Allocation Framework and Instructional Cost Study

Presentation Outline

- Instruction/Academic Component Detail
- Fully Allocated Cost Study Detail
- Allocation Framework Changes
Instruction/Academic Support Component & Fully Allocated Cost Study

INSTRUCTION/ACADEMIC SUPPORT COMPONENT VS. FULLY ALLOCATED COST STUDY

- Both reports:
  - Share the same base data
  - Cost comparisons based on per student FYE
  - Cost comparisons at the CIP code level across all colleges and universities
  - Cost comparisons also at each level of instruction (lower, upper, masters, and doctoral)
- Instruction/academic support in allocation framework:
  - Only compares costs supported by state appropriation
  - Use a 20% band around system average
- Fully allocated cost study:
  - Compares direct instructional costs and indirect costs (indirect costs include academic support)
  - Compares institutional average with system average
CIP CODES

- National Center for Education Statistics taxonomy scheme
- CIP = Classification of Instructional Programs
- Instructional program is defined as “a combination of courses and experiences that is designed to accomplish a predetermined objective or set of allied objectives such as preparation for advanced study, qualification for an occupation or range of occupations, or simply the increase of knowledge and understanding.”
- All courses assigned a 6-digit CIP code based on course content
- Program cost comparisons calculated at each level of instruction
  - Lower division, upper division, masters, doctoral
- Programs are defined by either 2-, 4-, or 6-digit
  - 23 – English
  - 4511 Sociology
  - 513801 – Registered nursing

Revenue Buy-down (Allocation Framework)

- Allocation model only allocates state appropriations
- Isolates state appropriation from other general fund revenue (tuition)
- Recognizes expenses attributed to only state appropriation
- Purpose of buy-down is to account for the differences in tuition between institutions
Instruction/Academic Support – How it Works

- Revenue buy-down – 48.43%
- FY2017 FYE – 2,754
- Academic support - $2,989,463
  - $2,989,463*(1-.4843) = $1,541,786
  - Academic support per FYE = $560
    - $1,541,786/$2,754
- CIP 1204 Cosmetology – 56.20 FYE & $354,426 direct instructional expenses
  - $354,426*(1-.4843) = $182,782
  - AS = 56.20 FYE * $560 = $31,472
  - Total Instruction/AS = $214,254
  - Per FYE = $3,812

Within the band example

- CIP 1204 Cosmetology– Instruction/Academic per FYE = $3,812
- System CIP 1204 Cosmetology Average = $3,993
- CIP Floor = $3,594
- CIP Ceiling = $4,392
- Results in no change for 1204 Cosmetology – within the “band”
Above the band example

- CIP 23 English – Instruction/Academic per FYE = $2,756
- System CIP 23 English = $2,416
- CIP Floor = $2,174
- CIP Ceiling = $2,657
- Results in -$19,653 change for 23 English – above the “band”
  - $2,657 - 2,756 = -$99
  - -$99 * 199.30 FYE = -$19,653

Below the band example

- CIP 38 Philosophy – Instruction/Academic per FYE = $1,582
- System CIP 38 Philosophy Average = $2,056
- CIP Floor = $1,815
- CIP Ceiling = $2,262
- Results in a $11,042 change for CIP 38 Philosophy – below the “band”
  - $1,815 - 1,582 = $269
  - $269 * 41.10 FYE = $11,042
**Fully Allocated Cost Study**

- Based on same data that is used in allocation model
- Gross expenses – no revenue buy-down applied
- Compares direct and indirect expenses by CIP by level
- Direct expenses = instruction
- Indirect expenses per FYE = all other expenses (academic support, student services, institutional support, facilities)
  - $4,382 per FYE
- CIP 23 English – Direct expenses
  - $848,662/199.30 FYE = $4,258 per FYE
  - Fully allocated costs = $4,258 + $4,382 = $8,640
- System average fully allocated costs CIP 23
  - Direct = $4,038
  - Indirect = $4,774
  - Fully allocated = $8,812

**Process timeline**

- Mid-October – initial expense, revenue, and enrollment data pulled from data warehouse
- Late-October – data compiled for instruction by level of instruction and by CIP code and shared with every college/university
- November/December – Colleges and universities are given 4 to 6 weeks to review their own data and make necessary adjustments
- December – System office reviews data and compiles rough data final to share for final review
- February – Allocation model completed and rough draft shared
- March – Fully allocated cost study completed
The flow of system operating funds

1. State Appropriation
2. Board of Trustees
   - Allocation Framework
   - Priority Allocations
   - Institutional Allocations
   - System Office
   - Enrollment
   - Cost Mgmt
   - Actual Expenses
   - Peer Data
   - Algorithms
   - College & University Allocation
3. Financial Aid
4. Students
5. College & University Tuition
6. College & University Revenue
Allocation Framework Components

The allocation framework is composed of five separate components:

- Instruction/academic support
- Student services/institutional support
- Facilities
- Student success
- Research and public service

Allocation Framework Components Data Elements

- Institutional Base Allocations
  - College and university data elements:
    - Instructional expenses
    - Student FYE
    - Academic support expenses (including library expenses)
  - Second term persistence and completion rate (full and part-time degree-seeking)
    - Student success ratio for students of color
  - College and university academic square footage
  - Multiple campus recognition
- Instruction & Academic Support
  - Core and variable factors determined by analysis of national spending at like institutions
    - Institutional support variable based on student FYE
    - Student services variable based on student headcount
  - Multiple campus recognition
- Student Success Performance
  - Recognize actual college and university expenses
- Facilities
- Student Services & Institutional Support
- Research & Public Service
Allocation Framework Component Calculations:

- Each component calculates a dollar value for each college/university
- The dollar values of each component are added together to determine a college’s or university’s *percent share* of base allocation
- Allocation flows to colleges and universities as a “block grant”
- Allocations are NOT made at the component level but based on the total *percent share*
- Half of a college’s or university’s allocation for a year is based on *percent share* for that year and half based on the prior year’s *percent share*

Changes to the Allocation Framework Approved by Board in Fall 2016

- Allocation Framework Technical Advisory Committee (TAC)
  Group responsible for evaluating changes to the framework and making recommendations to Minnesota State leadership

- Development and consultation process
  Continuing consultation with Leadership Council, CFOs, CAOs, CSAOs, bargaining units, statewide student associations and other campus leaders
Changes to the Allocation Framework

Intended to:

• Promote and support student success
• Make the model more responsive to changing conditions
• Better align the cost of programs and services with resources
• Increase transparency, simplicity and accountability

Key elements of the current model that did **not** change

• Colleges and universities will continue to receive a single allocation (block grant) of state appropriation each year based on the results of the allocation framework.
• Presidents will retain the authority to make budget and spending decisions on behalf of their campuses.
• The allocation framework determines a college’s or university’s allocation; it does not and will not dictate how funds must be spent.
Key elements of the current model that did *not* change (continued)

• The allocation framework remains a data-driven model that recognizes differences in program costs and mission among our colleges and universities.
• Revenue (including tuition and fees) generated at a campus will continue to remain at the college or university where it was generated.

Continuous improvement

• The TAC will continue as the policy and analytical oversight group for the allocation framework.
• Implementation results will be monitored and examined continuously for expected and unexpected consequences.
• The board will be fully updated annually on the results and impacts of the allocation framework changes.