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The Cost of Doing Business

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HEADS UPAdvice for
academic
administrators

At a reception not long ago, a new assistant professor stopped me on the way to the hors d'oeuvres tray and earnestly entreated me to help solve his most exasperating problem: parking.

"It's not fair," he protested. "The 18,000 employees of State Farm Insurance across town are not required to pay a single cent to park, but underpaid professors like me have to pay \$85 a year for the 'privilege' of working here at the university."

With an equal degree of frustration, a department chairwoman complained to me about her university's practice of charging a fee to activate data ports -- the receptacles in faculty and staff offices that enable computers to be connected to the Internet. "Every time we hire a new faculty member or reallocate space, the tech people charge me \$150 a port," she protested. "And all they have to do is flip a switch somewhere."

Those grievances are representative of a common complaint many professors and administrators express about how universities work -- that employees and units are often charged fees for work or services they receive from other campus units. That practice, often called "chargebacks," is much misunderstood because it seems counterintuitive: If you are employed by the university, why should you be charged a fee by another part of the institution?

While practices vary, most universities employ a number of internal "cost recovery" measures, especially at public institutions strapped for money. The rationale is that each unit should bear its own weight. A fee-based system allows a unit to become self-sustaining, to pay its own way rather than to become a drain on the institution.

A port-activation fee is a good example. At most universities, a centralized IT division develops and maintains the technological infrastructure. Technology professionals command relatively high salaries given their specialized skills, so an IT unit is expensive to operate. While the cost of universitywide or buildingwide projects will usually be absorbed centrally, chargebacks are a common method of ensuring that those who benefit from specific services help bear the cost.

If your department would like new data ports installed, workers will have to provide an estimate, schedule the job, perform the necessary tasks, troubleshoot, and ensure that everything works properly. That labor (billed at an hourly rate) is a direct cost, as is the cost of materials and supplies.

At times, an institution will subsidize services that are central to its mission. My arts and sciences college, for example, pays for a technology-support group (separate from the university's) that provides faculty and staff members with desktop support and other services at no cost to the user. But there is still a very real expense: That group costs the college close to \$500,000 annually. We could have used those dollars to finance other priorities, but enhancing faculty research and teaching through advanced technology is central

to the college's strategic plan, and so investing in the group seemed a wise choice.

In effect, those projects and programs that we can't afford to finance are bearing the cost of that collegewide tech service -- a kind of invisible chargeback of sorts.

An advantage of a fee-based system is that it introduces an element of accountability. Imagine a university carpentry shop that employs 10 carpenters but has only enough work to keep five of them busy on most days. If the shop were not required to account for its productivity -- that is, if the university simply subsidized it and did not charge units for carpentry work -- then it might not be clear to anyone that the unit was operating at half capacity and thereby wasting money. In a state university, such poor stewardship would amount to a violation of the public trust.

Ideally, universities will make strategic decisions about which internal services should carry fees. For example, most universities are concerned about how they are depicted in publications produced by their many departments, and so a common practice is to provide professional assistance in the design and layout of departmental brochures, newsletters, and other official documents. The university benefits by helping to prevent the dissemination of amateurish documents -- a price well worth the cost.

But even when such a service is provided to departments "free of charge," the services still carry a cost. The office providing the service will keep a precise tally of time and labor, and those expenses will be borne by some unit somewhere in the institution. There is no such thing as a free lunch -- or a free university service.

If your campus is unionized, the cost of services is likely to be substantially higher than on nonunionized campuses, adding to the frustration of those attempting to make changes in their programs. One department chairman spent five years trying to determine how he could afford to paint his department's reception area. The estimated chargeback from the unionized paint shop on his campus was so prohibitive that he eventually gave up.

"They wanted to charge me \$5,000 to paint our small outer office," he complained. "I could paint it myself on a Saturday afternoon for the price of two cans of paint if they'd only let me."

The true abuse occurs when the university attempts to charge for services that are most appropriately borne centrally; for example, when a department or college is asked to pay for something that is part of the campus infrastructure. Say the university chooses to upgrade fume hoods in all science labs. That is an infrastructural enhancement and not a specific work request (install a new fume hood in Lab 203) and should therefore be absorbed by the university's facilities department.

It is perhaps easier to understand chargebacks related to a specific work order than it is parking fees, but both operate according to similar principles.

My colleague's question about why employees of a local insurance company don't have to pay a parking fee, while he does, is legitimate. Maintaining and expanding parking lots is an expensive proposition. The cost of new parking facilities at one university has ranged from \$13-million to \$18-million, and the cost per parking space has averaged about \$9,000. A few years ago, Harvard University reportedly spent \$34-million on a new underground parking facility accommodating 600 vehicles, which translates to well over \$56,000 a space. And even surface lots are costly.

A police chief and director of university parking services explained his mission succinctly: "My job is to make money for the university. Whether it's through parking permits or fines, my people are charged with increasing our 'revenue stream' so that we can provide adequate parking for everyone."

That's why the Office of Parking Services on most campuses is so vigilant about enforcing infractions:

Collected fines contribute to the dollars needed for maintaining existing parking facilities (restriping spaces, ensuring adequate lighting, and so on) and for financing new and expanded facilities.

All of those activities carry a cost that someone must pay. State Farm and other corporations simply fold the cost of parking into what they charge their customers, and that is why parking appears to be free. Of course, universities could always follow suit and include the real cost of parking (as well as the cost of other services such as port activation) into the tuition they charge, but such measures would ensure that the cost of a college education would become so prohibitive that we would return to the days when only the affluent could afford it.

The practice of assessing chargebacks is not, as I heard one department head characterize it, "the university's attempt to bleed its departments dry." It is, rather, a way to ensure that every unit carries its own weight and is accountable for its own productivity.

Whether you are a department chair trying to balance your priorities or an assistant professor pondering why your parking decal is not provided free for life, the bottom line is that no labor or service in the university (or anywhere else) is free. Someone must pay. Better that we all contribute in our own way.

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