



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

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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

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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 or 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

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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

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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

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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”

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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
 - $-\$99 * 199.30 \text{ FYE} = -\$19,653$

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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
 - $\$269 * 41.10 \text{ FYE} = \$11,042$

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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
 - $\$848,662 / 199.30 \text{ FYE} = \$4,258 \text{ per FYE}$
 - Fully allocated costs = $\$4,258 + \$4,382 = \$8,640$
- System average fully allocated costs CIP 23
 - Direct = \$4,038
 - Indirect = \$4,774
 - 11 – 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

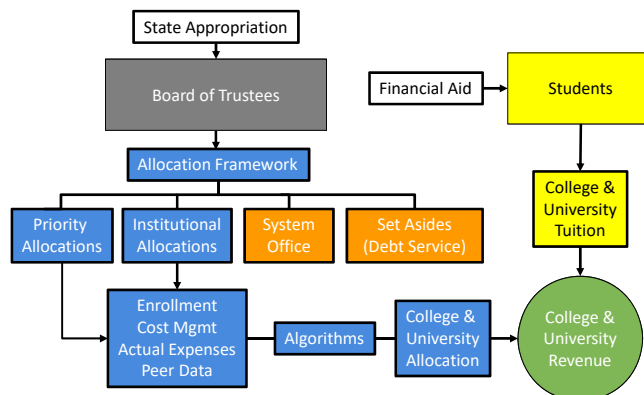


Allocation Framework

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The flow of system operating funds



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Allocation Framework Components

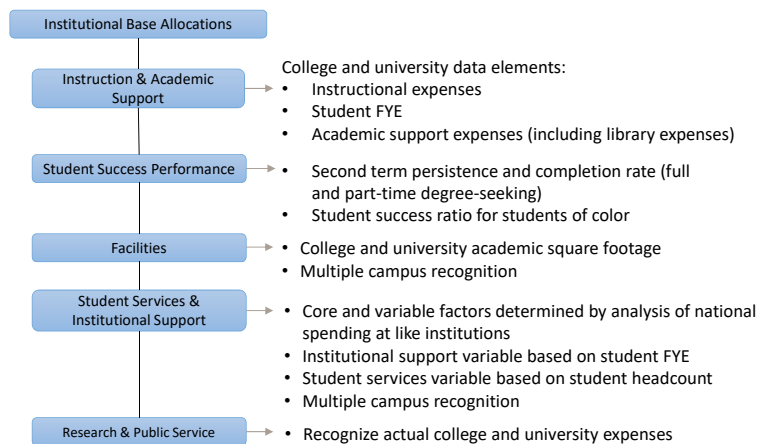
The allocation framework is composed of five separate components:

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

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Allocation Framework Components Data Elements



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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**

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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

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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

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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.

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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.

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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.

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