What Does It Really Cost (And Why Should I Care)?

Prepared by:
Terra Schehr
Director of Institutional Research
Loyola College in Maryland

For:
AIR Forum, Kansas City
June 2007
Overview

- Context of the case-study institution
  - Academic programs
  - Curricular development
  - Budgeting process

- Cost-revenue model (Excel)
  - Will be made available to attendees

- Application of the model
The Case-Study Institution

- Small liberal arts institution with some graduate programs
  - 20 academic departments
  - 41 undergraduate majors
  - 23 graduate degree and certificates offered through 10 distinct programs
  - 8 departments support both undergraduate and graduate degree programs
Academic Programs – Ten Years Ago

Undergraduate Liberal Arts

Graduate Programs in the Sciences

Education

Graduate Programs in Arts & Letters
Academic Programs - Today

Undergraduate Liberal Arts

MBA

Graduate Programs in Arts & Letters

Graduate Programs in the Sciences

Education
Curricular Development

- Strategic Plan:
  - The College will increase graduate enrollment . . . by instituting new programs in **carefully selected areas**, taking into account linkages with undergraduate programs.

- Curricular Development Plan:
  - The policy of the College is to accept only new programs that match the mission of the College and can be reasonably expected to **return funds to the College** for overhead and support of the undergraduate Liberal Arts programs.
Budgeting Process for Academic Programs – Revenues

- Undergraduate Tuition
- EdD Tuition
- MFA Tuition
- Room & Board
- Conference
- MBA Tuition
- Grants
- Unrestricted Gifts
- Student Fees
- MA Tuition
- Endowment Pay-out

Revenues
Budgeting Process for Academic Programs - Expenses

Board of Trustees Finance Committee

President

Budget Management Committee

Provost

Academic Department / School
Cost-Revenue Model

- Based on a model provided by Ursuline College at a NACUBO workshop 2004

- Began as planning tool for new program proposals

- Identify tuition revenues associated with individual programs

- Decouple the costs associated with components of multi-program departments
Program Level Data Needed

- Course details
  - Total enrollments
  - Distributions of UG and GR students in courses
  - Instructor
- Number of majors
- Tuition and discount rates
- Gift revenues designated to programs
- Faculty FTE
- Faculty and staff salaries and benefit rates
- Operating budget
Application of the Model – Two Examples

- Fine Arts
  - Barely covering costs
  - Graduate program is losing money

- Sciences
  - Went from barely covering costs to being a contributing program
  - Graduate program has always made money
### SUMMARY

**PROGRAM NAME:** Fine Arts

<table>
<thead>
<tr>
<th>YEAR</th>
<th>year 1</th>
<th>year 2</th>
<th>year 3</th>
<th>year 4</th>
<th>year 5</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Faculty FTE</td>
<td>6.0</td>
<td>5.5</td>
<td>5.0</td>
<td>5.0</td>
<td>5.0</td>
</tr>
<tr>
<td>Student FTE (GR &amp; UG)</td>
<td>52.74</td>
<td>50.04</td>
<td>44.51</td>
<td>49.46</td>
<td>50.63</td>
</tr>
<tr>
<td>% Graduate Students</td>
<td>38%</td>
<td>49%</td>
<td>44%</td>
<td>50%</td>
<td>49%</td>
</tr>
<tr>
<td>Student-to-Faculty Ratio</td>
<td>9</td>
<td>9</td>
<td>9</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>Operating Expense-Per-Student</td>
<td>$352</td>
<td>$463</td>
<td>$459</td>
<td>$389</td>
<td>$434</td>
</tr>
</tbody>
</table>

| TUITION REVENUE | 671,160 | 667,358 | 623,662 | 727,034 | 781,646 |
| Other Revenue | 35,500   | 30,000   | 18,000   | 1,000    | 7,000    |
| TOTAL REVENUE | 706,660  | 697,358  | 641,662  | 728,034  | 788,646  |

| EXPENSES | 607,550 | 627,425 | 663,190 | 624,735 | 657,709 |

| NET INCOME/(LOSS) BEFORE INDIRECT EXPENSES * | |
| Tuition Revenue | 63,610 | 39,933 | (39,528) | 102,299 | 123,937 |
| Ratio of Income to Expense | 10%    | 6%     | -6%      | 16%     | 19%     |
| Total Revenue | 99,110  | 69,933  | (21,528) | 103,299 | 130,937 |
| Ratio of Income to Expense | 16%    | 11%    | -3%      | 17%     | 20%     |
### Sciences Example

#### SUMMARY

**PROGRAM NAME:** Sciences

<table>
<thead>
<tr>
<th>YEAR</th>
<th>year 1</th>
<th>year 2</th>
<th>year 3</th>
<th>year 4</th>
<th>year 5</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Faculty FTE</td>
<td>6.0</td>
<td>6.0</td>
<td>7.0</td>
<td>7.5</td>
<td>7.5</td>
</tr>
<tr>
<td>Student FTE (GR &amp; UG)</td>
<td>49.21</td>
<td>55.09</td>
<td>77.84</td>
<td>90.68</td>
<td>90.68</td>
</tr>
<tr>
<td>% Graduate Students</td>
<td>40%</td>
<td>36%</td>
<td>51%</td>
<td>55%</td>
<td>55%</td>
</tr>
<tr>
<td>Student-to-Faculty Ratio</td>
<td>8</td>
<td>9</td>
<td>11</td>
<td>12</td>
<td>12</td>
</tr>
<tr>
<td>Operating Expense-Per-Student</td>
<td>$595</td>
<td>$490</td>
<td>$459</td>
<td>$394</td>
<td>$400</td>
</tr>
</tbody>
</table>

#### TUITION REVENUE

<table>
<thead>
<tr>
<th>YEAR</th>
<th>year 1</th>
<th>year 2</th>
<th>year 3</th>
<th>year 4</th>
<th>year 5</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tuition Revenue</td>
<td>625,980</td>
<td>750,807</td>
<td>1,126,293</td>
<td>1,388,240</td>
<td>1,466,012</td>
</tr>
<tr>
<td>Other Revenue</td>
<td>35,500</td>
<td>30,000</td>
<td>18,000</td>
<td>1,000</td>
<td>7,000</td>
</tr>
<tr>
<td>TOTAL REVENUE</td>
<td>661,480</td>
<td>780,807</td>
<td>1,144,293</td>
<td>1,389,240</td>
<td>1,473,012</td>
</tr>
</tbody>
</table>

#### EXPENSES

<table>
<thead>
<tr>
<th>YEAR</th>
<th>year 1</th>
<th>year 2</th>
<th>year 3</th>
<th>year 4</th>
<th>year 5</th>
</tr>
</thead>
<tbody>
<tr>
<td>EXPENSES</td>
<td>564,400</td>
<td>597,255</td>
<td>643,229</td>
<td>691,604</td>
<td>724,999</td>
</tr>
</tbody>
</table>

#### NET INCOME/(LOSS) BEFORE INDIRECT EXPENSES *

<table>
<thead>
<tr>
<th>YEAR</th>
<th>year 1</th>
<th>year 2</th>
<th>year 3</th>
<th>year 4</th>
<th>year 5</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tuition Revenue</td>
<td>61,580</td>
<td>153,552</td>
<td>483,064</td>
<td>696,636</td>
<td>741,013</td>
</tr>
<tr>
<td>Ratio of Income to Expense</td>
<td>11%</td>
<td>26%</td>
<td>75%</td>
<td>101%</td>
<td>102%</td>
</tr>
<tr>
<td>Total Revenue</td>
<td>97,080</td>
<td>183,552</td>
<td>501,064</td>
<td>697,636</td>
<td>748,013</td>
</tr>
<tr>
<td>Ratio of Income to Expense</td>
<td>17%</td>
<td>31%</td>
<td>78%</td>
<td>101%</td>
<td>103%</td>
</tr>
</tbody>
</table>
Application of the Data

- New program development
  - Accreditation / substantive change

- Budget planning for existing programs
  - Graduate student financial aid

- Justification of budget decisions
References

