

Agenda Item 3.05.A.3

Consideration of Year 7 (2002-03) Performance Funding Issues: Status of Indicator 5A, Percentage of Administrative Costs as Compared to Academic Costs, in Year 7

Explanation: Indicator 5A, Percentage of Administrative Costs as Compared to Academic Costs, is an indicator that applies to each of the 33 public colleges and universities. The measure that has been used for 5A is calculated as the ratio of administrative costs to the amount of academic costs expressed as a percentage. Administrative costs have been defined as expenditures reported for the IPEDS Finance Survey as institutional support. Academic costs have been defined as expenditures reported for the IPEDS Finance Survey as instruction, research, academic support and scholarships/fellowships. Expenditures include restricted and unrestricted funds for research sector institutions and only unrestricted funds for the teaching, regional campuses and technical colleges sectors. Performance on the indicator is determined by comparing the percentage to standards for “achieves” that were approved for each sector based on peer IPEDS Finance Survey financial data. The status of 5A as a performance indicator this year is under consideration as a result of federal changes in required financial reporting that impact the data used to calculate performance.

Staff has reviewed the indicator and concerns related to the impact of the new financial reporting requirements with CAPA (Committee to Advise on Performance Funding and Assessment) at its meeting in September. Prior to that CAPA meeting, staff circulated for consideration three options related to the treatment Indicator 5A for Year 7. The options included deferring the indicator from scoring in Year 7, using financial data reported in the notes section of institutional financial statements to calculate and score 5A as in past years, or carrying forward the score earned on Indicator 5A in Year 6 as the Year 7 score.

At the CAPA meeting, Mr. John Campbell, Controller at USC and Chair of the NACUBO Finance Officers Study Group, explained the new reporting requirements and stated that the reporting under the GASB 34 & 35 requirements is not comparable to past financial reporting. The requirement affects FY02 and forward financial reporting of all South Carolina public institutions of higher education. He explained that the “notes” reported as part of financial statements serve to further explain the “new” financial data rather than act as a “crosswalk” to the financial data reported in past years under different accounting standards. Additionally, it was discussed that NCES has stated that data to be reported on the new IPEDS Finance Survey that is being developed to handle the GASB 34 & 35 reporting requirements for public institutions will not be comparable to data reported on Finance Surveys used in past years for public institutions.

In light of Mr. Campbell’s comments that comparable financial data are unavailable and concerns expressed related to carrying forward scores for Indicator 5A, staff advocates deferring the indicator as the most practical solution for Year 7. CHE staff will work with institutional representatives and finance officers to develop an indicator for use in performance funding that relies on the new financial data reporting requirements.

Recommendation: The Planning and Assessment Committee recommends for approval of the Commission deferring Indicator 5A from scoring in Performance Year 7 due to the lack of data created by changes in federal financial reporting requirements for public higher education institutions affecting FY02 and forward.