



The University of Vermont

Estimated Costs of Federal Regulatory Compliance at the University of Vermont for FY2015

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This study of the cost of federal regulatory compliance to the University of Vermont was prepared at the request of UVM President Tom Sullivan. Vice President for Finance Richard Cate was the Executive Sponsor.

Methods

The estimate was developed over 10 weeks in the fall of 2015, based on a similar study performed by the Boston Consulting Group for Vanderbilt University,¹ and it provides estimated costs resulting from compliance with federal regulations for the University of Vermont for FY2015 (July 1, 2014 to June 30, 2015). The study includes the University's College of Medicine, but excludes the University of Vermont Medical Center, which is a separate corporate entity.

Definition of Regulatory Areas

This estimate includes costs associated with complying with federal laws and regulations, as well as costs associated with federal requirements that have been delegated to the State of Vermont. Regulatory areas for which compliance costs are estimated are divided into the three categories defined in Vanderbilt's study:²

Research: regulatory areas specific to research, including federal grants and contracts management, research/human participation compliance, environmental health and safety compliance related to research, animal research compliance, export controls compliance, conflict of interest, technology transfer requirements, and research misconduct requirements.

Higher Education: regulatory areas specific to the higher education sector but not pertaining to research, including institutional and certain programmatic accreditations³, 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 (program integrity rules), and Title IX athletics administration.

All-sector: regulatory areas not specific to the higher education sector including anti-discrimination, disability, environmental health and safety regulations (outside of those related to research), tax and finance, privacy/information security/data breach, immigration, other employment- or human resources-related requirements.

Types of Costs

Costs associated with federal regulatory compliance are divided into the three types defined in Vanderbilt's study:⁴

Labor costs: including activities such as reporting (including data gathering); giving and receiving training; institutional policy development and review, oversight and management (including consultation services provided to employees, students, parents, etc.); time spent interpreting regulations; preparing and implementing operational changes; responding to potential issues of

¹ Vanderbilt University. "The Cost of Federal Regulatory Compliance at Vanderbilt University: An assessment of federal regulatory compliance costs in FY 2013-2014." No date.

² Ibid, p. 3.

³ This estimate includes the costs of UVM's regional (NEASC) accreditation and programmatic accreditations that are linked to federal requirements or guidelines, as listed on the U.S. Department of Education's accreditation database: <http://ope.ed.gov/accreditation/>

⁴ Vanderbilt University, pp. 3-4.

non-compliance; interacting with regulators, investigators, and auditors; and any day-to-day activities resulting from the practical impact of regulations.

Non-labor operating costs: including any outsourcing of the above activities to external vendors, consultants, or subcontractors; external trainings and conferences (including travel costs) to stay current with compliance requirements; materials, supplies, and services specifically for the support of compliance activities; and fees associated with software, permits, licenses, applications and registrations if required to maintain compliance. Taxes, fees, penalties, or benefits paid were not included in the cost estimate.

Facilities (indirect costs of labor): including depreciation, debt service, utilities, operations and maintenance, and custodial services.

Guiding Principles

The following guiding principles developed by Vanderbilt University were used as guidelines for determining whether an activity is required for federal compliance:

- 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.⁵

Estimation Approaches

The results of this study are an estimate based on the best judgment of administrators, staff, and faculty across the institution. In general, estimates were made conservatively. Where possible, expenses for which the University was reimbursed (e.g., F&A or direct charges to grants) were not included. Finally, no attempt was made to distinguish what costs or activities UVM would have incurred or undertaken voluntarily, even in the absence of federal regulation.

Labor costs were estimated using the following methods:

- Administrative unit directors and/or business managers were asked to estimate the percentage of annual work time spent by their staff on compliance activities in the three areas (research, higher education, and all-sector).
- The academic business managers for all colleges and schools except Arts & Sciences and Medicine were asked to estimate the percentage of annual work time spent by their staff on compliance activities in two areas (higher education and all-sector). The average percentage of effort was calculated for each job title and then applied to Arts & Sciences and Medicine staff in the corresponding or similar job titles.
- Faculty and academic unit staff and administrator effort associated with research compliance was estimated by applying an "administrative burden factor" of 27% reported by the Federal Demonstration Partnership⁶ to the non-sponsored activity FY2015 payroll earnings reported in

⁵ Ibid, p. 4.

⁶ Federal Demonstration Partnership (FDP). "2012 Faculty Workload Survey: Research Report." April 2014.

the University's Effort Reporting System. Reported non-sponsored activity was used as the basis for the estimate because UVM is typically reimbursed for sponsored activity costs by the grant or contract funding agency. Thus, although there may be additional administrative or regulatory burden associated with the sponsored portion of the reported effort, it is not a net "cost" to the University.

- Faculty⁷ effort associated with higher education and all-sector compliance was estimated based on a focus group with the Faculty Senate Fiscal & Physical Planning Committee and data provided by the ACCESS office on the number of students qualifying for disability services.
- Deans, directors, and department chairs were surveyed about their annual percentage of effort on higher education and all-sector compliance activities. There were 84 respondents out of 139 individuals invited to complete the survey (60% response rate). The effort of non-respondents was estimated by applying the average effort reported by survey respondents in a similar title (e.g., chair or director).
- Academic business managers and the Vice President of Executive Operations provided labor costs for faculty, staff, and administrators involved in the institution's regional (NEASC) accreditation as well as certain programmatic accreditations. Accreditation costs were amortized across the entire cycle and estimated to reflect the annual average.

The percentages of annual effort in each compliance category were combined with FY2015 salary and benefits information to estimate costs.

Non-labor costs were estimated using FY2015 operating expense data provided by administrative and academic unit business managers.

Facilities costs were estimated using the following methods:

- The University portion of the facility costs to support the compliance-related activities for research was derived by calculating the unrecovered facility costs from external sponsors. The unrecovered facility costs have two components. The first cost component is the differential between what the F&A recovery would have been if the F&A negotiated rates were applied and what the external sponsors actually paid. The second cost component is the facility costs supporting the administrative costs above the federally mandated administrative cap. An estimate of \$8.3 million of facility costs were incurred by the University to support the compliance activities associated with research.
- Facilities costs to support higher education and all-sector compliance-related activities were based on labor costs. The ratios of the estimated labor cost for these two regulatory areas to the University's total labor costs were calculated and then applied to the University's total facilities costs (including depreciation, debt service, utilities, operations and maintenance, and custodial services).

Results

The assessment found that UVM's gross cost of federal compliance and accreditation was approximately \$64 million for FY 2015, representing approximately 10% of the University's \$625 million operating expenditures in FY 2015. Research-related compliance costs account for 44% of the total, at an estimated \$28 million. All-sector compliance costs are estimated at \$20 million, or about 32% of the total. Costs related to higher education regulatory compliance are estimated at \$15 million,

⁷ Excluding faculty with Research, Library, Extension, or administrative appointments.

representing 24% of the University’s total federal compliance costs. The table below illustrates the results of this analysis.

	Compliance Area			Totals
	Research	Higher Education	All-Sector	
Labor costs	\$19,405,888	\$11,527,199	\$14,176,697	\$45,109,783
Non-labor costs	\$383,386	\$1,022,388	\$2,253,602	\$3,659,376
Facilities costs	\$8,363,000	\$3,006,405	\$3,697,420	\$ 15,066,825
Totals	\$28,152,274	\$15,555,992	\$20,127,718	\$63,835,984

As noted earlier, in order to avoid exaggerating the scale of financial impact of federal regulatory compliance, one criterion for the approach to this study was to be relatively conservative. The Division of Finance staff responsible for this study has made every effort to take a reasoned approach in making realistic estimates of these costs, but want to reiterate these are only best estimates. Without a cost accounting system that allocates every compliance-related expenditure, combined with an extraordinary amount of human effort, it is impossible to know the exact amount. Even with such a system, the inputs would, in many instances, be subjective. Thus, the approach used here, combined with replicating some of the Vanderbilt methodology, has likely resulted in as sound an estimate as could have been developed by other means.

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