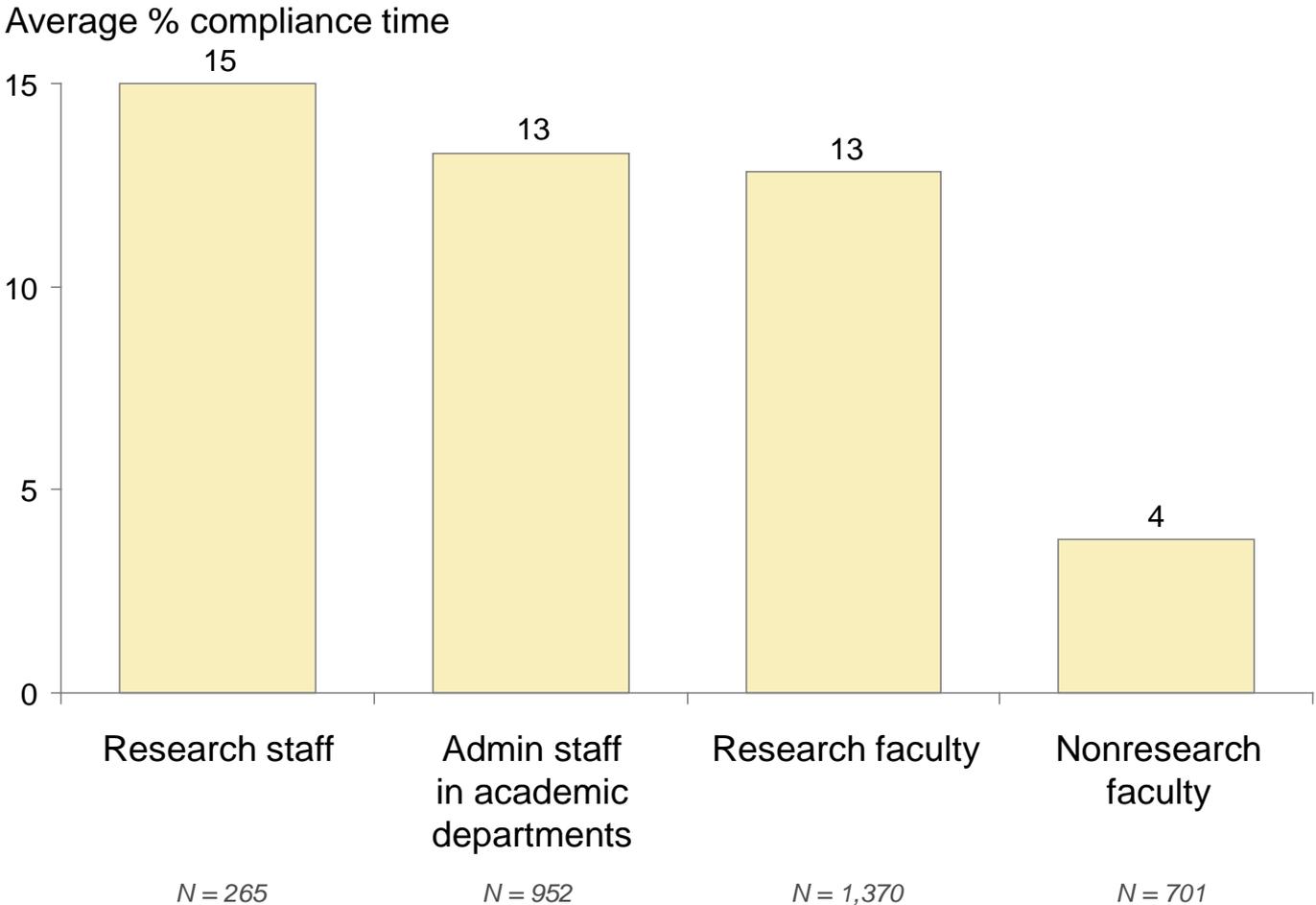
## Research compliance burden by institution (N=8)

Estimated research compliance cost (% of research expenditures)





# Research Staff in Academic Departments Have Highest Federal Regulatory Compliance Burden

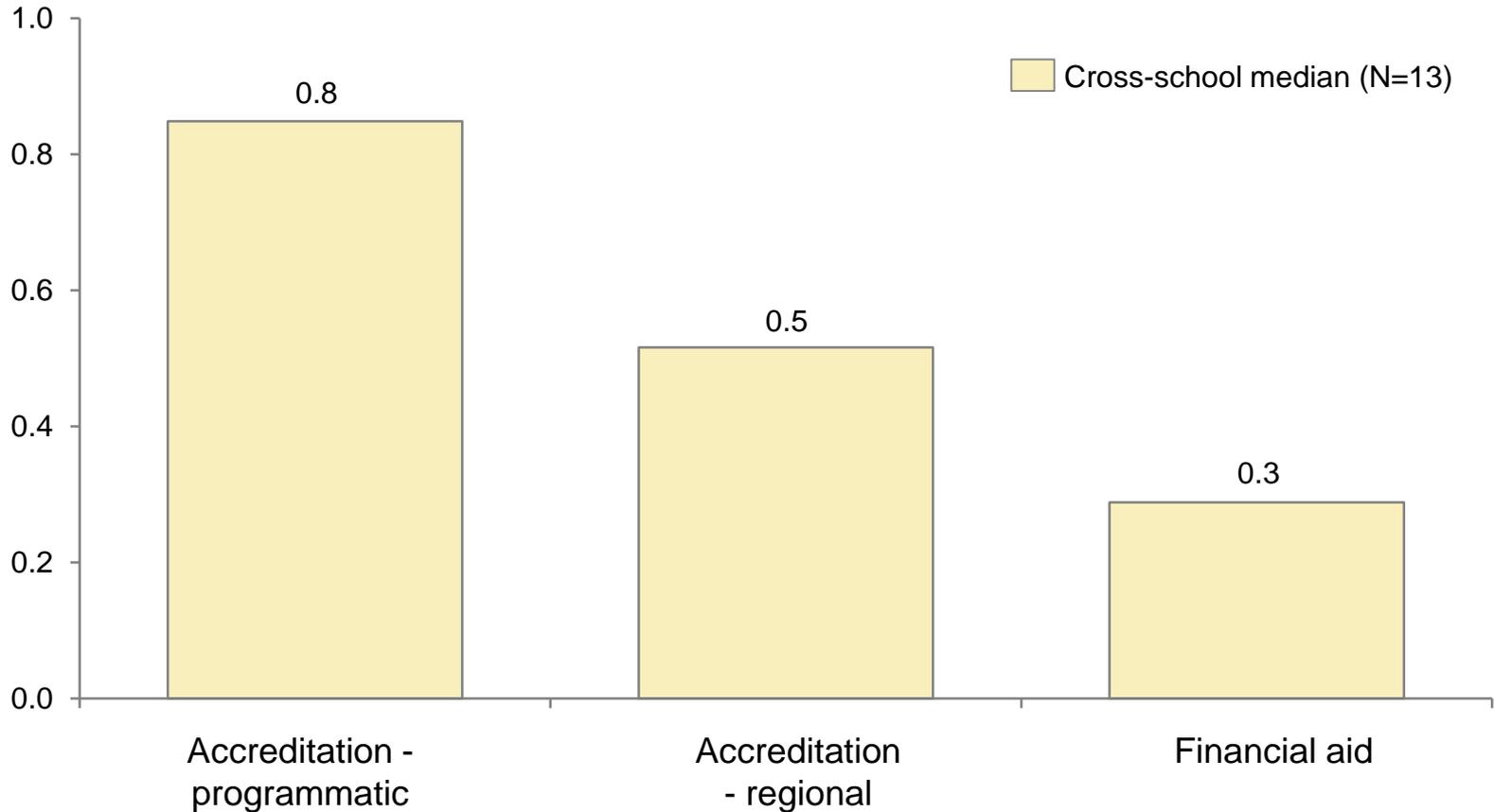


Note: Staff segmentation defined by self-selection in survey choices. Research faculty defined as those reporting any research compliance in survey; Non-research faculty defined as those reporting no research compliance in survey.  
Source: Cost of Federal Regulatory Compliance Study



# Higher-ed Compliance: Accreditation Largest Burden

Estimated compliance cost (% of nonresearch expenditures)

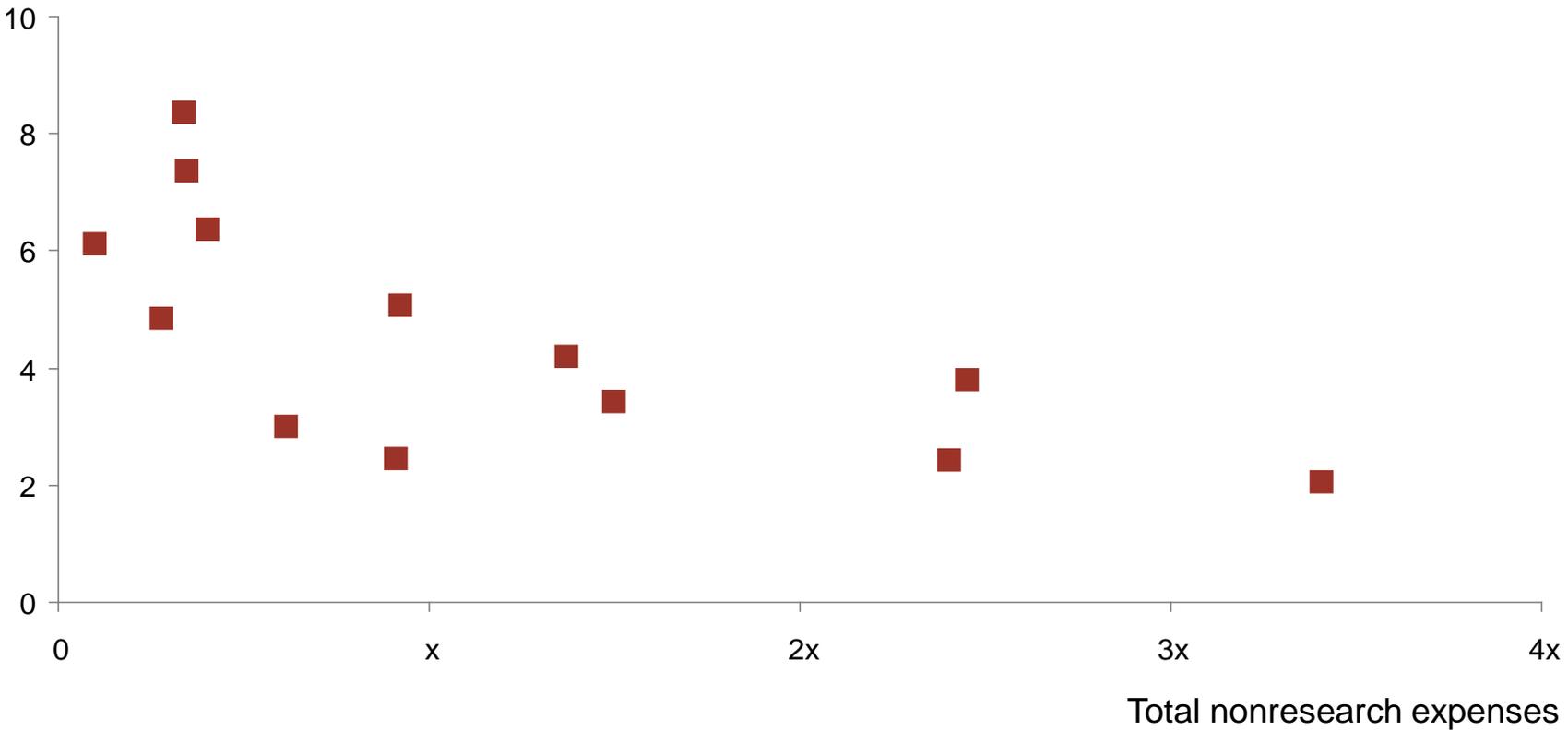




# Scale Driving the Magnitude of Higher-ed and All-sector Compliance Burden

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

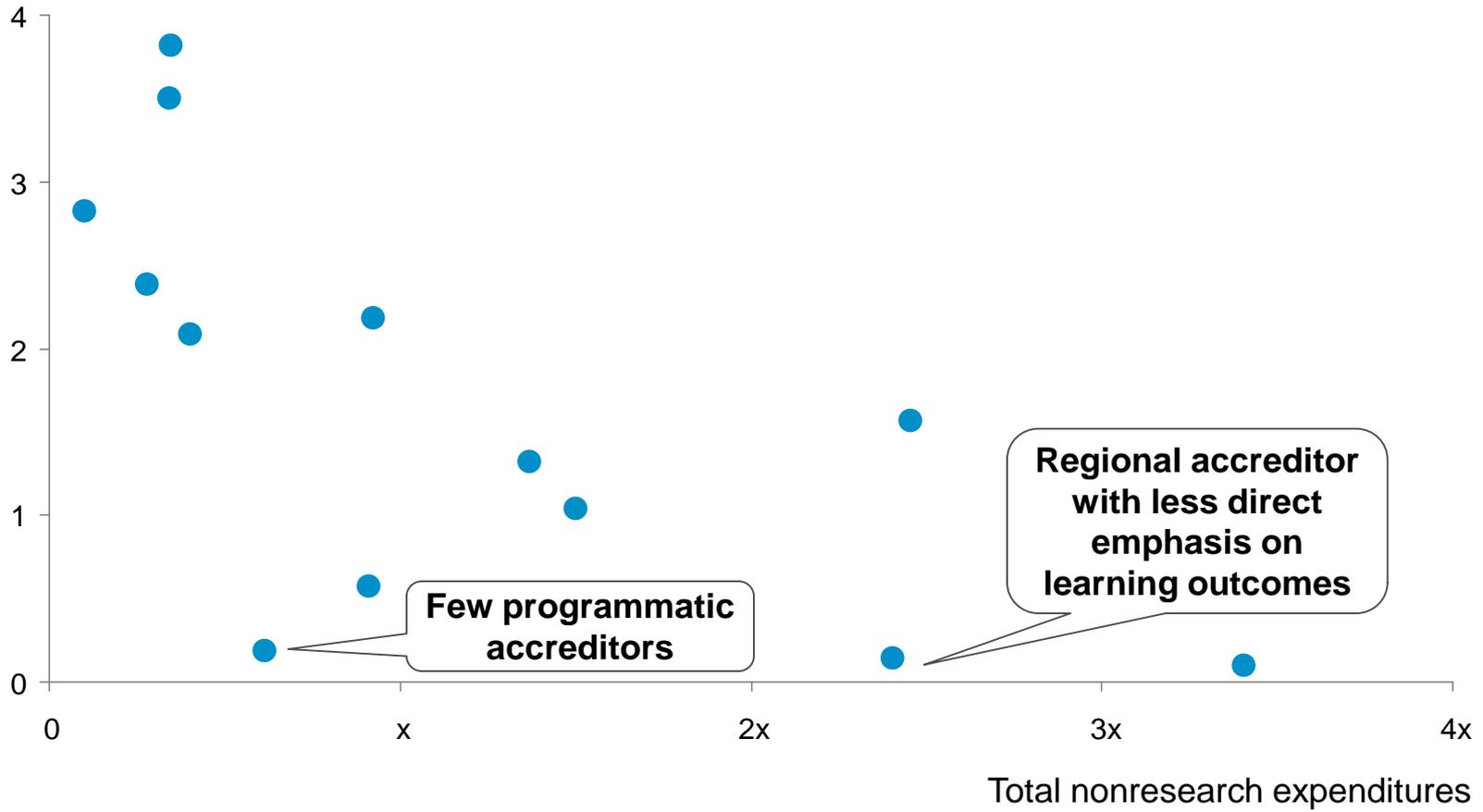
Estimated higher-ed and all-sector compliance costs (% of nonresearch expenditures)



Source: Cost of Federal Regulatory Compliance Study

# Accreditation Burden Varies with Number of Programmatic Accreditors, Scale, and Regional Accrediting Body

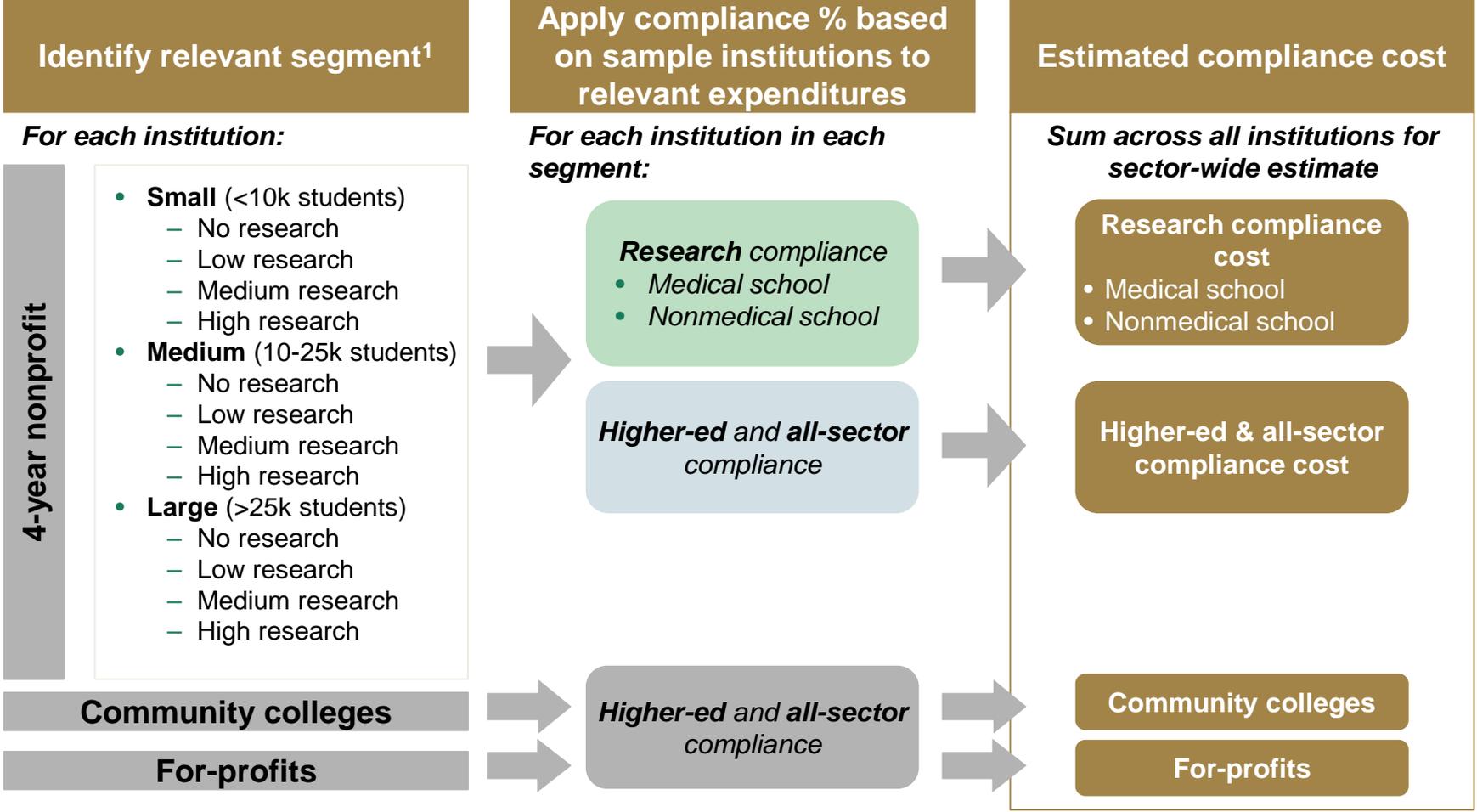
Estimated accreditation compliance cost (% of nonresearch expenditures)



Note: Includes both regional and programmatic accreditation compliance costs  
Source: Cost of Federal Regulatory Compliance Study



# Sectorwide Estimate Developed Based on Bottom-up Methodology

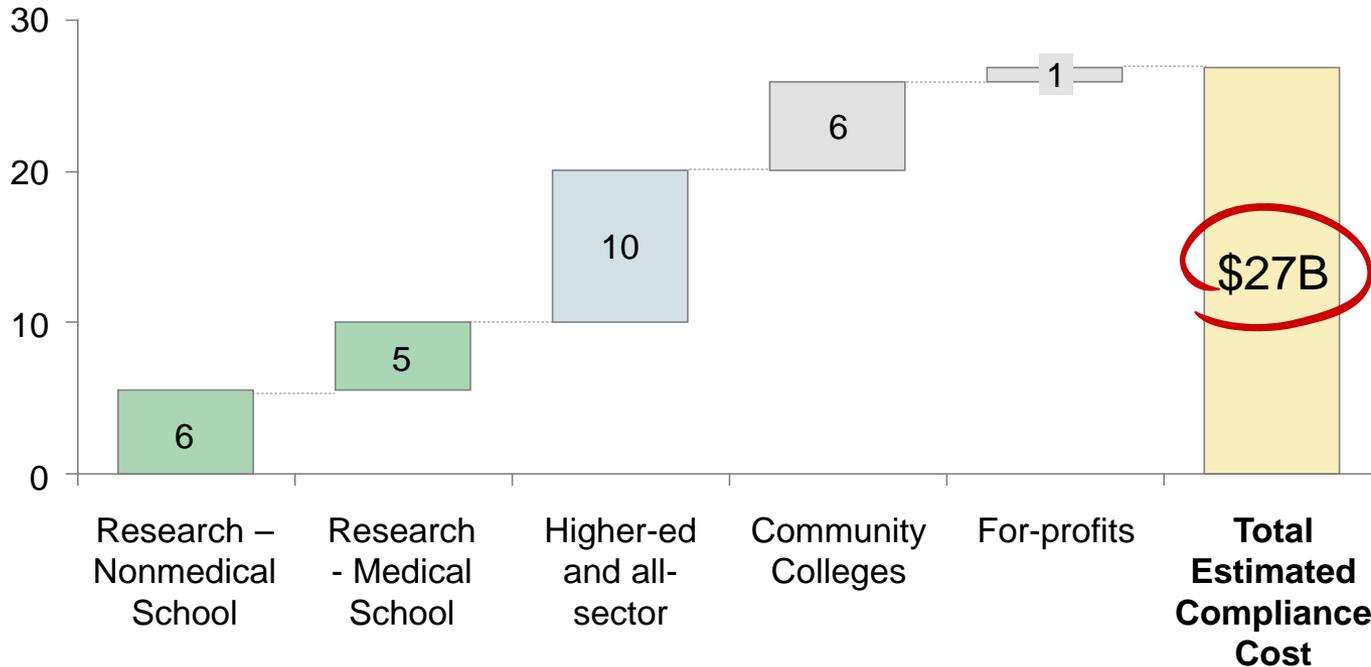


1. Research segments defined based on research expenses, as follows: Low research \$1-50M, Medium research \$50-150M, High research >\$150M



# Sectorwide Federal Regulatory Compliance Cost Estimated at ~\$27B

Estimated federal regulatory compliance cost (\$B)



<b>Relevant expenditures</b>	\$41B <sup>1</sup>	\$22B <sup>1</sup>	\$294B <sup>2</sup>	\$64B <sup>2</sup>	\$15B <sup>2</sup>	\$435B
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<b>Compliance % based on sample institutions<sup>3</sup></b>	14%	20%	3%	9%	6%	6%
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1. Based on NSF 2012 HERD survey results

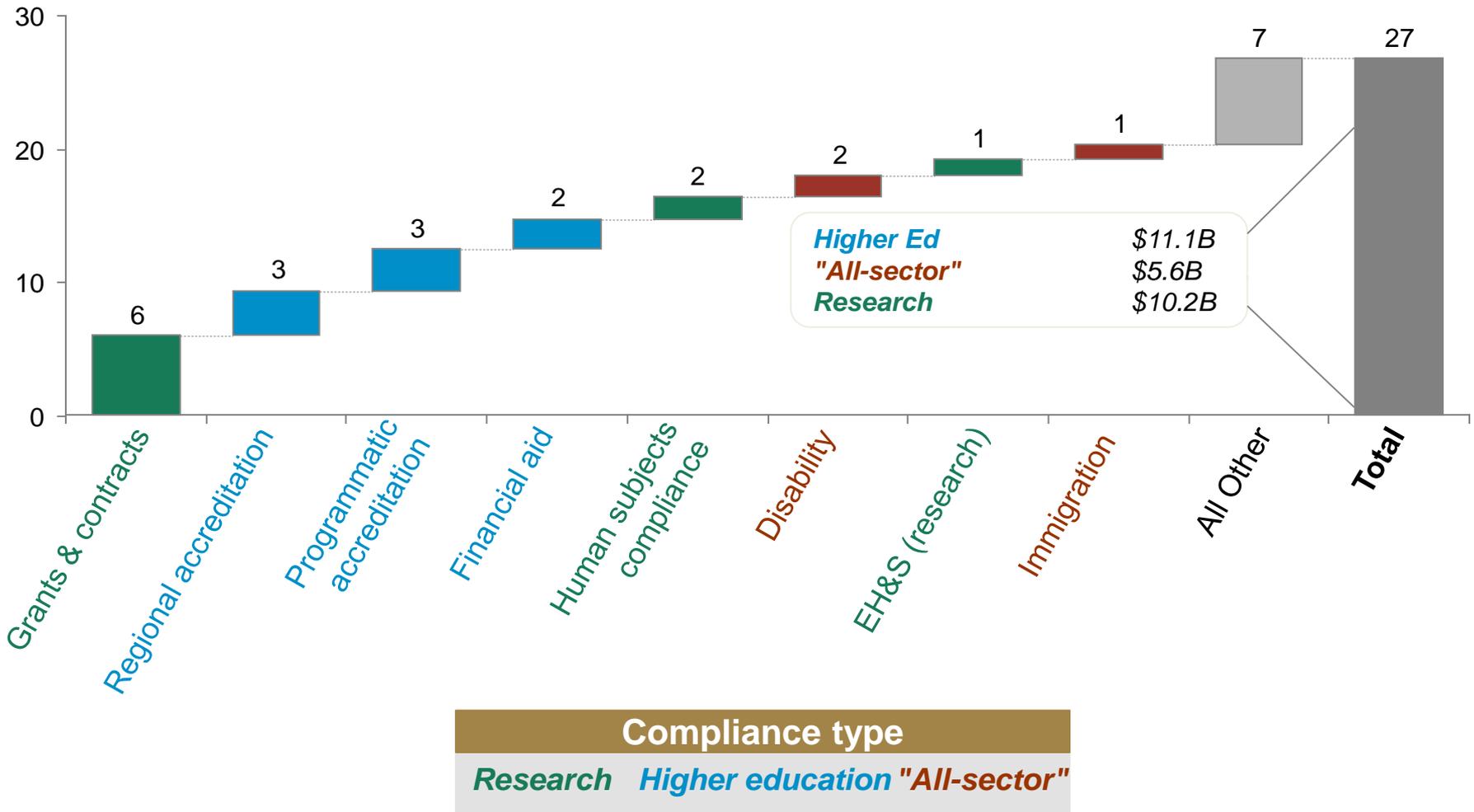
2. Based on 2013 - 2014 IPEDS and publicly available financial statements

3. Based on federal regulatory compliance costs from Phase I and Phase II institutions, adjusted as % of relevant expenditures reported by NSF and IPEDS in (1) and (2) above



# Estimated Sectorwide Cost of Compliance per Regulatory Area Based on Extrapolation from Sample Data

Estimated cost of sectorwide 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