

June 2005

Recommended Methodology and Timing of Higher Education Cost of Instruction Studies

State law requires that the Legislature be provided with standardized data on education-related expenditures by the state's universities and colleges. Under RCW 28B.76.310, the Higher Education Coordinating Board (HECB) – in consultation with the higher education policy and fiscal committees of the Legislature, the Office of Financial Management (OFM), the State Board for Community and Technical Colleges (SBCTC), and the public baccalaureate institutions – is required to develop standardized methods and protocols for measuring undergraduate and graduate educational costs. Four specific items are mentioned in this section: (1) costs of instruction, (2) costs to provide degrees in specific fields, (3) costs for pre-college remediation, and (4) state support for students.

At its December 2004 meeting, board members were advised of ongoing discussions with higher education budget and institutional research staff, as well as legislative and OFM staff, regarding the process of developing the methodology and a regular schedule for the required reports. Staff recommendations based on those discussions are summarized below.

I. Education Cost Study (or Costs of Instruction)

Board staff have met with institutional, legislative, and executive branch staff to design the process and procedures to conduct the 2005-06 Education Cost Study (for fiscal year 2006). The major purpose of cost studies before 1997-98 was to re-establish, on a current basis, appropriate cost factors and apply them to budgeted expenditures to determine the cost bases for establishing tuition and fee rates. Although tuition and fee rates are not currently established on a cost basis, the data from the cost study are used in considering tuition and fee options, costs of new enrollment, costing of degrees, pre-college remediation, and other related purposes.

The main purpose of the education cost study is to determine per-student cost amounts by discipline and educational level for each type of institution. These cost relationships are developed by applying explicit and detailed definitions and procedures. These include determining the distribution of faculty effort between undergraduate and graduate instruction, research, and public service activities; and the allocation of institutional overhead (support programs) costs to instruction, as well as to the other functions of the institution.

The goal is to best approximate actual instructional expenditures by discipline and level. Financial records maintained by the institutions do not track expenditures in this manner. The key task is to allocate expenditures for instruction by discipline and educational level. The allocation methodology can vary by campus depending on program offerings and actual budgeting practices. It is expected that even if the underlying methodology varies by campus, the results will still be comparable among the campuses. This is because each campus will be putting forth their best estimates of actual expenditures by discipline and educational level, using the methodology they deem most appropriate to obtain this result.

The research universities, because of their extensive and unique graduate-level programs, may need to survey their faculty in order to allocate faculty time. Other universities and colleges may be able to allocate expenditures based on faculty teaching loads or on student credit hours.

For the upcoming 2005-06 Education Cost Study, faculty effort for the research universities will be distributed to the major program areas, i.e. instruction, research, and public service, as well as instructional level through the use of a faculty activity analysis (FAA). Data for the FAA will be collected each academic period of the 2005-06 academic year. Both the University of Washington and Washington State University staff concur that the greater effort spent on graduate-level studies (both master's and doctoral level) at the research universities necessitates the use of the faculty activity analysis instrument to accurately allocate faculty expenditures between program areas and instructional levels.

The comprehensive institutions will allocate faculty expenditures to the instructional level, i.e. lower- or upper- division or graduate on the basis of teaching loads. This information will be available through existing computer systems and will not require a quarterly survey of faculty effort. Data analysis at Central, Eastern, and Western Washington Universities have substantiated that faculty effort as collected from the FAA of prior cost studies strongly correlates to faculty teaching hours. The Evergreen State College will continue to use, as has been the practice since the 1997-98 Education Cost Study, teaching load and credit hours as the basis for distributing faculty expenditures.

Because two-year faculty are not involved in funded research or public service and only teach at the lower-division level, the accounting for faculty expenditures at the community and technical colleges does not require the added allocation steps that must be taken at the research and comprehensive institutions.

The attached definitions, criteria, and procedures to establish educational costs are proposed for use in the 2005-06 Education Cost Study. The elements proposed for the 2005-06 study are essentially the same as those used in the 2001-02 Education Cost Study, with the exception of the collection of faculty expenditure data for Central, Eastern, and Western Washington Universities.

II. Costs of Degrees

The 2004 Legislature requested that the HECB also measure the cost of providing degrees in specific majors. Because the accounting systems at the public institutions do not track expenditures by student, this cost can only be estimated. Simply, the proposal is to estimate the cost of a degree based on a graduating student's transcript, along with the cost per student credit hour by discipline (as determined in the cost of instruction study, item I, above). The cost of a degree by major would be estimated (1) for native students (those who started and completed their education at the same four-year public college or university) and (2) for transfer students from a Washington community or technical college who attended only one four-year public institution.

This method requires student transcript data for all students graduating in a particular year. Student transcript data will also be obtained for transfer students from Washington community and technical colleges. Student credit hours will be grouped into the disciplines outlined in the HECB education cost study, and the cost of degree estimate will be based on student credit hours attempted. Credits attempted include courses completed, courses dropped after the 10th day, or courses failed. (A data limitation for the analysis would be students who took classes but never earned a degree.)

The cost-of-degrees report will be produced every four years, beginning with students graduating in 2005-06. Student credit-taking behavior is not expected to vary appreciably from year to year, so it is reasonable to estimate this cost on a four-year cycle. The reporting year for the cost of degrees will be staggered with the reporting of the HECB education cost study.

III. Costs of Remediation

Another new report requested by the 2004 Legislature is the cost of pre-college remediation.

- RCW 28B.10.685 requires each public four-year institution and the SBCTC to provide a report to the Office of the Superintendent of Public Instruction, the State Board of Education, and the Commission on Student Learning that includes information on the number of students enrolled in pre-college level classes and the name of the high school from which each student graduated.
- The SBCTC collects and annually reports enrollment data for remedial classes offered in the state's two-year college system. That agency also estimates annual remediation costs, based on data from the HECB education cost study. Actual costs are determined for each year in which the HECB educational cost study is conducted, and an estimate is projected for each year in between. The estimate includes both direct and indirect costs.
- The costing methodology for remediation will be standardized for participating four-year institutions and the SBCTC to assure consistent reporting. The four-year institutions, like the

SBCTC, will estimate the cost of remediation (including indirect costs) using the most current HECB education cost study data available. An estimate based on the cost study will be used to project cost for each year in between. Beginning in fall 2005, public four-year institutions will be required to report to the Office of Financial Management the number of students taking remedial courses on campus. Cost information from the HECB study will be used in conjunction with these enrollment numbers to arrive at an estimate of the cost of remediation by institution.

- The report of the cost of pre-college remediation will be submitted by institutions in December of each year.

IV. Costs of Instruction (Disclosure Report)

RCW 28B.76.300 calls for an annual report to students on the amount of state support they receive. An estimate of the cost of instruction by institution is done annually using current year spending allotments, budgeted enrollments, and cost factors from the most recent HECB education cost study. The time schedule for this notification will maintain the current reporting cycle of the fall of each year.

Cost Reports and Recommended Schedules

The following schedules are proposed for the cost reports:

	Reporting Period	Reporting Due Date	Reporting Cycle	Cost Basis
Education Cost Study	2005-06	January 2007	Every four years	
Costs of Degrees	2006-07 grads	January 2008	Every four years	2005-06 ECS
Costs of Remediation	Each year	December	Annually	Most recent ECS
Costs of Instruction	Each year	Fall	Annually	Most recent ECS

Attachment

2005-06 Education Cost Study

**Proposed Education Cost Criteria
And Allocation Procedures for Indirect Costs**

In compliance with RCW 28B.76.310, the Higher Education Coordinating Board proposes the cost of instruction as calculated in the 2005-06 Education Cost Study include:

- (1) **Direct instructional costs**, such as salaries and fringe benefits of instructional staff and support personnel (such as laboratory assistants), supplies, equipment, etc.;
- (2) **Other instructional costs**, such as admissions, registration, and other student services not financed by services and activities fees; and
- (3) **A proportional share of indirect costs**, such as libraries, administration, facilities operation and maintenance, etc.

In addition, the HECB recommends that the educational cost not include the direct and indirect costs of research or public service activities, self-sustaining activities, summer programs in the four-year institutions, capital amortization costs, auxiliary enterprises (dormitories, etc.), financial aid grants, and student services financed from services and activities fees.

Each institution will analyze the indirect support costs and document expenditures to reflect a true distribution of these costs. In the absence of such documentation, and for expenditures over and above directly documented amounts, the following allocation procedures should be used:

Program 100 - Sponsored Programs: This is an institution-related activity; it receives allocations of costs from Plant Operation and Maintenance (090), Institutional Support (080), Libraries (050), and Primary Support (040) programs.

Program 090 - Plant Operation and Maintenance: Allocate expenditures to programs 010 through 100, based on assignable square feet. Within programs, base the allocation on the proportional share of total expense, taking into consideration cost-recovery mechanisms. Institution-related activities, such as non-state funded intercollegiate athletics and auxiliary enterprises, will be delineated along with their square footage, subject to program 090 charges, expenditures, and corresponding payments to program 090.

Program 080 - Institutional Support: Allocate all Institutional Support expenditures to all programs and related activities based on their proportional share of total expenditures. The exception to this procedure is program 090 Plant Operation and Maintenance, which should be allocated first.

Program 070 - UW Hospitals: Allocate General Fund support to the Health Sciences portion of the Instruction program.

Program 060 - Student Services: Allocate expenditures to the Instruction program based on student credit hours. Expenditures assigned to Auxiliary Enterprise activities must have direct documentation.

Program 050 - Libraries: Allocate expenditures of general libraries to the Instruction, Research, and Public Service programs based on each program's proportional share of a measure that is equal to the sum of student FTEs plus faculty FTEs. Expenditures assigned to Sponsored Programs must have direct documentation. Costs of specialized branch libraries (law, medicine, business, etc.) should be assigned in whole to their respective discipline areas.

Program 040 - Primary Support Programs: Allocate expenditures to the Instruction, Research, and Public Service programs based on faculty FTE distribution. Expenditures assigned to the Hospitals program or Sponsored programs must have direct documentation.

Each institution will provide a reconciliation of expenditures by program to balance total institutional expenditures with the total reported in the state financial reporting system. The program reconciliation will indicate total expenditures by program, allocations to budgeted as well as non-budgeted "related activities," recharge/cost recovery amounts and associated payments, and an explanation of the workload documentation or other allocation methodologies used.

The funds to be allocated for basic instructional cost reporting purposes include the General Fund (001), the Higher Education Operating Fees (149), the Education Construction Account (253) used for operating purposes, and the Education Legacy Trust Account. The community and technical colleges will report the non-dedicated portion of Fund 148. Totals of Funds 145 and 148 will be reported for reconciliation purposes.

Each institution's direct instructional costs, as well as faculty costs charged to Research and Public Service programs, should be supported by the faculty activity analysis or similar instrument or methodology developed and implemented by the institutions.

RESOLUTION NO. 05-07

WHEREAS, RCW 28B.76.310 directs the Higher Education Coordinating Board, in consultation with the higher education policy and fiscal committees of the Legislature, the Office of Financial Management, the State Board for Community and Technical Colleges, and the public baccalaureate institutions, to develop standardized methods and protocols for measuring undergraduate and graduate educational costs; and

WHEREAS, Board members reviewed the proposed methodology and schedule for the required reports at the December 2004 meeting; and

WHEREAS, Board staff have met with institutional, legislative, and executive branch staff to design the process and procedures and timelines to conduct the 2005-06 Education Cost Study, the Costs of Degrees report, and the Costs of Remediation report;

THEREFORE, BE IT RESOLVED, That the Higher Education Coordinating Board adopts the recommended methodology and timing of the higher education cost of instruction studies.

Adopted:

June 23, 2005

Attest:

Roberta Greene, Vice Chair

Gene Colin, Secretary