

How Much Does Student Success Cost?

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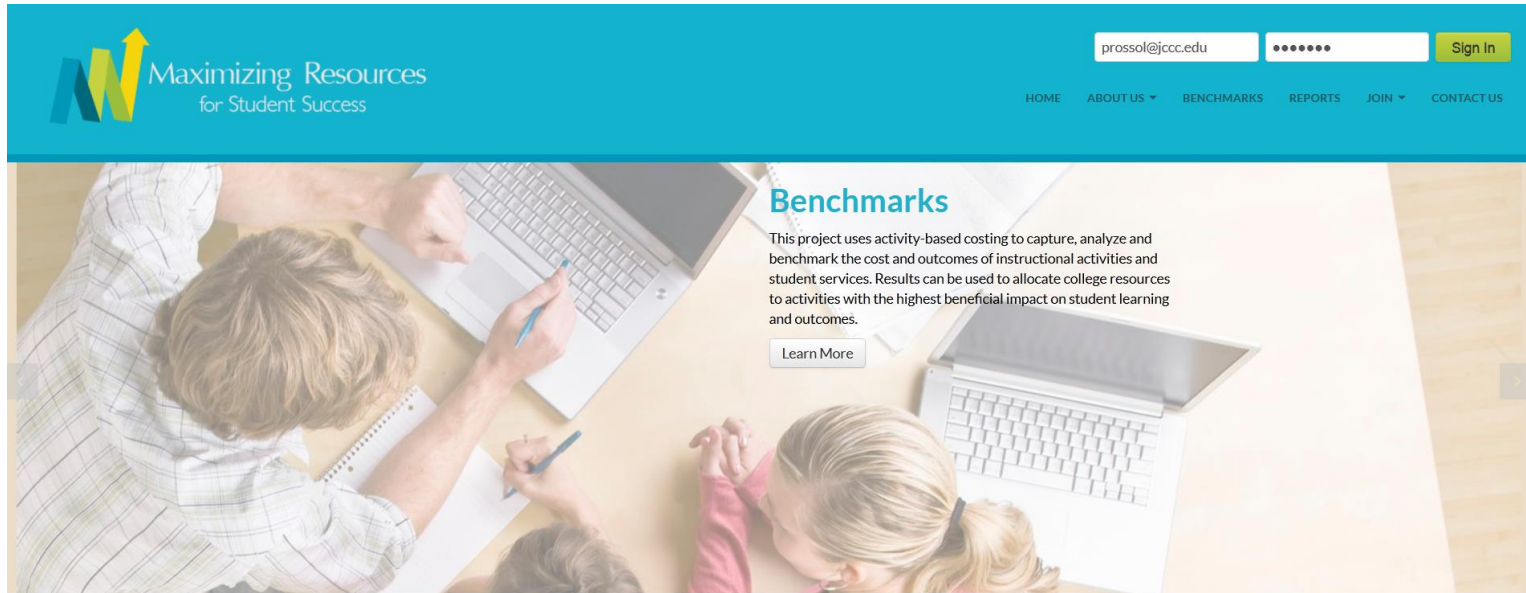
Innovations Conference 2016





NATIONAL HIGHER EDUCATION
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Maximizing Resources Website



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Session Outline

- Challenges that CC's face today
- ABC: An innovation financial framework
- The cost of instructional activities
- The cost of student services
- Tying the finances to the outcomes
- Benchmarking community college costs



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How do we best serve our students?

Community College Finance Challenges



External Challenges

- Stagnant/declining funding
- Declining enrollment
- Pressure to increase student success
- Diverse students with varying educational needs



Presidents' Perspective

Inside Higher Ed's 2016 Survey of College and University Presidents

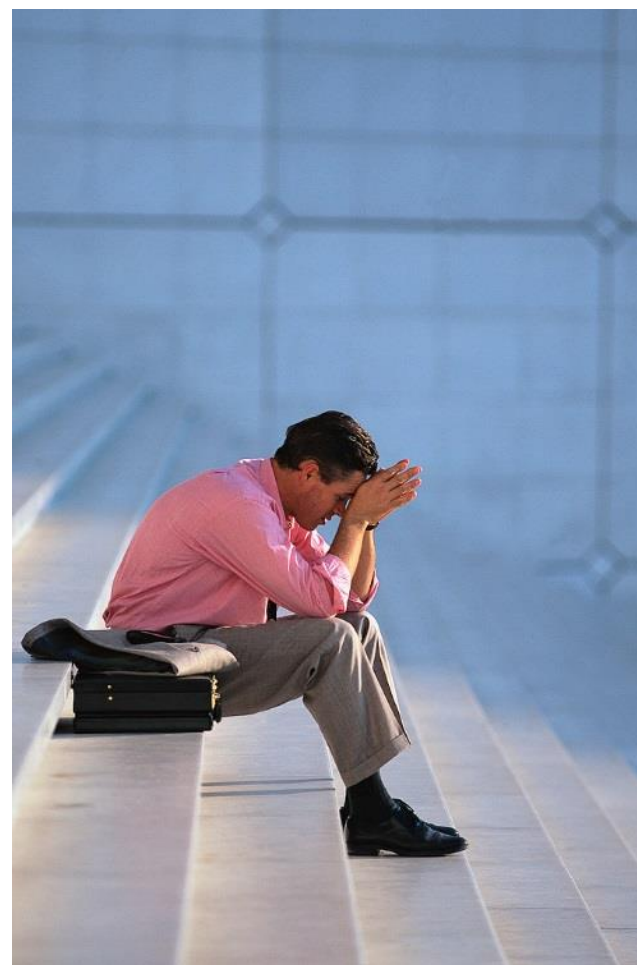
- 68% of the Presidents of public, associate degree-granting institutions do not agree that the business model for cc's is sustainable over the next 10 years



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Internal Challenges

- “Reallocation” of resources = layoffs
- While community colleges have changed, their budgeting and accounting practices have not



How to Control the Costs of Higher Education?

- Start by asking the question: If we make a budget adjustment how will it affect student outcomes?



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Defining and Describing ABC

An analytical framework for better information

Activity-Based Costing



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“Without knowing the cost of educational activities, there is no way to improve productivity in a systematic and sustainable manner.”

Maria Anguiano

Vice Chancellor of Planning and Budget

UC Riverside



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ABC Costing

Allows colleges to:

- Target cost reductions to specific activities
- Calculate the effect of innovations and their cost structure
- Reward effective and efficient departments
- Provide incentives for inefficient departments to improve



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Activity-Based Costing Framework

Activity-based costing:

- A costing methodology that identifies activities in an organization
- Assigns all related costs to activities
- Relates the cost to cost driver
- Direct costs roll-up, they are not allocated down

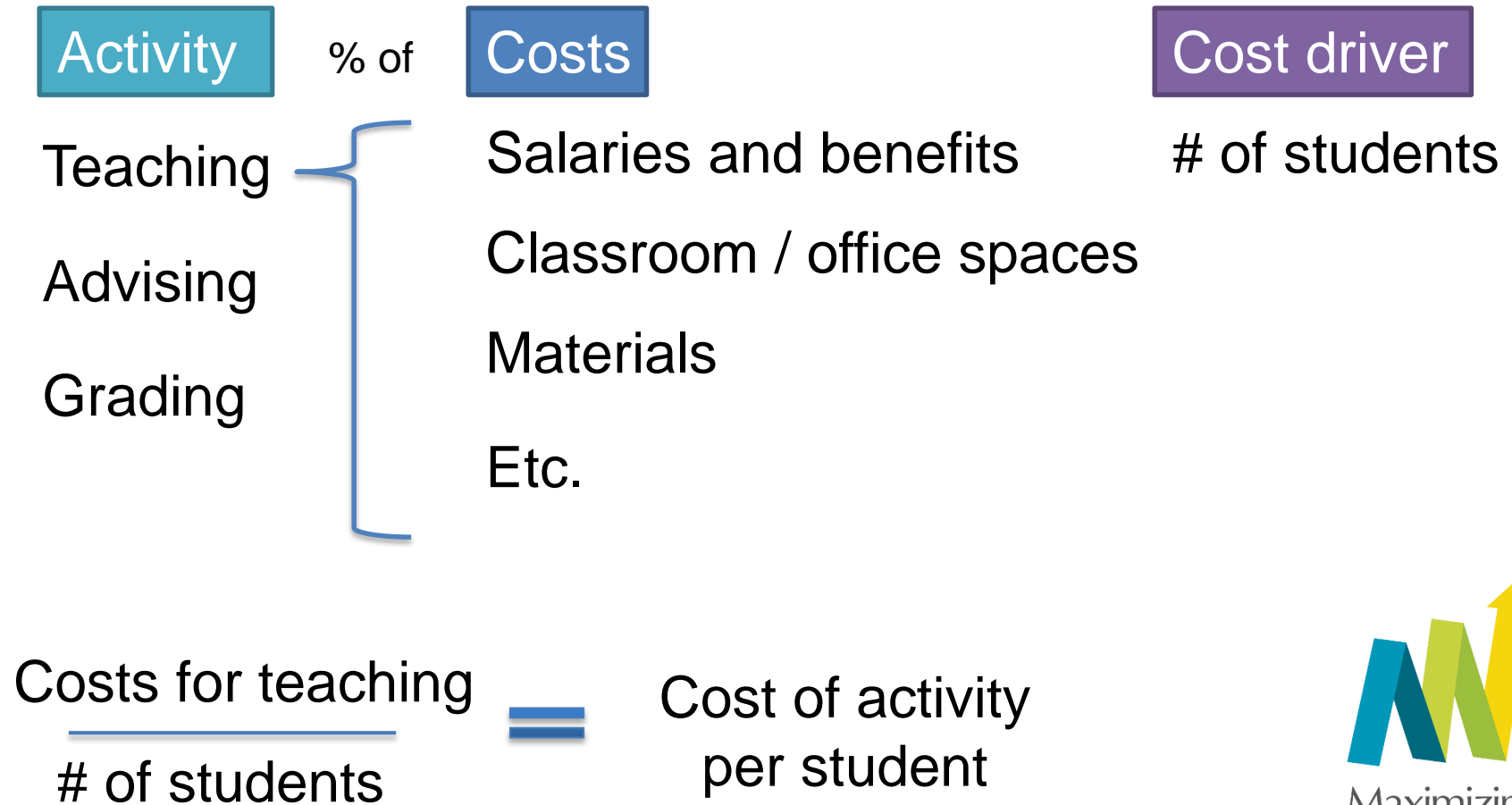


Activity-Based Costing Framework

- ABC systems focus on the work activities of people and the associated costs
- ABC recognizes the equipment and materials required to provide each service or accomplish each activity
- ABC includes the space and costs of that space that is required to provide an activity



Example: Activity-Based Costing Framework



Challenges to Full Scale ABC Implementation

- Requires integration of financial and non-financial systems
- Needs extensive buy-in
- Not a quick fix
- Time, money and resources required for implementation.
- Requires keeping old system for compliance and adding new on top



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BILL & MELINDA
GATES *foundation*



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- Grant from the Bill & Melinda Gates Foundation to research costs
- National fiscal benchmark project for community colleges
- Teaches how to implement a simplified version of ABC
- Pilot study completed in fall 2013
- First year of data collection in 2015



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Tremendous Amount of Useful Data

- Minimal data collection burden
- Members can be on the leading edge of this new trend
- IR offices can provide key financial metrics to their executive leadership
- Gives us the ability to look at costs and outcomes and tie them together



**The Cost of Instructional
Activities**

The Cost of Student Services



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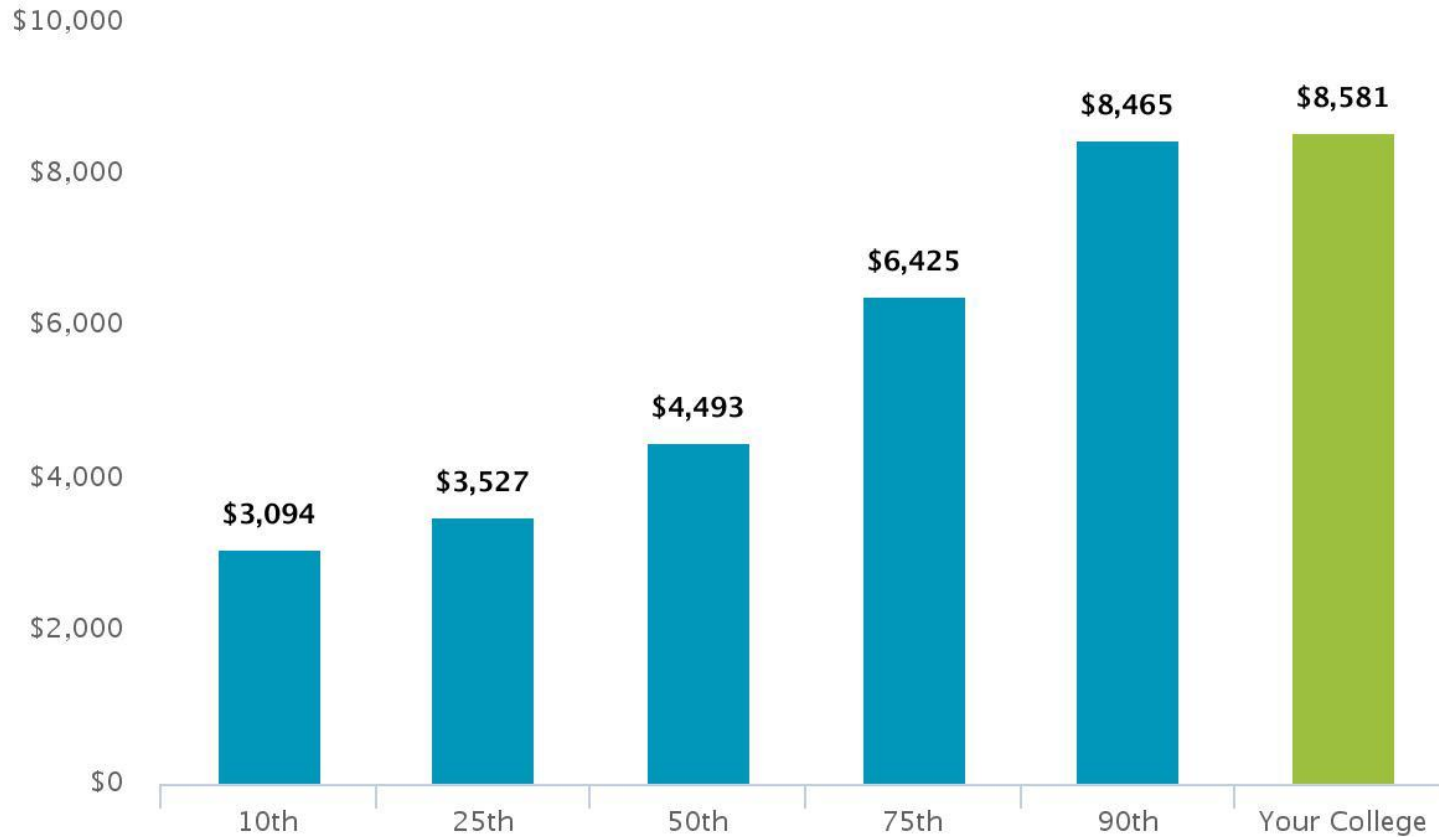
Instructional Activities

- Program Development
- Course Development
- Teaching
- Faculty Tutoring
- Faculty Advising
- Academic Service
- Assessment and Grading
- Professional Development



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Total Instructional Costs Per FTE Student



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Student Services



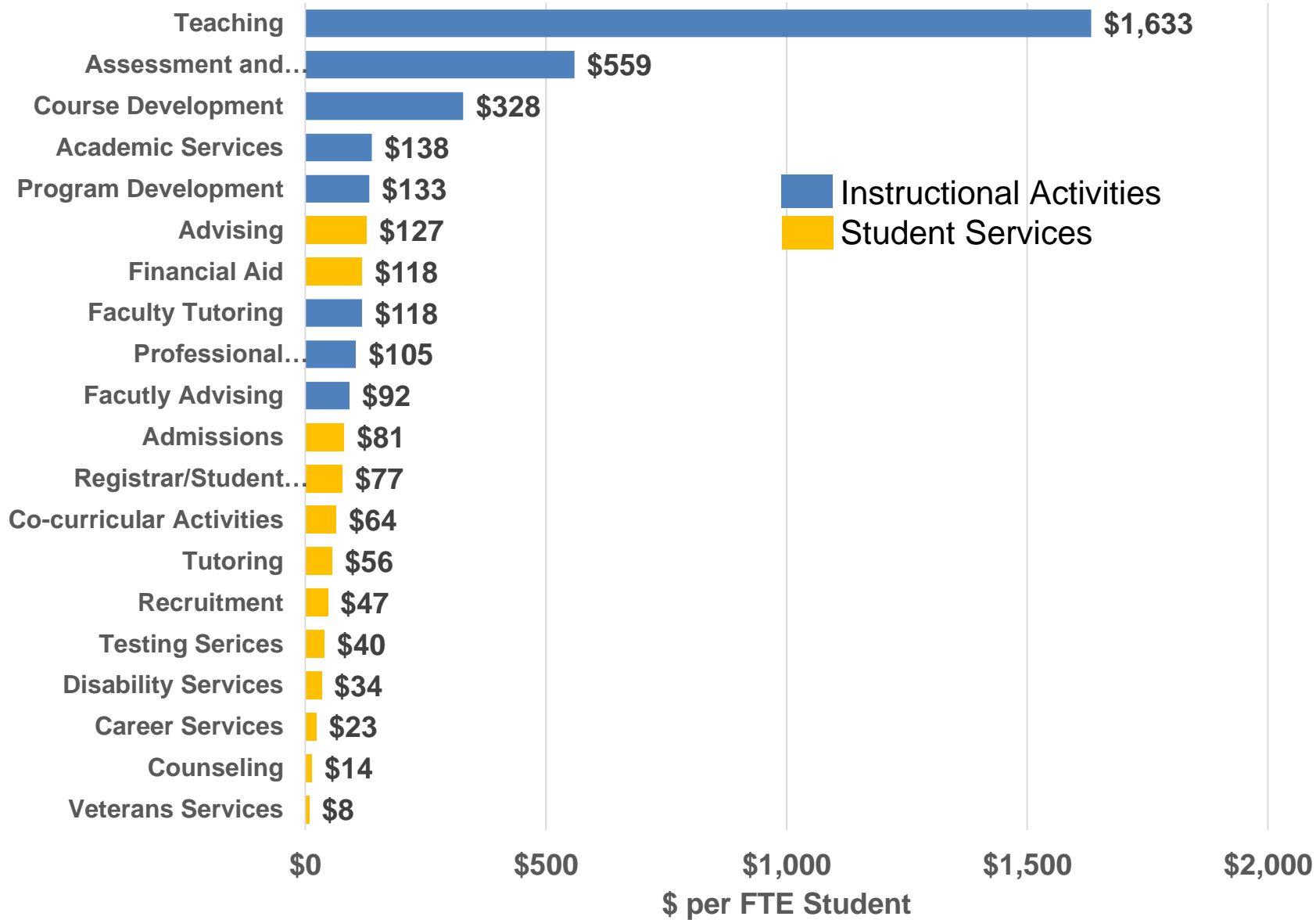
Student Services

- Admissions
- Recruitment
- Advising
- Counseling
- Career Services
- Financial Aid
- Registrar / Student Records
- Tutoring
- Testing Services
- Co-curricular Activities
- Veterans Services
- Disability Services



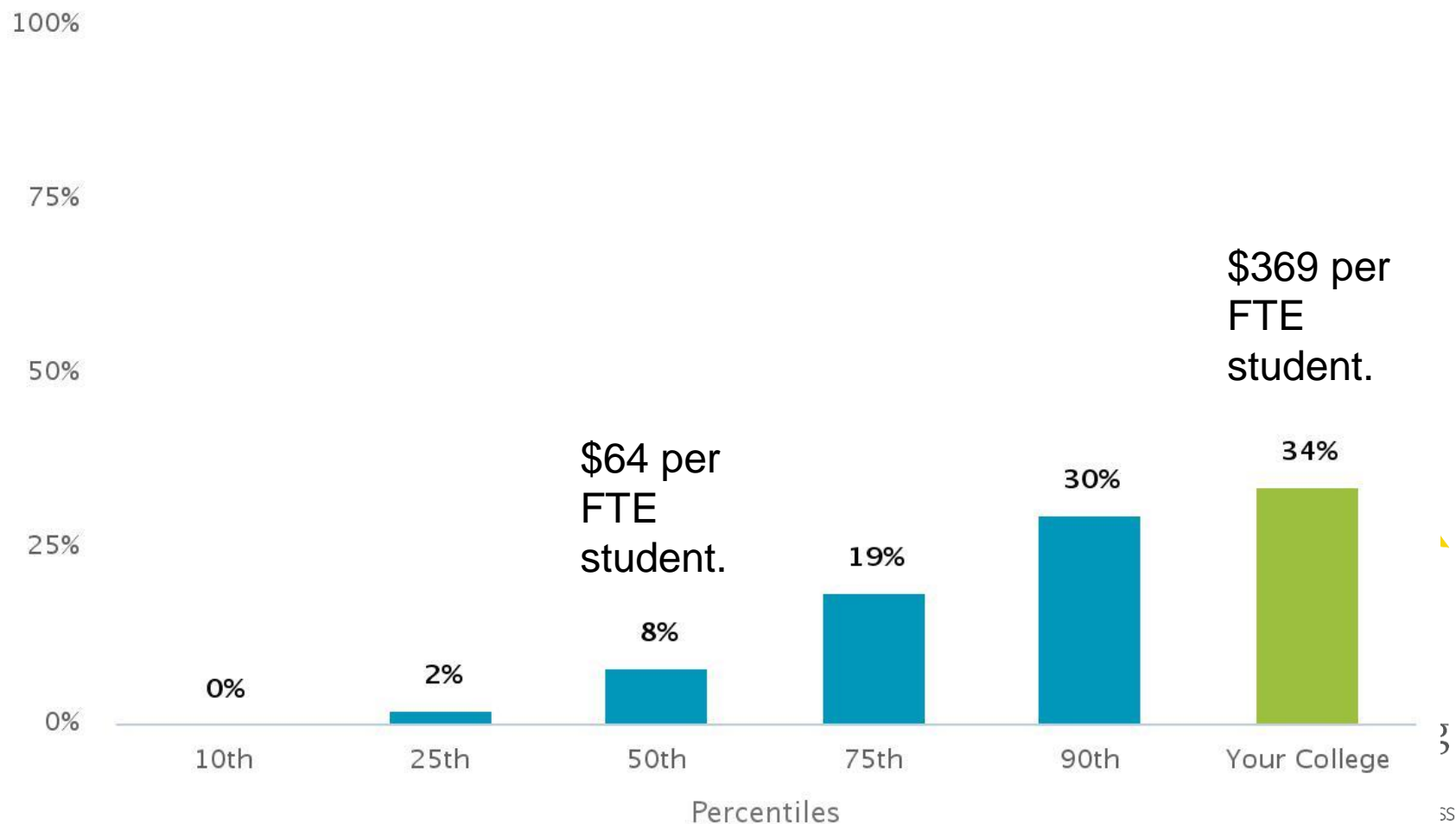
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Median \$ per FTE Student

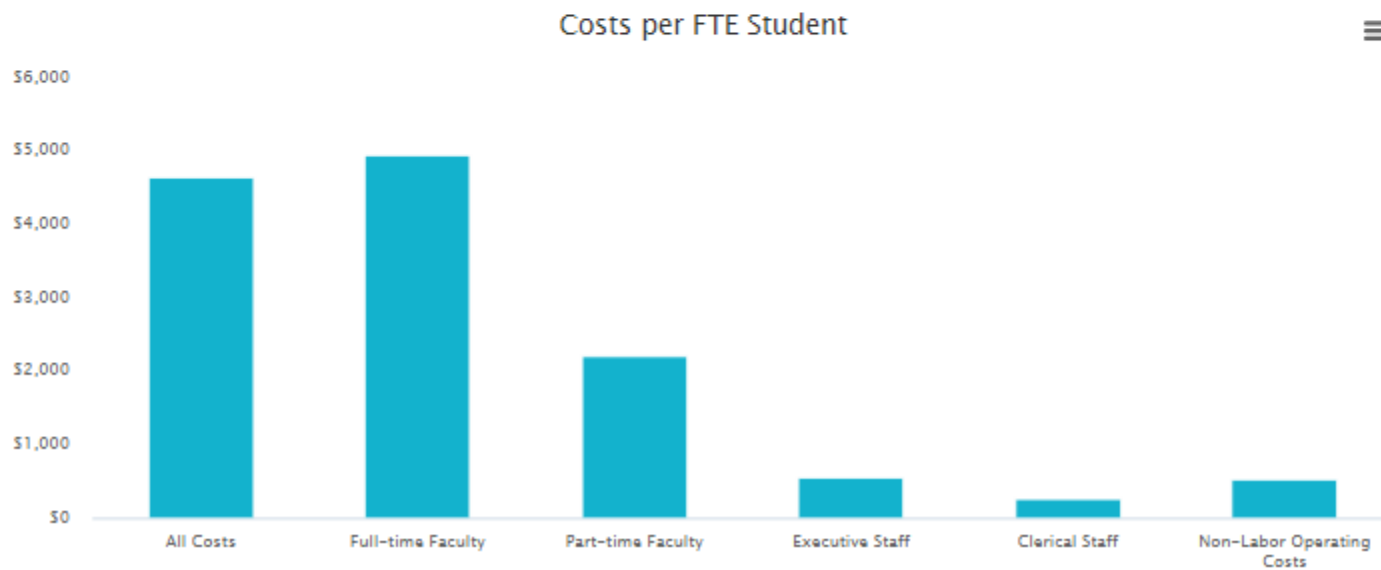
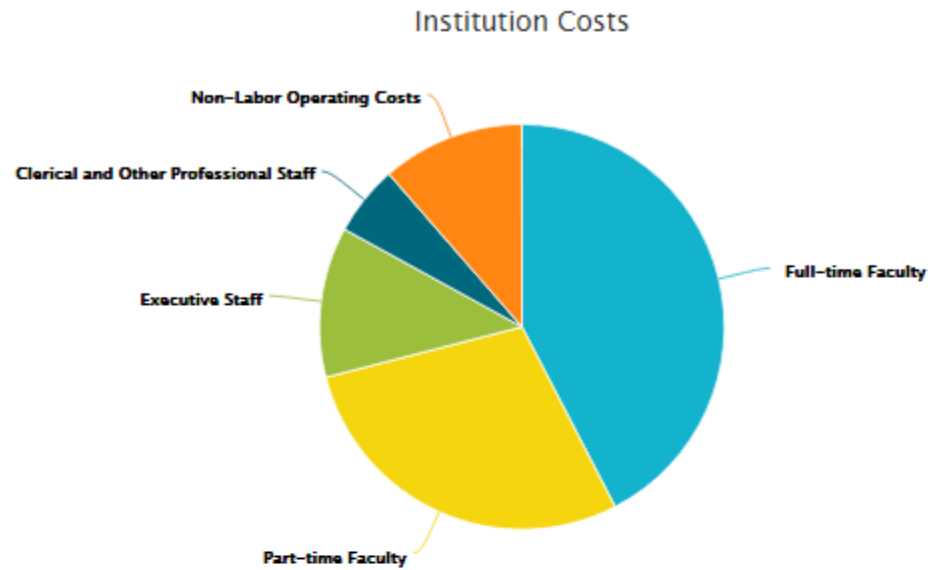


Some Surprises

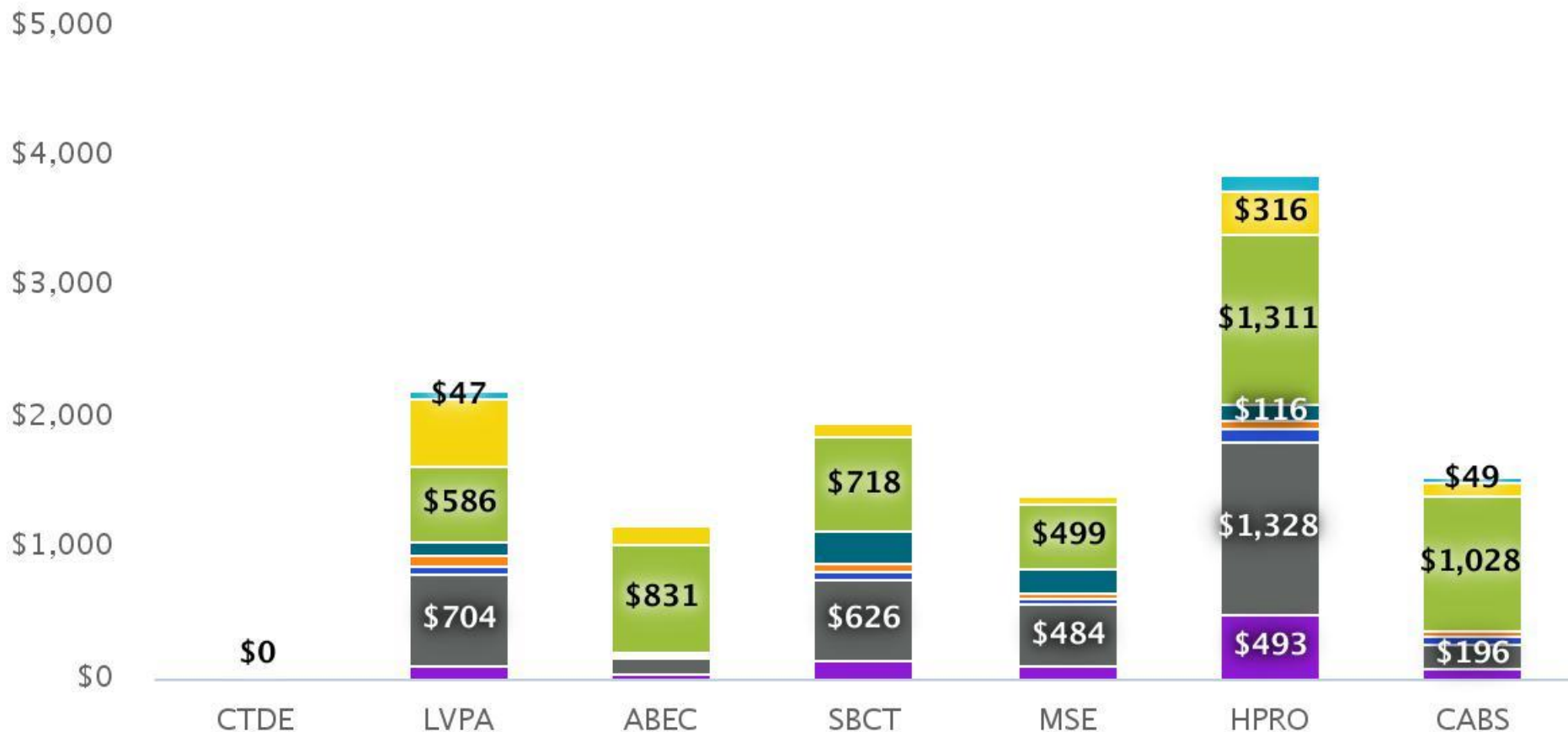
% of Student Services Budget Allocated to Co-curricular Activities



Instructional Costs



Division Instructional Activity Cost per FTE Student



- Program Development
 Course Development
 Teaching
- Faculty Tutoring
 Faculty Advising
 Academic Services
 Assessment
- Professional Development

Impact of the Cost of Instructional Activities and Student Services on Measures of Student Success



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Looked at 3 measures of success

1. 3-Year Completion (Graduation plus Certificates) and Transfer Rates for Full-time, First-time, Degree-seeking Students
2. Fall to Fall Persistence
3. % of Students that Received a Passing Grade in College-level Courses of those that Enrolled in the Course



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Total Instructional Costs

Impact on 3-Year Graduation/Transfer Rates



● Institutions — Equation: $y = 0x + 42.89$

The amount spent on any of the individual instructional activities had no impact on 3-year graduation/transfer rates and no impact on persistence.

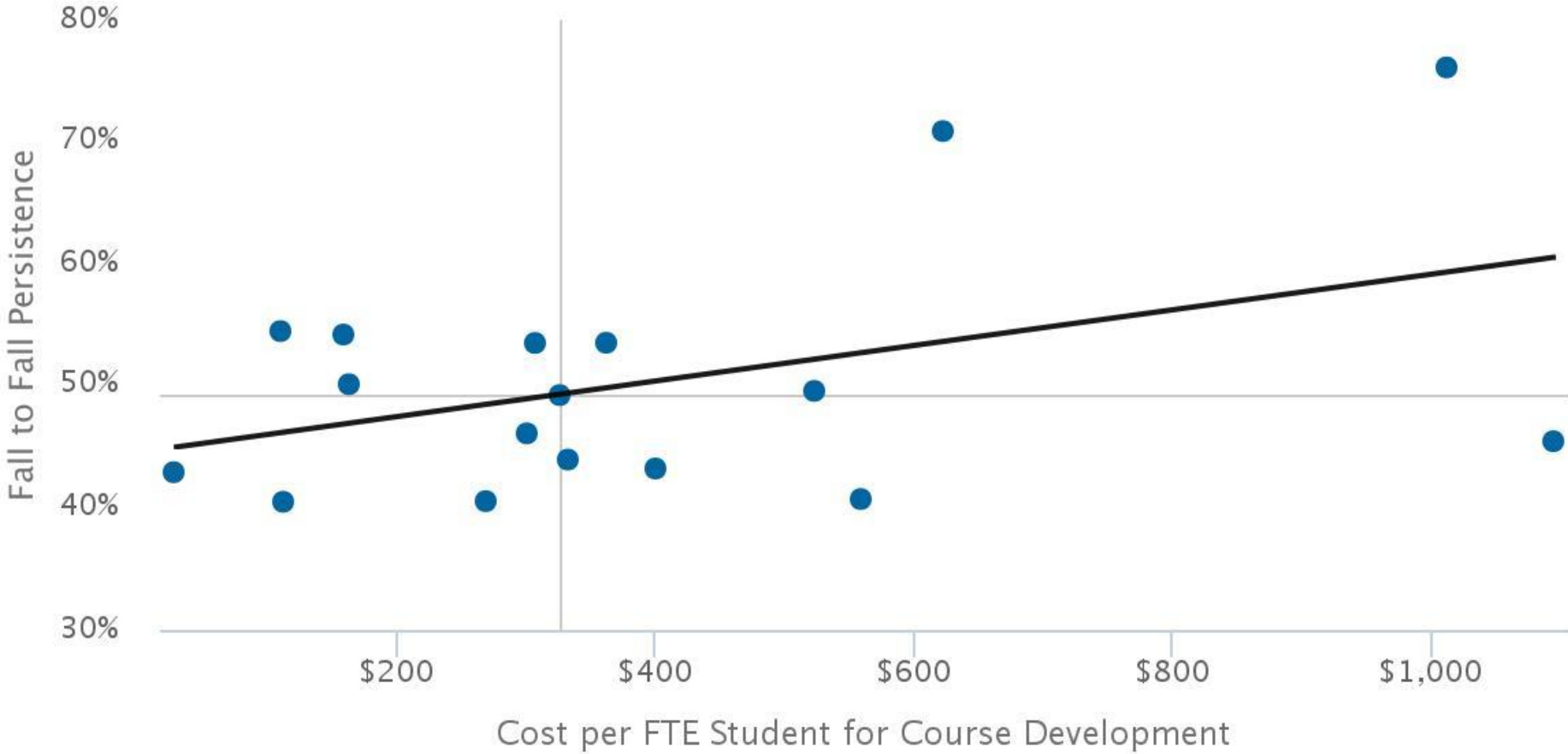
- Only exception was the cost per FTE student for course development which had a slight positive relationship with Fall to Fall persistence.
- Pearson = .43



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Cost Per FTE Student for Course Development

Impact on Fall to Fall Persistence Rate

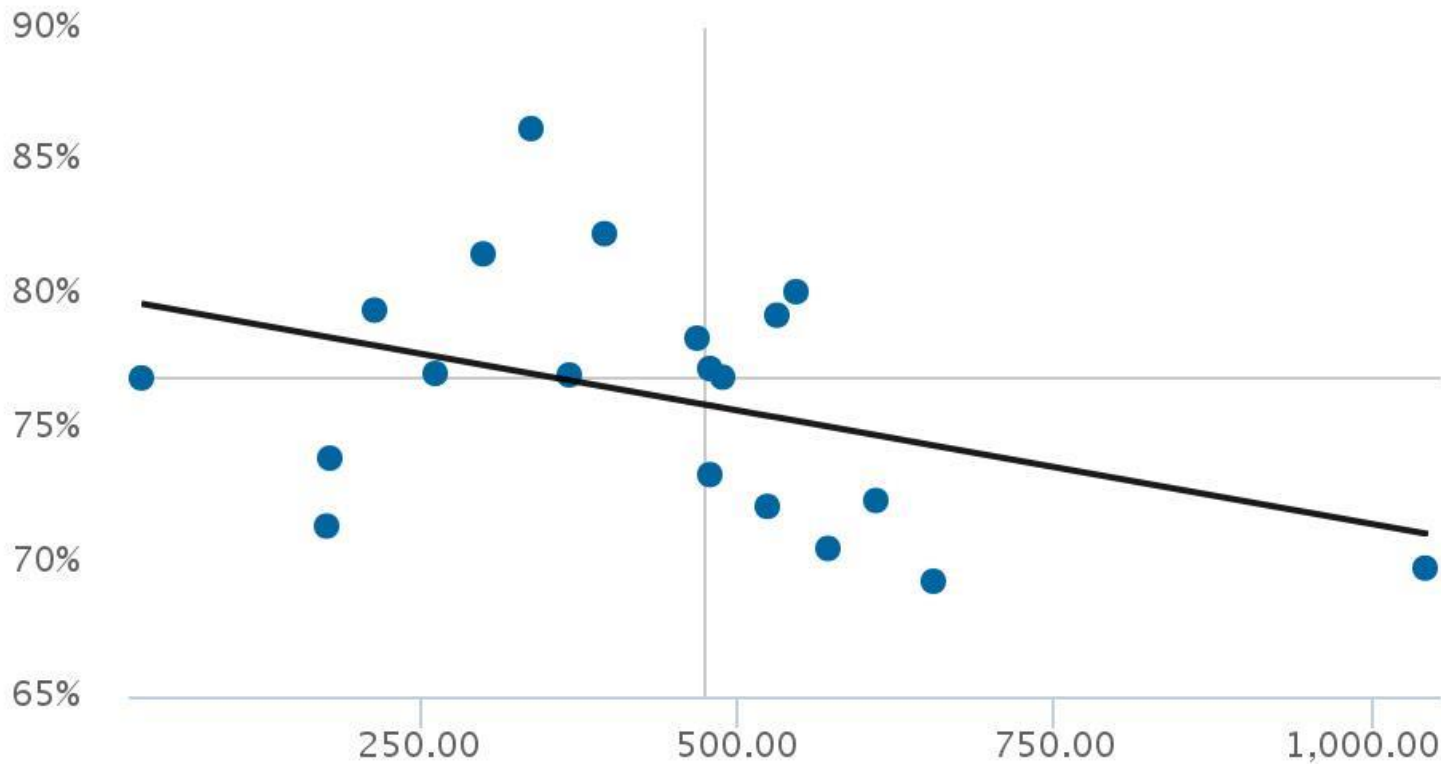


● Institutions — Equation: $y = 0.01x + 44.56$

of Student Credit Hours Taught Per Part-Time Faculty

Impact on % of Students w/ Passing Grade in College-level Courses

% of Students that Received a Passing Grade in College-Level Courses of those that Enrolled in the Course



● Institutions — Equation: $y = -0.01x + 79.94$

Student Services

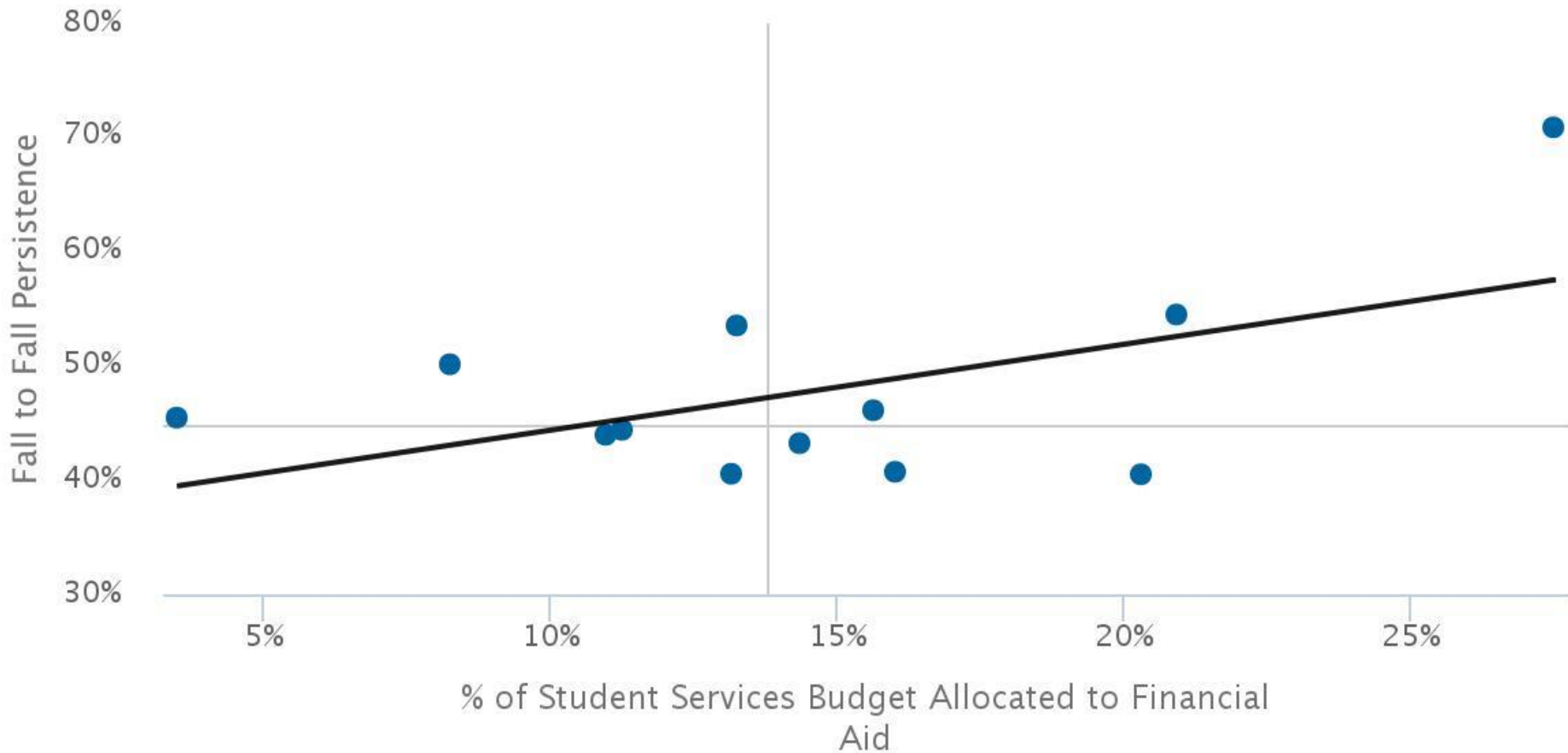
- The % of the total student services budget spent on individual activities had more impact on measures of success than did the cost of the activity per FTE student



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% of SS Budget for Financial Aid

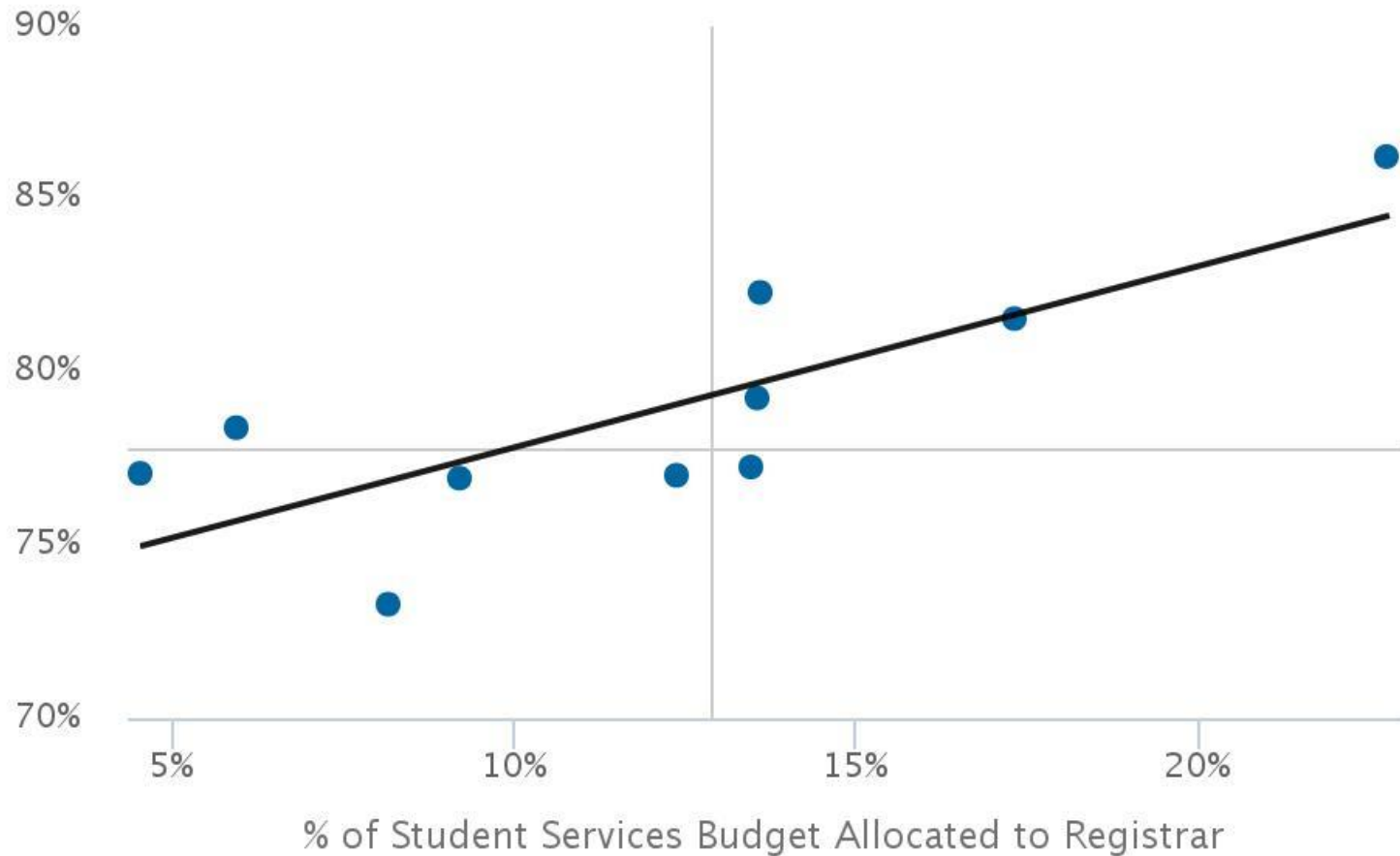
Fall to Fall Persistence



% of Student Services Budget Allocated to Registrar

% of Students that Received a Passing Grade in College-Level Courses of those that Enrolled in the Course

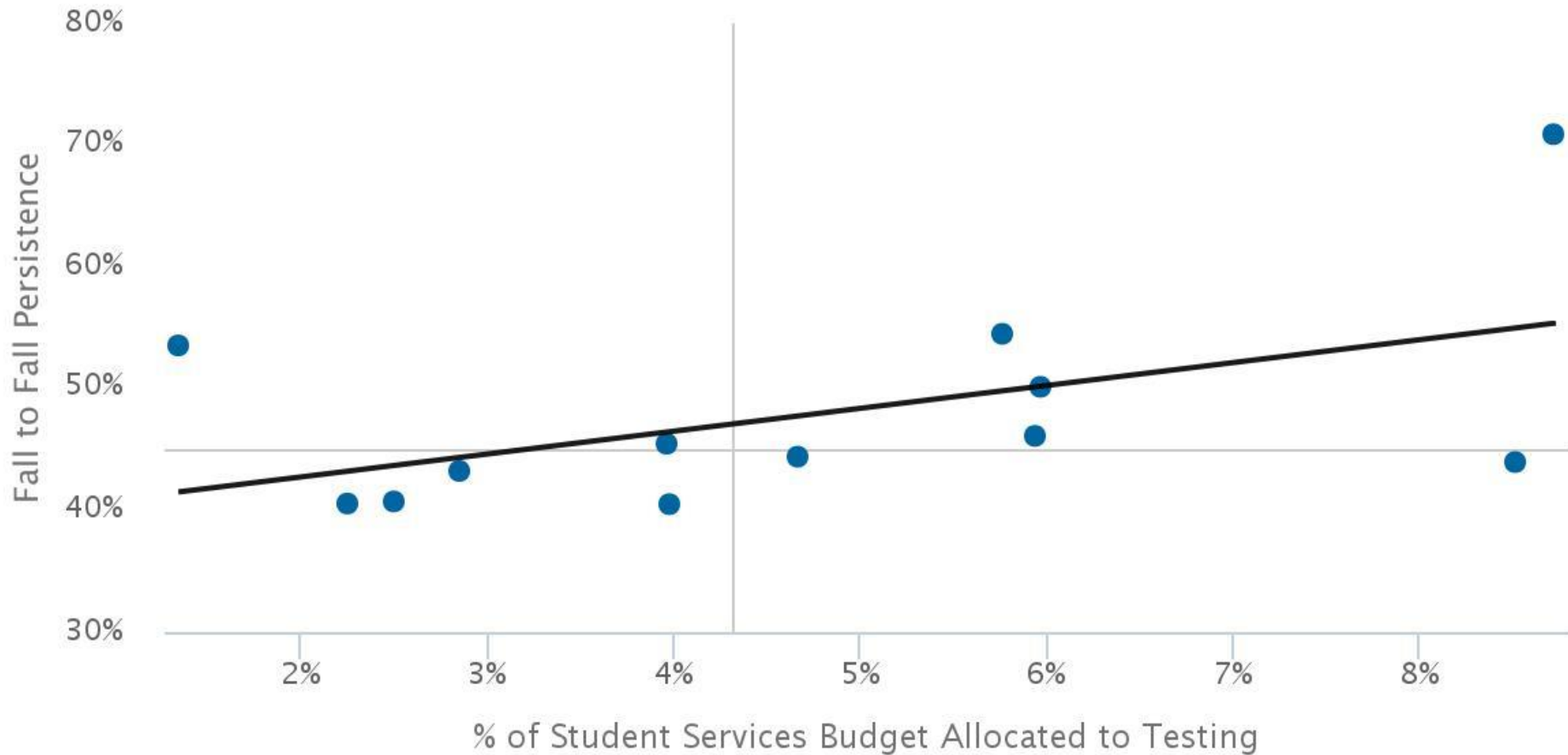
% of Students w/ Passing Grade in College-level Courses



● Institutions — Equation: $y = 0.52x + 72.6$

% of Student Services Budget Allocated to Testing Services

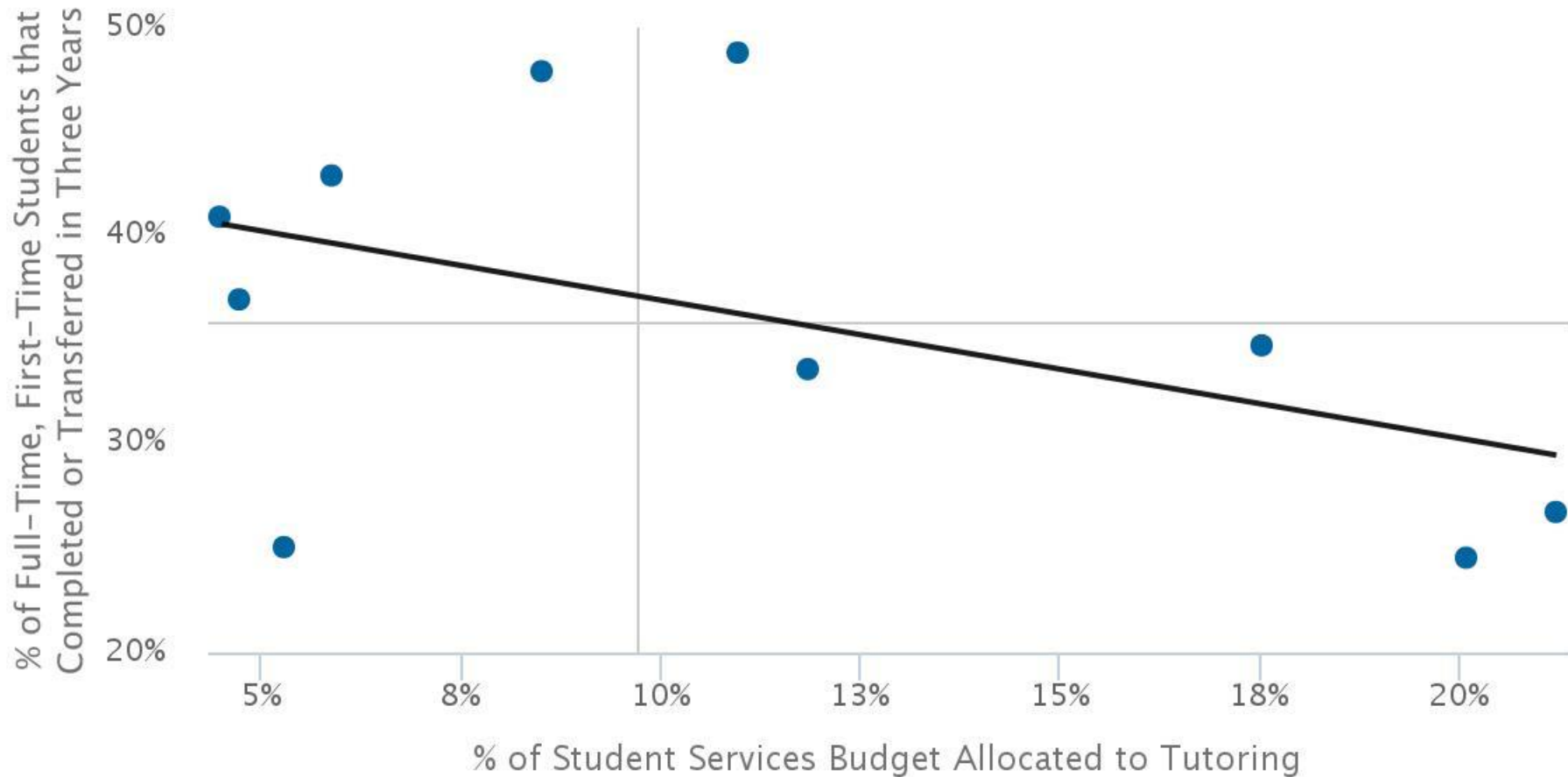
Fall to Fall Persistence



● Institutions — Equation: $y = 1.88x + 38.99$

% of Student Services Budget Allocated to Tutoring

3 Year Full-time, First-Time Completion and Transfer Rates



● Institutions — Equation: $y = -0.66x + 43.54$

Cautions

- Small sample
- Only showed small impacts
- Data illustrates the type of analysis that could be done with a larger sample
- Shows how this data could be used to help make financial allocation decisions
- Project has potential, but not yet ready to provide actionable data



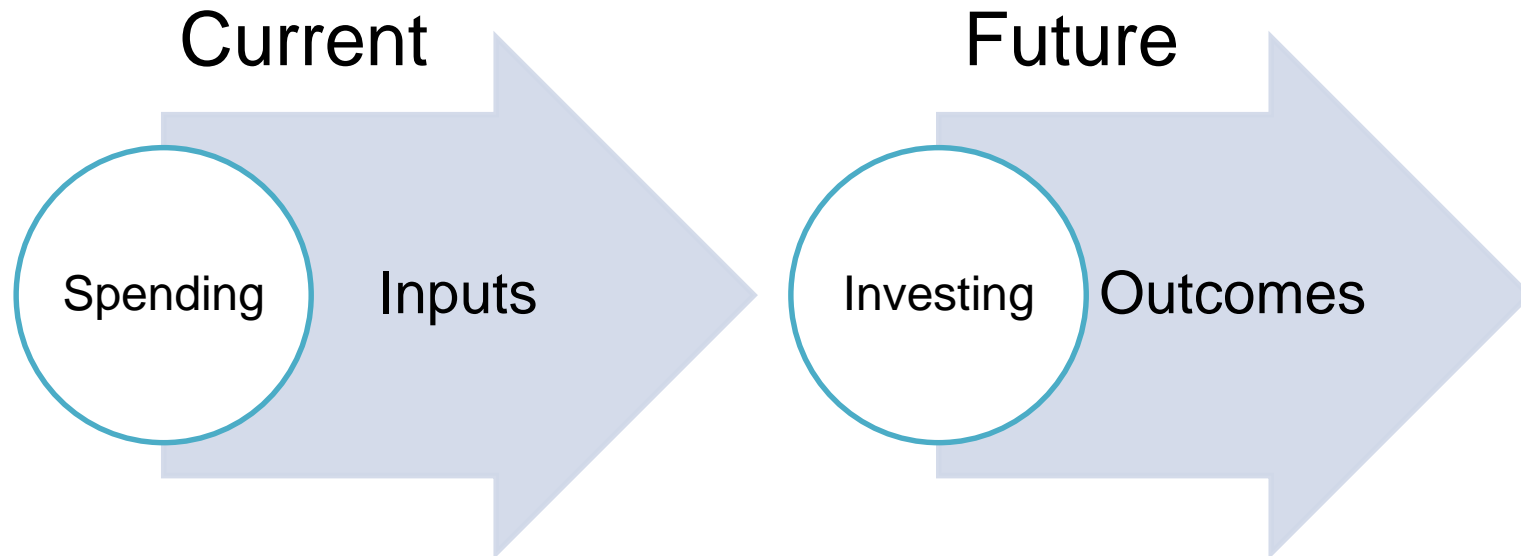
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Conclusions

- Colleges need data to establish relationship between costs and student outcomes
- Internal data provided by project very valuable
- ABC moves colleges from budgeting to strategic finance
- Relatively easy to implement a barebones version of ABC
- Benchmarking provides
 - Information on the cost / quality relationship
 - Opportunities to increase efficiencies
 - The ability to spend funds on activities that have the greatest impact on student success



Changing the Finance Conversation



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