



Education

How Higher Education Can
Outsmart Higher Costs

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Escape the spending spiral of overstressed budgets with a strategy for reducing costs and funding upgrades that benefit your infrastructure and your institution's power to attract and retain students.

Rising intolerance for student debt and ballooning pension and health costs make the news, but few headlines offer solutions for the funding issues facing higher education. While visible infrastructure spending in landscaping and new construction can help meet key goals, institutions also need solutions that tackle the direct causes of higher costs, such as deferred maintenance and outdated mechanical equipment, all of which can burden budgets with increased capital volatility and unnecessary overspending.

In addition, it's no secret that students seek schools with more modern facilities. Meeting the need for both new buildings and upgrades to existing buildings can help drive student attraction and retention with:

- Better student experience in residence life
- Progress on green initiatives
- Reportable sustainability measures
- Positive first impressions for aging campus facilities

In the following sections, you will learn about the issues and solutions that can help you overcome overspending, lower your costs, and fund improvements that matter to students:

1. The Spending Spiral
2. Changing Who Benefits from the Consumption of Your Resources
3. Facility Upgrades That Fund Themselves
4. What Guaranteed Savings Can Achieve

1 The Spending Spiral

So what's standing in the way of all of your facility needs? Rising costs like pension commitments and faculty healthcare have impacted spending priorities. Aging facilities are piling up costs for public and private schools in the form of huge deferred maintenance backlogs.



At an average facility age of 42 years¹, with an estimated \$30 billion dollar² national backlog, trends in higher education show operational budgets slipping further behind.

From 2007 to 2015, backlogs grew 16% for private and 24% for public schools³.

Ignoring that spending spiral only burdens future budgets further:

- Reducing the useful life of the facilities
- Adding costs and risk of infrastructure failure to long-term balance sheets
- Compounding cost problems as it effects the student experience

It can also delay investments schools need for the future. Research shows that capital is being spent on new spaces and new technologies, but operational budgets aren't keeping up with the needs of both new and aging facilities. In fact, operational budgets have been outpaced by inflation nearly two to one⁴.

Deferred maintenance may also distract from current needs. Students have high expectations of the residence hall experience and want schools to demonstrate leadership in sustainability issues. Schools shouldn't have to rely on spending cuts or tuition raises to meet those expectations.

What if it was possible to find capital needed to improve existing facilities without cutting staff or educational programs?

What if there was a solution for facility needs that generated its own positive cash flow?

Sources

1 <https://www.dudesolutions.com/Portals/0/Documents/2017-budget-and-staffing-survey-results.pdf>

2 <https://www.insidehighered.com/views/2018/01/17/improving-value-campus-facilities-opinion>

3 <https://www.eab.com/research-and-insights/facilities-forum/expert-insights/2017/four-deferred-maintenance-challenges-and-how-to-solve-them>

4 <https://www.sightlines.com/wp-content/uploads/2018/01/The-State-of-Facilities-in-Higher-Education-2017-Benchmarks-Best-Practices-Trends.pdf>

2 Changing Who Benefits from the Consumption of Your Resources

Overspending on operational expenses means those resources are going to benefit others at the expense of the institution's own educational spending. An experienced facility service provider can provide solutions that help you to break that cycle so greater benefits go to your students, staff, and community.

As an example, the Environmental Protection Agency states an average building wastes 30% of the energy used⁵.

Assessments have shown the average campus spends 30% to 35% more than they should on utilities.

Equipment causing that excess energy use is often older, even obsolete, leading to additional costs from the increased frequency of failure and expensive repairs. That can translate to service providers placing higher demands for service on older facilities, meaning operations is spending twice on the same problem: excess energy and excess charges to keep aging infrastructure running.

By finding a way to improve those systems, resources that would be lost to those utility bills and reactive maintenance could be redirected to benefit the institution.

Source

⁵ <https://www.energy.gov/eere/buildings/about-commercial-buildings-integration-program>

3 Facility Upgrades That Fund Themselves

A budget-neutral solution can stop the spending spiral of deferred maintenance and unnecessarily high operational costs and help educational institutions:

- Make visible upgrades that attract and retain students
- Measurably support student engagement with data on living and learning environments
- Achieve and report sustainability goals

There is a financial solution for funding improvements that make a difference to students, parents and donors, while using only existing budgets.

By targeting current facility spending for guaranteed, long-term cost reductions, institutions can fund improvements without raising tuition, cutting staff, or digging further into endowments.

Using a complete assessment of an institution's real facility costs, technical and financial experts can produce a plan to pay for critical improvements with the savings those improvements will generate. That means money schools have already allocated to future spending is freed up to meet current needs. By funding changes now, the risks of rising costs and negative impacts to the student experience can be avoided.

If funding present needs with future savings sounds too good to be true, look for service providers that guarantee those savings.

The ideal provider marries the technical ability to accurately model and produce savings for schools with the financial power to assure those results.

Some providers will contractually agree to pay for shortfalls in modeled savings.

Source

5 <https://www-01.ibm.com/common/ssi/cgi-bin/ssialias?subtype=WH&infotype=SA&htmlfid=LOW14335USEN>

4 What Guaranteed Savings Can Achieve

With a budget-neutral strategy available to fund facility upgrades, experienced providers can build programs that drive changes across the campus. One key area of facility improvement is leveraging data collection for leadership needs. Building controls and the evolving capabilities of the IoT (Internet of Things) open up the outputs of facility spending and provide reportable results people can see.



Certify conservation and sustainability goals



Monitor indoor air quality and lighting levels that tie directly to student health and engagement



Enable predictive, preventive maintenance that extends equipment life, further reducing costs

Facility service providers with the capability to provide service in those areas may be able to create additional cost savings for schools.

Planning and executing a budget-neutral solution for modern facilities requires expansive fiscal and technical expertise. Look for a partner with a deep bench of engineering know-how, experience managing large projects for higher education facilities, and the financial stability to guarantee results.

About ABM

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