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

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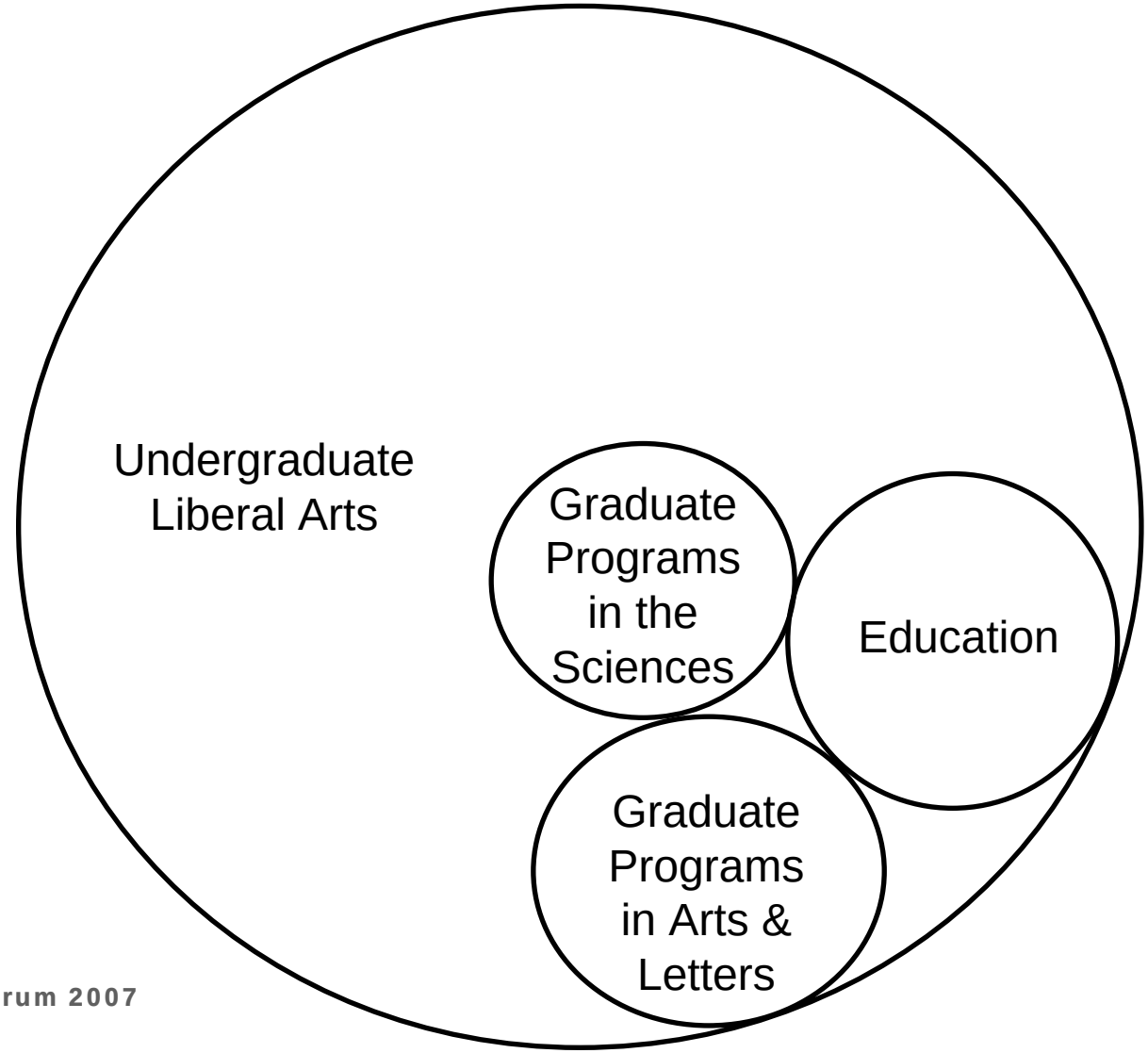
Overview

- 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

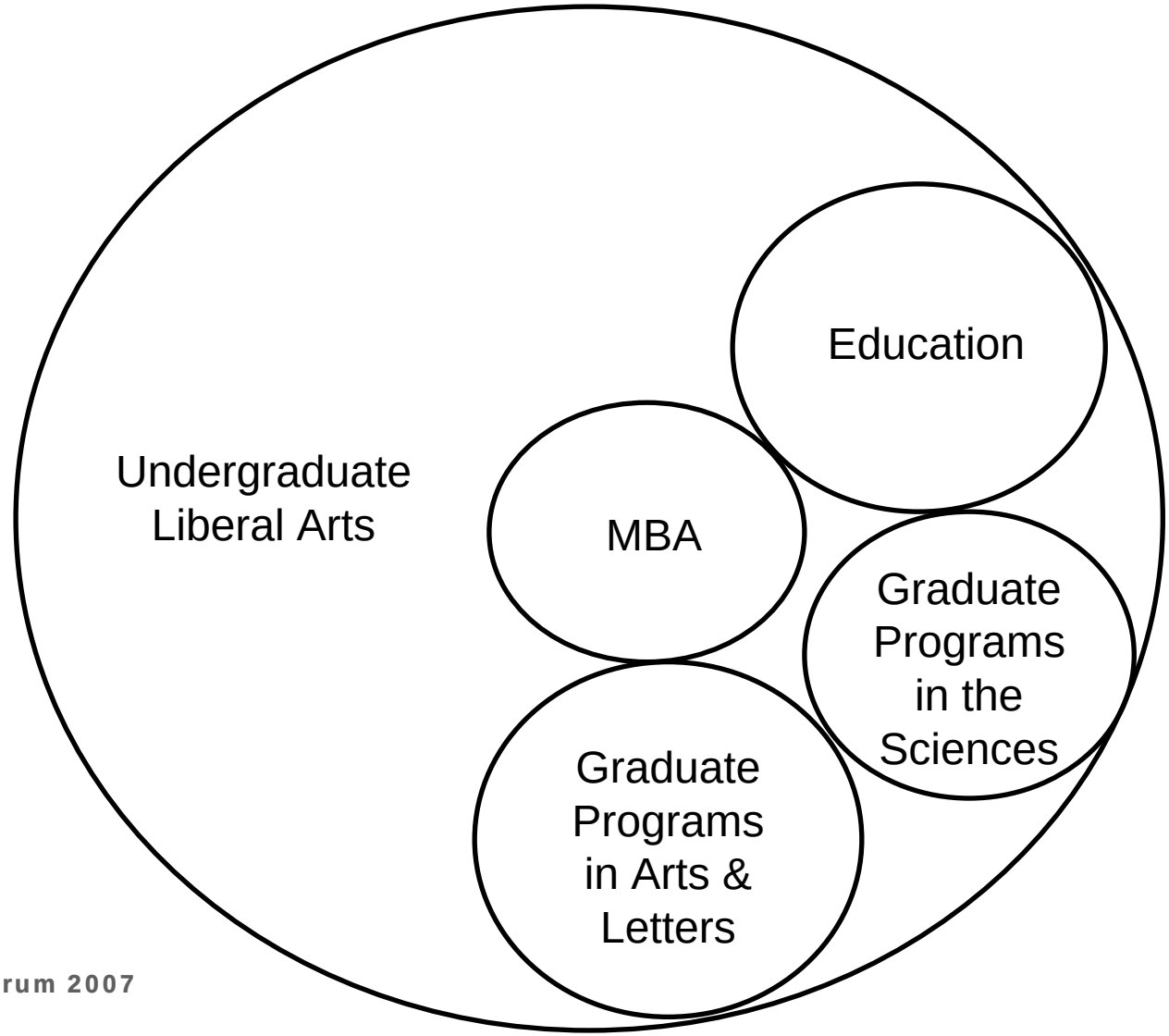
The Case-Study Institution

- 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



Academic Programs - Today



Curricular Development

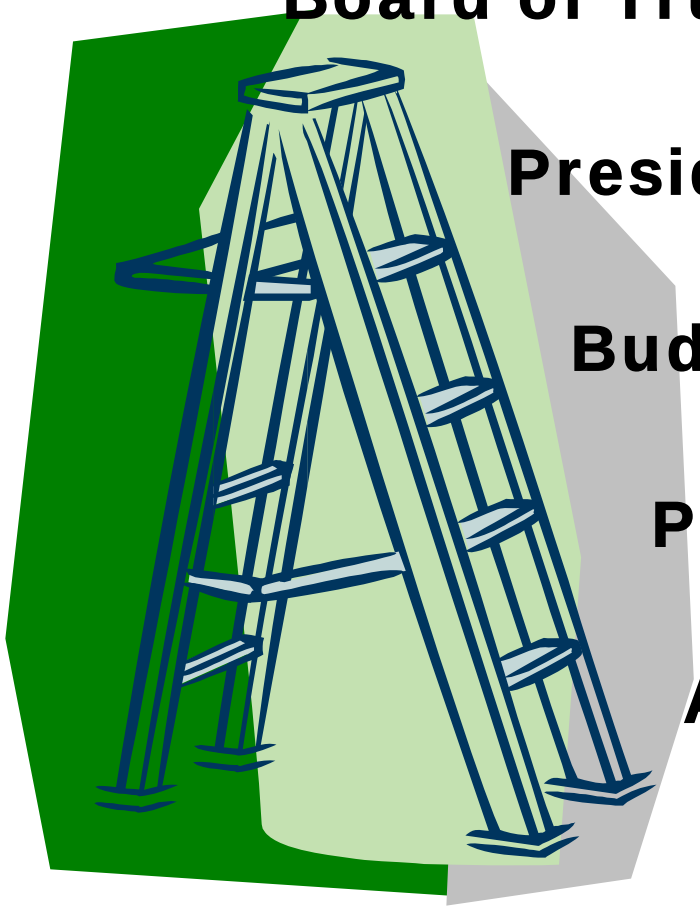
- Strategic Plan:
  - The College will increase graduate enrollment . . . by instituting new programs in **carefully selected areas**, taking into account linkages with undergraduate programs.

- 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



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

Fine Arts Example

SUMMARY

PROGRAM NAME: Fine Arts

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

	YEAR				
	year 1	year 2	year 3	year 4	year 5
Total Faculty FTE	6.0	6.0	7.0	7.5	7.5
Student FTE (GR & UG)	49.21	55.09	77.84	90.68	90.68
% Graduate Students	40%	36%	51%	55%	55%
Student-to-Faculty Ratio	8	9	11	12	12
Operating Expense-Per-Student	$ 595	$ 490	$ 459	$ 394	$ 400
TUITION REVENUE	**625,980**	**750,807**	**1,126,293**	**1,388,240**	**1,466,012**
Other Revenue	**35,500**	**30,000**	**18,000**	**1,000**	**7,000**
TOTAL REVENUE	**661,480**	**780,807**	**1,144,293**	**1,389,240**	**1,473,012**
EXPENSES	**564,400**	**597,255**	**643,229**	**691,604**	**724,999**
NET INCOME/(LOSS) BEFORE INDIRECT EXPENSES *					
Tuition Revenue	**61,580**	**153,552**	**483,064**	**696,636**	**741,013**
Ratio of Income to Expense	11%	26%	75%	101%	102%
Total Revenue	**97,080**	**183,552**	**501,064**	**697,636**	**748,013**
Ratio of Income to Expense	17%	31%	78%	101%	103%

Application of the Data

- New program development
  - Accreditation / substantive change
- Budget planning for existing programs
  - Graduate student financial aid
- Justification of budget decisions

References

- Massy, W. (2003). Honoring the trust: Quality and cost containment in higher education. Bolton, MA: Anker Publishing Company.

- Rhodes, F. (2001). The creation of the future: The role of the American university. Ithaca, NY: Cornell University Press.

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