



December 4, 2006

Sen. Charles E. Grassley
135 Hart Senate Bldg.
Washington DC 20510-1501

Dear Senator Grassley:

I know that issues of access, affordability, transparency and accountability in higher education are very much on the public agenda these days, as they should be, and I commend you for bringing them into focus. I am also delighted to be asked to provide you with an overview of the efforts that Drake University has made to: 1) keep costs down (and thus keep tuition as low as possible); 2) provide access to a Drake education for low-income families, and; 3) make our operations as transparent and comprehensible to the public as possible. I do want to emphasize from the outset that while I do of course consider Drake University to be a model of good practice, we are by no means unique. I know from meetings and conversations with colleagues around the country that many in the higher education community are working diligently to address these issues.

In the interests of conserving space, I will outline our efforts in bulleted form; if you or your staff would like further information on any of these points, I will be happy to provide them (I have sent your staff some additional materials as context for these remarks):

Efforts to keep tuition costs as low as possible:

- It is important to emphasize that our decisions regarding tuition are not driven by the market but by the real costs of operation – compensation, financial aid, etc. Some costs, such as health care, utilities, scientific equipment, and library periodicals experience double-digit increases annually. In a number of fields (computer science/IT, business, pharmacy, for instance) the market rates for top faculty are increasing significantly. If we are to keep our promise to our students of the very best in education, we have to pay market rates to attract and retain the top people. It is also important to emphasize that tuition covers only 70% of the *real* cost of educating a student, and it must be subsidized by other sources (endowment income, annual giving, facilities rentals, grants and contracts, etc.);
- *Program Review*: an intensive 18-month process beginning in 2000 that eliminated \$4 million in expenses and reallocated resources to match institutional priorities and goals (I have sent the introduction to the *Report of the President* as a separate document);

- *Strategic Budgeting*: a 3-year budget cycle emphasizes decision-making and prioritizing on the basis of the University's strategic goals; emphasizes *reallocation* rather than additions to budget;
- Outsourced many administrative functions to improve services and reduce costs (food operations; facilities management; print shop/ mailroom; loan collection; annuity contracts oversight; COBRA/ retirees premium collections)
- Funded an \$11 million investment in HVAC infrastructure to increase efficiency and reduce energy costs;
- Reward performance – individual salary increases are not automatic and are based on merit;
- Salaries paid to senior administrators are carefully benchmarked to our peers on the national level (and we don't have coaches with seven-figure salaries!);
- New positions and position upgrades are not automatic and must meet the strategic objectives of the University:
- Total FT (non-grant funded) employees have increased by only 2% (from 752 to 769) since the fall of 1999 while student FTE has increased by 12% during that same period.
- Considerable efforts are underway to increase the University's endowment (which is quite modest) and contributions to Annual Fund, as well as to increase non-tuition revenues, all of which relieve pressure on tuition;
- As a result of these efforts, Drake University is listed as a "Best Buy" by several major college/university ranking publications; in the group of 12 private universities with whom we compete most for students, we are ranked at the top for academic quality, but 11th in cost.

Affordability / Accessibility:

- We have made a conscious and concerted effort to keep our tuition increases as low as possible – the average tuition increase at Drake in the past 8 years has been 4.1 %;
- The institutional commitment to student financial aid has increased \$10.7 million, or 44.6%, in the past 6 years; the FY07 budget for institutional aid is over \$36M, or 27% of the total institutional budget;
- Over 96% of Drake University undergraduates receive financial aid; on average, students received \$10,700 in need-based scholarships and grants, so the net price actually paid by our students is significantly lower than the "sticker price." In addition, we are particularly concerned about making financial aid available to low- and middle-income students to ensure that they are able to afford a Drake education.

Transparency:

- In 2001, we adjusted our budget format so that it matches exactly the "operating activities" portion of our audited financial statements; readers of our audited financial statements can identify precisely our budgetary operating results (as well as key revenue sources and expenditure categories);
- Our budget plan includes a chart so that everyone can identify what the budget increases are to be used for and how those uses fit the strategic mission of the University; the plan is available to the entire community.
- Student and faculty representatives attend all Board of Trustees meetings (full Board and committees).

- President's annual tuition letter to parents and students discusses the factors that we consider in setting tuition and the key uses of the tuition increase;
- Annually, we offer a town meeting on budget results and share the details with the entire campus community; our annual audit is placed on reserve in the University library for anyone to review;
- We do a significant amount of benchmarking – financial and otherwise – with other institutions, using services provided by Moody's, Association of Governing Boards, Associated New American Colleges, College & University Personnel Association, and others. This benchmarking helps us judge our efficiency and effectiveness. The results are shared with our Board, the campus community and our peers;
- Through the generosity of Raytheon CEO Bill Swanson (a colleague on the Business-Higher Education Forum), we conducted an audit of administrative structure and practices, led by senior members of Raytheon's Six Sigma and internal audit teams;
- In 2004, our Board adopted a modified Sarbanes-Oxley (SOX) protocol;
- Goal 1, Objective 4 of the *Drake University Strategic Plan* states: "Develop a culture of evidence: information-based, ongoing assessment of key indicators of institutional quality and operations."

I hope that this information, and the other contextual materials that I sent to your staff, will be of help in your deliberations. I do want to emphasize in closing that our tuition – and tuition increases – are driven *only* by the costs of providing the highest quality learning environment for our students, and we work hard to keep those costs in line. I know that there are some in the public discourse who believe that the availability of Federal financial aid funds and tuition tax credits play a role in institutional decision making. However, as the President of Drake, I want you to know that while we fully support increases in Federal financial aid funds and tax credits for tuition payments, because they provide badly-needed assistance for our students and their parents – we decidedly do *not* see these initiatives as opportunities to raise our tuition and fees. To do so would be a violation of our ethical and moral standards as an institution, and undermine our commitment to access.

Sincerely yours,

A handwritten signature in black ink, appearing to read "D. Maxwell". The signature is fluid and cursive, with a large initial "D" and a long, sweeping underline.

David Maxwell
President