

ACADEMIC PROGRAM COST ACCOUNTING

BONUS Conference, April 2015



Objectives

- Introduce program cost accounting
- Gather data on scope of program costing activity within BONUS
- Offer some simple models for consideration

What is Program Cost Accounting?

- Defined today as an activity that analyzes the cost/revenue of programs, academic, research, practice.
- Elements of a cost: direct and indirect costs included.
- There are many methods utilized; some drill down to the faculty FTE, others evaluate an academic program. Data availability and intended use of the tool are key drivers for determining which model is right for your program.



Survey:

Survey Question	Response
Do you track your costs to see where the information with your faculty or staff?	
Do you provide professional development for students and employees? If so, how much?	
Do you provide additional support for on-line teaching? If so, how much?	
Do you have a student body greater than 100?	
Do you conduct research internally?	
Cost Accounting	
Do you currently track your academic program costs?	
Do you track your costs to see where the information with your faculty or staff?	
Do you identify your combined cost? If so, what percent is it of your total expenditures?	
Do you have a minimum enrollment number that courses must meet before they are offered?	
What would your ideal profit margin look like for your 400 program?	
What would your ideal profit margin look like for your 200 program?	

The University of Minnesota Method

• Not a....  Method

• More of a  simple model

UMN's Income Statement Method

- **Goal:** To provide an annual snapshot of profitability by academic program and DNP specialty area.
- **Method:** Excel spreadsheet template
- **Data needs:** Faculty effort by course/program, student enrollment, tuition attribution, avg. salaries by teaching level, overhead %
- **Uses:** Provide School leadership and faculty an overview of the business behind education and help them weigh the financial realities when considering program changes.

Workload

- At the Univ. of Minn., course assignment is automated using a database. Workload is assigned a semester in advance, assignments made directly into database.

Revenue

- Reports are available centrally through a PeopleSoft Financial system.
- Provides course-level tuition data; critical for programs where tuition is banded.
- Enrollment by course ; goal is to identify thresholds/minimums
- Some courses are shared DNP/MN or PhD and DNP; sections ID each group

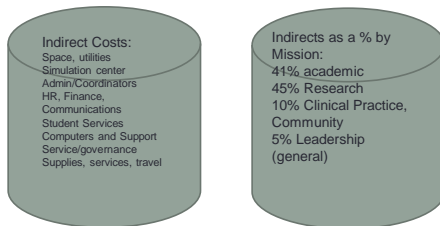


Salaries

- Analysis uses averages by academic program, not actual salaries by person.
- For DNP, avg. = \$101,500
- For BSN/MN, avg. = \$86,431
- For PhD, avg. = \$123,387
- Univ. of MN fringe = 33.8%
- Effort per course, use the annual salary/fringe then calculate the cost/semester. That becomes the base for effort per course.
- Ex. 30% effort, DNP course = .3 * (\$33,833*1.338)

Overhead

- Look at total indirect costs for school, tease out costs by area



Result:

↓
OH
4%

Course	Name	Semester	Enroll	Credits	Salaries	Fringe	Cost	Net
814	Interpersonals	Spring	14	2	\$32,111	\$25,082	\$25,933	\$2,114
815	Scholarship and Health Care	Spring	8	2	\$31,370	\$21,081	\$24,933	-\$8,554
817	Qualitative Res.	Spring	14	2	\$37,857	\$14,524	\$20,007	\$17,724
819	Adv. Nurs. Research	Spring	4	2	\$6,000	\$3,305	\$3,344	\$1,544
819	Critical Review	Spring	4	2	\$9,761	\$9,418	\$13,139	-\$3,374
819	Research Topics	Spring	4	2	\$3,214			\$3,214
819	Research Methods	Spring	4	1	\$30,000	\$14,524	\$20,000	\$4
819	Behavioral Clin. N.	Spring	2	2	\$2,691			\$2,691
819	Special Topics	Spring	4	2	\$6,244	\$4,214	\$5,087	-\$1,772
844	Doctoral	Spring	4	2	\$1,252			\$1,252
866	Doctoral	Spring	2	2	\$3,724	\$2,108	\$2,999	\$769
888	Thesis	Spring	13	4	\$71,288	\$16,804	\$23,944	\$47,344
812	Health Behaviors	Fall	4	1	\$33,854	\$15,305	\$24,726	\$2,118
812	Theory and Theory	Fall	4	1	\$18,844	\$15,305	\$21,726	-\$2,881
817	Knowledge	Fall	10	3	\$24,644	\$15,305	\$21,726	\$2,922
817	Implementation	Fall	10	3	\$24,644	\$15,305	\$21,726	\$2,922
817	Quantitative Res. Des.	Fall	2	1	\$16,800	\$15,305	\$21,726	-\$4,823
819	Adv. Nurs. Research	Fall	2	2	\$2,860	\$5,105	\$7,242	-\$4,377
819	Prac.	Fall	2	2	\$6,024	\$7,007	\$9,076	-\$3,054
819	Qual Data Analysis	Fall	4	1	\$15,211	\$15,305	\$21,726	-\$6,514
819	Adv. Clinical Nurs.	Fall	3	2	\$3,592	\$2,105	\$3,150	-\$12
819	Special Topics	Fall	1	1	\$900			\$900
819	Thesis	Fall	4	4	\$48,771	\$8,000	\$15,100	\$17,411
PHD Net								\$81,749.91

Framework for forecasting...

- Once you develop a baseline, adjust enrollment numbers to model future tuition revenue.
- Model workload efforts if considering changing effort distribution in teaching

Summary of enrollment targets

Tuition	Cost	Net
N=56	\$1,929,200	\$971,313
N=48	\$1,653,600	\$962,198
N=40	\$1,378,000	\$955,510

Other Program Costing Methods...