
ARE MY PROFESSIONAL GRADUATE PROGRAMS FINANCIALLY SUSTAINABLE?

A DIY GUIDE FOR DEANS

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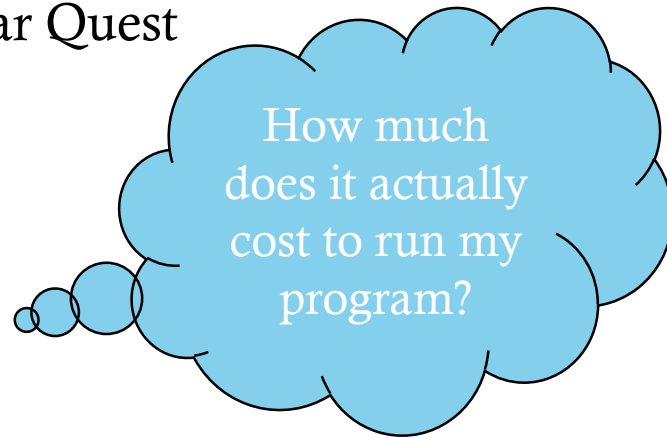
G & A

2 → 1

1 in 5

ORIGIN OF QUESTION

- 2→1
 - Request from the Board
- My own 10 Year Quest



PROGRAM	METRIC
Headcount	XX
Revenue	\$\$
<u>- Cost</u>	?
= Margin	?

“VARIABLE METRICS” MAKE IT CHALLENGING TO COMPARE PROGRAMS TO ONE ANOTHER

Program	Tuition Rate	Headcount	Revenue	Credits to Degree
Ruby	\$750	63	1,134,000	36
Pearl	\$615	28	516,600	60
Diamond	\$900	80	1,296,000	45
Opal	\$350	15	94,500	30

How might variable metrics reinforce biases?

STRIVE FOR “STANDARD” METRICS TO COMPARE PROGRAMS WITH ONE ANOTHER

Revenue, Cost, and Margin “per Student Credit Hour” (pSCH)

Standard Metric	Ruby	Pearl	Diamond	Opal
Revenue pSCH	\$750	\$615	\$900	\$350
- Cost pSCH	(565)	(410)	(840)	(401)
= Margin pSCH	185	205	60	(51)
M/R %	25%	33%	7%	-15%

Consider economic values and academic values

METHOD WE USED

Prepare a mini-financial statement for each program for one fiscal year:

Program Revenue
- Program Cost
= Program Margin

+ Direct cost of instruction
+ Other direct costs
+ Indirect costs (allocated)
= Program Cost

Calculate standard metrics per Student Credit Hour (pSCH):

Program Revenue pSCH
- Program Cost pSCH
= Program Margin pSCH

Assumption: the cost follows the student

DIRECT COST OF INSTRUCTION (CONT'D)

4. Collect faculty salary data (confidential)

5. Assign cost to course:

Full time Faculty: Instructor cost per credit x course credits

Part time Faculty: Actual rate of pay

Allocate according to proportion of Ruby and Other students in the course

6. Sum of (A+B) = Direct cost of instruction for Ruby Program Students

Course	Cr.	Instructor	Faculty Status	Instructor Cost Per Credit	Course Cost	(5)	A	B	C	D
						Ruby Program Students in Ruby Program Course	Ruby Program Students in Other Course	Other Students in Ruby Program Course	Other Students in Other Course	
RUBY-5010	3.0	Raylee Poole	Part Time	1,500.00	4,500	3,462			1,038	
RUBY-5020	3.0	Reed Murray	Full Time	2,708.33	8,125	5,417			2,708	
RUBY-5120	3.0	Raylee Poole	Part Time	1,500.00	4,500	3,857			643	
DIAM-5000	1.0	Dana Pierce	Full Time	3,541.67	3,542			787		2,755
...

$$\Sigma A + B = \$ (816,724)$$

OVERALL PROGRAM COST

Direct costs (calculated)	+ Direct cost of instruction	(816,724)
Other direct costs	+ Other direct costs	(8,125)
Example: Value of Program Director release time	+ <u>Indirect costs (allocated)</u>	<u>(29,431)</u>
Indirect costs	= Ruby Program Cost	(854,280)
Allocate a shared cost among programs		
Example: Portion of facility rental		

RUBY PROGRAM METRICS

Mini Program Financial Statement (63 HC)

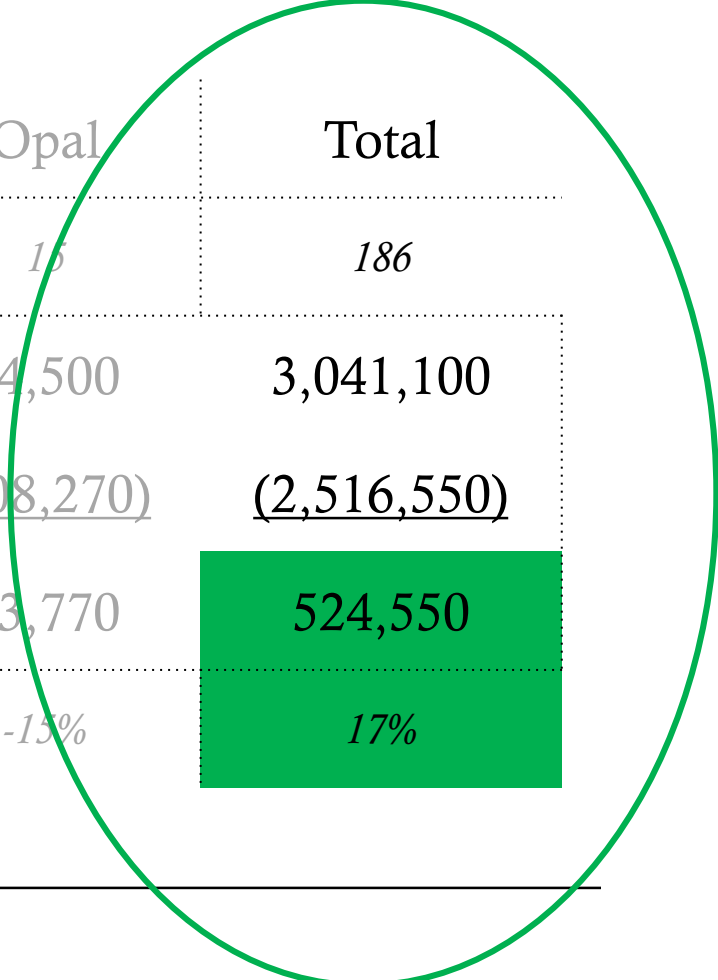
Contribution	Ruby
Program Revenue	1,134,000
- Program Cost	(854,280)
= Program Margin	279,720
M/R %	25%

Standard Metrics per Student Credit Hour (pSCH) (1,512 SCH)

Standard Metrics	Ruby
Revenue pSCH	\$750
Cost pSCH	(565)
Margin pSCH	185
M/R %	25%

INTERESTING FINDINGS

Mini Financials (FY)	Ruby	Pearl	Diamond	Opal	Total
<i>Headcount</i>	63	28	80	15	186
Revenue	1,134,000	516,600	1,296,000	94,500	3,041,100
<u>- Cost</u>	<u>(854,280)</u>	<u>(344,400)</u>	<u>(1,209,600)</u>	<u>(108,270)</u>	<u>(2,516,550)</u>
= Margin	279,720	172,200	86,400	13,770	524,550
<i>M/R %</i>	25%	33%	7%	-15%	17%



INTERESTING FINDINGS

Standard Metric	Ruby	Pearl	Diamond	Opal
<i>Headcount</i>	63	28	80	15
Revenue pSCH	\$750	\$615	\$900	\$350
- Cost pSCH	(565)	(410)	(840)	(401)
= Margin pSCH	185	205	60	(51)
M/R %	25%	33%	7%	-15%

NEXT ACTIONS

- Conversations with Faculty
 - pSCH more palatable?
- Portfolio Decisions
 - Status Quo
 - Increase Enrollments
 - Cut Costs
 - Retool Program
 - Close Program



LIMITATIONS AND NEW POSSIBILITIES

- Only captured one time period
 - Repeat annually to spot trends over time
 - Consider the net contribution (over time) of a student in the Pearl program, e.g.
 - We focused on costs relative to known revenues
 - Modify the approach if you need to focus on known costs instead (e.g., entire department)
 - In this case, you may be interested in metrics (revenue, cost) of Other Students in Program Courses
-

ADDITIONAL RESOURCES TO D.I.Y.

- Resources inside your own institution!
- Massy, William F. (2020) [*Resource Management for Colleges and Universities*](#). Johns Hopkins U Press.
- Morriss-Olson, Melissa. (2020) [*Academic Entrepreneurship: The Art and Science...*](#) Academic Impressions.
- Gray Associates Program Economics Platform. <https://www.grayassociates.com/how-gray-can-help/program-economics-project-0>



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Program Economics Platform (PEP)

UNDERSTANDING PROGRAM ECONOMICS

Learn How To Calculate Margins for Academic Programs

A complex web of cross-subsidies underlies the academic program portfolio of higher education institutions. Low-cost liberal arts programs may subsidize expensive lab programs; large programs may help pay for smaller, specialized programs; and programs that attract full-pay students may subsidize other heavily-discounted programs.

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See you in Milwaukee at MAGS 2022!