

Cost Study and Allocation Model

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William Maki

Patrick Guilfoile

BENIDJI STATE UNIVERSITY
Shaping Potential, Shaping Worlds.



Context

- Recent budget forum on campus
- State allocation still a significant portion of our budget
- Allocation framework run for FY11 just released
- Potential to influence the allocation we receive
- Potential to enhance revenue



Cost Study and Allocation Model

- Allows MnSCU to compare similar programs on different campus.
- Institutions w/ programs that are financially efficient are *rewarded* with a larger allocation.
- Conversely, institutions w/ programs that are financially less efficient are *penalized* with a reduced allocation.
- Process has a two-year lag- e.g. FY 09 data used to determine FY 11 allocation



Cost Study

Chancellor's Office- provides cost per CIP
(Classification of Instructional Program)

- Includes direct expenditures: faculty salary and fringes, GA expenses, equipment, departmental reassigned time (e.g. chair duty), summer school profit expenditures, retirement incentive costs
- reduced by fees and other revenue
- Does not include academic support costs:
University reassigned time, sabbatical expenses
 - These are spread across all programs



Cost study (con.)

- Each institution then divides out the costs to lower and upper division and graduate courses.
- We calculated the costs per course, based on faculty salary (and fringe) and total faculty load.
- These costs were then totaled and assigned to the appropriate level w/in the CIP.
- Other direct costs spread across CIP based on student credits per level.



Example

- One CIP: Total direct instructional costs were \$400,000
- Direct costs (aside from salary, fringes) were \$100,000- and dept. had 100 student FTE total
- Lower division: \$125,000, 50 FTE, so total cost was \$175,000 (\$125,000 + \$50,000 in other costs), so **\$3500/FTE**
- Upper division: \$95,000, 35 FTE, so total cost was \$130,000 = **\$3714/FTE**
- Graduate: \$80,000, 15 FTE, so total cost was \$95,000 = **\$6333/FTE**



Data- three spreadsheets on cost study

- Lower division costs
- Upper division costs
- Graduate costs
- (Prefixes listed for those areas where there might be some ambiguity.)



Allocation model

- Cost study data used to compute a MnSCU average cost per FTE in each CIP.
- Programs that fall 10% above or below that average- no change in allocation
- Programs more than 10% below the band- additional allocation.
- Programs 10% above the band result in a reduced allocation



Allocation model calculations

- Prior to calculating the allocation, tuition-funded costs are removed.
- Prior to calculating the allocation, overall University academic support costs are added.
- Then differences in FTE cost above or below the band are multiplied by the number of FTEs to give a dollar amount for the change in allocation.
- E.g.- a program costs \$1000 less per FTE than the lower band of the system average, and has 50 FTE- the University will get an extra \$50,000



Change in allocation for Bemidji State as a result of this process

- 2008-2009 Academic Year Data: \$326,517 of additional allocation was added to the overall amount BSU spent on direct instruction (for FY 11)
- 2007-2008 Academic Year Data: \$246,145 of additional allocation was added to the overall amount BSU spent on direct instruction (for FY 10)
- Overall change is calculated on a three-year average.



Regardless of where your program falls, reducing costs will help the University budget, and help preserve positions



Things that are beyond the control of department, but are included in the allocation model

- Faculty salaries
- Retirement incentive payments



What departments can do

- Where pedagogically appropriate, increase class sizes- particularly if this reduces sections.
- Review curriculum with an eye toward focusing and offering fewer low-enrollment classes.
- Summer profits- if focused on credit generation- will help.
- Reducing departmental reassigned time
- Assist in efforts to recruit new students and retain current students



Questions?

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