



Unit Cost, FY2003 and
beyond...

Community College Funding Study Taskforce

P Formed in December 2001 to review the funding formula and make recommendation for changes.

P Observations and Recommendations.

P The current funding formula and strategies have many good features.

P Recommendation 1: Changes to Equalization Approach

- FY2005implementation
- Includes unrestricted and restricted in-district credit hours in the calculation

P Recommendation 2: Change to Small College Grant Award

- FY2005implementation

P Recommendation 3: Restricted Grants

- Includes unrestricted and restricted credit hours in the calculation

P Recommendation 4: Funding Priorities

P Recommendation 5: Data Recommendations

P Recommendation 6: Residual Funding

- FY2004implementation

Residual Funding Changes

- P Remove from the unit cost calculation, all costs of restricted grant programs, with the exception of Illinois Department of Corrections inmate instructional programs.
- P Credit hours generated by restricted grant programs to be removed from funding in the base operating grant.
- P Rate adjustments should be allocated to the six funding categories based upon the aggregate total costs of each funding category.
- P Implemented in fiscal year 2004 with the hold harmless grant.
- P The Hold Harmless grant is based on those districts that have a decrease from the traditional funding formula calculation to the Revised funding formula calculation. The grant amount is based on this difference.

How Unit Cost goes into the Credit Hour Funding Formula

Traditional Funding Formula Calculation Sample

	<u>Baccalaureate</u>	<u>Business</u>	<u>Technical</u>	<u>Health</u>	<u>Remedial</u>	<u>ABE/ASE</u>
FY2002 Unit Cost	\$ 187.14	\$ 197.36	\$ 222.02	\$ 262.00	\$ 178.42	\$ 152.97
FY2004 Weighted Cost	\$ 193.82	\$ 204.40	\$ 229.95	\$ 271.35	\$ 184.79	\$ 158.43
Less:						
Tuition & Fees	\$ 60.94	\$ 60.94	\$ 60.94	\$ 60.94	\$ 60.94	\$ 0.00
Local Tax Contribution	\$ 88.26	\$ 88.26	\$ 88.26	\$ 88.26	\$ 88.26	\$ 88.26
Voc./Adult Ed. Grants	\$ 0.00	\$ 16.27	\$ 16.27	\$ 16.27	\$ 0.00	\$ 31.34
Other Revenues	\$ 24.10	\$ 25.42	\$ 28.60	\$ 33.75	\$ 22.98	\$ 19.70
Total	\$ 173.30	\$ 190.89	\$ 194.07	\$ 199.22	\$ 172.18	\$ 139.30
Rate Adjustment	\$ 11.81	\$ 7.77	\$ 1.65	\$ 1.53	\$ 11.22	\$ 0.00
Credit Hour Rate	\$ 32.33	\$ 21.28	\$ 37.53	\$ 73.66	\$ 23.83	\$ 19.13
Reduction for O&M Grants	1.23%	1.23%	1.23%	1.23%	1.23%	1.23%
Effective Credit Hour Rate	\$ 31.94	\$ 21.02	\$ 37.07	\$ 72.76	\$ 23.54	\$ 18.90

Revised Funding Formula Calculation Sample

	<u>Baccalaureate</u>	<u>Business</u>	<u>Technical</u>	<u>Health</u>	<u>Remedial</u>	<u>ABE/ASE</u>
FY2002 Unit Cost	\$ 174.28	\$ 183.22	\$ 205.05	\$ 248.78	\$ 168.28	\$ 159.39
FY2004 Weighted Cost	\$ 180.50	\$ 189.76	\$ 212.37	\$ 257.67	\$ 174.29	\$ 165.08
Less:						
Tuition & Fees	\$ 61.09	\$ 61.09	\$ 61.09	\$ 61.09	\$ 61.09	\$ 0.00
Local Tax Contribution	\$ 89.49	\$ 89.49	\$ 89.49	\$ 89.49	\$ 89.49	\$ 89.49
Voc./Adult Ed. Grants	\$ 0.00	\$ 5.38	\$ 5.38	\$ 5.38	\$ 0.00	\$ 0.00
Other Revenues	\$ 0.15	\$ 0.16	\$ 0.18	\$ 0.22	\$ 0.15	\$ 0.14
Total	\$ 150.73	\$ 156.12	\$ 156.14	\$ 156.18	\$ 150.73	\$ 89.63
Rate Adjustment	\$ -4.84	\$ -5.06	\$ -5.68	\$ -6.90	\$ -4.76	\$ -4.60
Credit Hour Rate	\$ 24.93	\$ 28.58	\$ 50.55	\$ 94.59	\$ 18.81	\$ 70.85
Reduction for O&M Grants	1.23%	1.23%	1.23%	1.23%	1.23%	1.23%
Effective Credit Hour Rate	\$ 24.63	\$ 28.23	\$ 49.93	\$ 93.43	\$ 18.58	\$ 69.99

P Questions regarding Community College Funding Study
Taskforce recommendations?

FY2003 Unit Cost Manual

General Guidelines

- P Summer School
- P Teacher Salaries
- P Accounts Payable
- P Transfers
- P Encumbrances

FY2003 Unit Cost Manual

Cost Study Functions

P Instruction

P Organized Research

P Public Service

FY2003 Unit Cost Manual

Classification of Costs

- P Direct Costs
- P Indirect (Support) Costs
- P Other Costs

FY2003 Unit Cost Manual

Produced Costs

- P Net Instructional Cost
- P Full Instructional Cost
- P Total Institutional Cost

FY2003 Unit Cost Manual

Cost Identification

Traditional Unit Cost

- P No need to distinguish between revenue sources used for expenditure
- P All costs are reported except those specifically identified to be excluded

Revised Unit Cost

- P Specifically identify revenue sources used for expenditure
- P Only costs supported with unrestricted funds
- P Specific identification of the source of funding during the voucher or bill payment process
- P Process should generate year end reporting which supports unit cost
- P Process may result in very specific revenue identification or may only identify at a high level

FY2003 Unit Cost Manual

Expenditures

Traditional Unit Cost (U Records)

- P Education Fund
- P Operation and Maintenance Fund
- P Operations and Maintenance Restricted Fund
- P Auxiliary Enterprises Fund
- P Restricted Purposes Fund
- P Audit Fund
- P Liability, Protection, and Settlement Fund
- P Public Building Commission Operations and Maintenance Fund (if applicable)

Revised Unit Cost (Y Records)

- P Education Fund
- P Operation and Maintenance Fund
- P Auxiliary Enterprises Fund
- P Public Building Commission Operations and Maintenance Fund (if applicable)

FY2003 Unit Cost Manual

Functions or Activities to be excluded from both methods of Unit Cost

- P Capital Outlay
- P Bonded indebtedness
- P Student Financial Aid
- P Payments made by other entities on behalf of the institution (e.g. SURS, CDB)
- P Bookstore
- P Intercollegiate athletics
- P Student organizations/clubs
- P Administration of auxiliary programs
- P Indirect costs paid by grants
- P Expenses recorded from in-kind donations of goods and services
- P Food service*
- P Child Care Center*
 - ★ Included on U1 or Y1 record (Direct Instructional Cost) only if the expenditures incurred are part of an instructional program or lab

FY2003 Unit Cost Manual

U1 or Y1 Record

DepartmentCode(Columns8-12)

Assignment of these codes for each PCS-CIP is optional but if the college is going to submit a U5 or Y5 record then it is required and must match.

U155501 **JOURN**1109040100000410000275000005900000815000106702000011478000000000

PCS-CIP Classification System(Columns 13-20)

Only one record should be submitted for each PCS-CIP code. No duplication unless different department codes are used.

U155501JOURN**11090401**00000410000275000005900000815000106702000011478000000000

InstructorFTE(Columns21-27)

Utilize the proportion of course credit hours taught in the PCS-CIP to the total course credit hours taught by the faculty member. Include one decimal position.

U155501JOURN11090401**0000041**0000275000005900000815000106702000011478000000000

FY2003 Unit Cost Manual

U1 or Y1 Record

Student Enrollments (Columns 28-34)

Total number of students enrolled at midterm.

U155501JOURN1109040100000410000275000005900000815000106702000011478000000000

Course Credit Hours (Columns 35-41)

All course credit hours, reimbursable and nonreimbursable, which are approved for credit by the ICCB.

U155501JOURN1109040100000410000275000005900000815000106702000011478000000000

Semester Credit Hours (Columns 42-49)

All reimbursable and nonreimbursable semester credit hours reported by PCS-CIP. For the Revised Unit Cost only hours generated with unrestricted sources of revenue should be reported.

U155501JOURN1109040100000410000275000005900000815000106702000011478000000000

FY2003 Unit Cost Manual

U1 or Y1 Record

DirectInstructionalSalary Costs (Columns 50-58)

The faculty members salary and benefits. This is a portion based on the fraction of instructor FTE assigned to the PCS-CIP.

U155501JOURN1109040100000410000275000005900000815000106702000011478000000000

DirectDepartmentalCosts (Columns 59-67)

All costs, other than direct faculty salary and benefits, that are directly assignable to instruction. Costs should be assigned to PCS-CIP based on the number of instructor FTE assigned.

U155501JOURN11090401000004100002750000059000008150001067020000114780000000000

DirectEquipmentCosts (Columns 68-76)

Costs assigned to the most appropriate PCS-CIP for which the equipment is used.

U155501JOURN1109040100000410000275000005900000815000106702000011478000000000

FY2003 Unit Cost Manual

U2 or Y2 Record

Academic Administration and Planning Costs by Subfunction (Lines 11-19)

Include activities specifically designed to provide administrative and management support to the instructional programs. Line 99 is the total of lines 11 through 19.

	<u>FTE</u>	<u>Salary</u>	<u>Dept.</u>	<u>Equip.</u>
U255501	11 0000070	001070052	000000000	000000000
U255501	12 0000030	000767961	000000000	000000000
U255501	14 0000000	000000000	000000000	000000000
U255501	16 0000000	000000000	000000000	000000000
U255501	17 0000000	000000000	000000000	000000000
U255501	18 0000000	000000000	000000000	000000000
U255501	19 0000000	000000000	000000000	000000000
U255501	99 0000100	001838013	000000000	000000000

Academic Administration and Planning - General (Line 20)

Costs that cannot be assigned to a specific instructional subfunction or instructional area code.

	<u>FTE</u>	<u>Salary</u>	<u>Dept.</u>	<u>Equip.</u>
U255501	20 0000050	000557450	001359590	000001790

FY2003 Unit Cost Manual

U2 or Y2 Record

Organized Research (Line 30)

Separately budgeted research projects, other than institutional research projects, whether supported by the college or by an outside person or agency.

	<u>FTE</u>	<u>Salary</u>	<u>Dept.</u>	<u>Equip.</u>
U255501	30 0000000	000000000	000000000	000000000

Public Service Costs (Line 40)

Consists of noncredit classes and other activities of an educational nature, such as workshops, seminars, forums, exhibits, and the provision of facilities and expertise to the community designed to be of service to the public.

	<u>FTE</u>	<u>Salary</u>	<u>Dept.</u>	<u>Equip.</u>
U255501	40 0001100	004213268	002132412	000195683

FY2003 Unit Cost Manual

U3 or Y3 Record

Academic Support (Line 01)

Services that provide support for the functions of instruction, organized research, and public service.

U355501 01 Skip 00 Salary 005532557 Dept. 001726231 Equip. 000127809

Student Services (Line 02)

Student service activities that expand the educational and social development, provide services and conveniences needed by the student, and assist students in dealing with problems.

U355501 02 Skip 00 Salary 008076270 Dept. 001094880 Equip. 000122280

Operations and Maintenance of Plant (Line 03)

Expenditures for housekeeping and maintenance activities necessary to keep the physical plant open and ready for use and the grounds, buildings, and equipment operating efficiently. This does not include expenditures for major building repair costs, this will be reported on Line 50 of the U3 record..

U355501 03 Skip 00 Salary 005658273 Dept. 004994222 Equip. 000210942

FY2003 Unit Cost Manual

U3 or Y3 Record

Institutional Support (Line 04)

Costs that benefit the entire college and are not assignable to a particular cost center.

U355501 04 Skip 01 1262911 Dept. 004290539 Equip. 002905534

Total (Line 10)

This is the total of lines 01 through 04.

U355501 10 Skip 030530011 Dept. 012105872 Equip. 003366565

Other Local Costs (Line 20)

Costs for chargeback and instructional contractual agreement costs paid to other community college districts.

U355501 20 Skip 000000000 Dept. 003165723 Equip. 000000000

Other External Costs (Line 30)

Costs for the federal share of college work/study expenditures which are reimbursed from the federal College Work/Study Program. For the Revised Unit Cost the costs for this line will all be zeros on the Y3 record.

U355501 30 Skip 000000000 Dept. 0000131634 Equip. 000000000

FY2003 Unit Cost Manual

U3 or Y3 Record

Building Depreciation Costs (Line 40)

Building depreciaton of the local share of permanent buildings. This amount should agree with the calculated depreciation reported on the Certificate of Chargeback Reimbursement.

U355501 40 Skip Salary Dept. Equip.
 000000000 001919945 000000000

Building Repairs, Renovations, and Remodeling Costs (Line 50)

Costs of major repairs, renovations, and remodeling which are locally funded and are not considered to be part of normal operation and maintenance of plant. For the Revised Unit Cost this line will all be zeros on the Y3 record unless unrestricted funds are used for projects.

U355501 50 Skip Salary Dept. Equip.
 000000000 001731626 000000000

Total(Line 60)

This is the total of lines 20 through 50.

U355501 60 Skip Salary Dept. Equip.
 000000000 006948928 000000000

FY2003 Unit Cost Manual

U4 or Y4 Record

The U4 or Y4 record is a summary of the various PCS categories included on the U1 or Y1 record. The totals should match the totals for the PCS codes from the U1 or Y1 record. Line 99 is the total of all codes.

	<u>Skip</u>	<u>Skip</u>	<u>FTE</u>	<u>Student</u>	<u>Course</u>	<u>Semester</u>	<u>Salary</u>	<u>Dept.</u>	<u>Equip.</u>
				<u>Enroll</u>	<u>Hours</u>	<u>Hours</u>			
U455501	<u>11</u>		0013340	0112158	0019756	00298132	020285143	004437882	000285160
U455501	<u>12</u>		0008622	0049507	0010232	00131859	014221820	003569096	000407101
U455501	<u>14</u>		0002035	0015536	0002761	00039915	002504118	000670427	000004421
U455501	<u>16</u>		0000148	0000812	0000248	00001369	000375566	000083465	000006062
U455501	<u>17</u>		0000154	0002675	0000328	00004893	000238197	000096408	000003869
U455501	<u>18</u>		0000257	0002103	0000399	00004178	000266472	000134991	000003737
U455501	<u>19</u>		0001101	0010029	0001330	00030819	001196431	000302171	000022950
U455501	<u>99</u>		0025657	0192820	0035054	00511165	039087747	009294440	000733300

FY2003 Unit Cost Manual

U5 or Y5 Record

The U5 or Y5 record is for unassigned direct instructional costs that includes those direct departmental and equipment costs which are defined in the U1 or Y1 record but cannot be assigned directly to PCS-CIP disciplines. If the college is submitting a U5 or Y5 record the department codes must match the department codes in the U1 or Y1 record. One record should be entered for each department code.

	<u>Dept.</u>	<u>Equip.</u>
U555501	SADN 000029654	000000499
U555501	SAG 000000551	000000000
U555501	SANP 000000375	000000000
U555501	SART 000003045	000000000
U555501	SAUTO 000023825	000036057
U555501	SBIOL 000004583	000000555
U555501	SBUS 000009562	000043792
U555501	SCHEM 000003909	000000000

Indirect Support Cost Allocation

Allocation of indirect Support Costs to the Instruction Function

$\frac{\text{Instructional FTE}}{\text{Total FTE}} \times \text{Total Costs for All Support Areas (U3 or Y3, Line 10)} = \text{Dollar Amount Allocated To Instruction Function}$

U35020110 030530011012105872003366565

$\frac{1,183}{1,293} \times (30,530,011 + 12,105,872 + 3,366,565) = 42,088,860$

Allocation of Indirect Support Costs to the Organized Research Function

$\frac{\text{Organized Research FTE}}{\text{Total FTE}} \times \text{Total Costs for All Support Areas (U3 or Y3, Line 10)} = \text{Dollar Amount Allocated To Org. Research Function}$

$\frac{0}{1,293} \times (30,530,011 + 12,105,872 + 3,366,565) = 0$

Allocation of Indirect Support Costs to the Public Service Function

$\frac{\text{Public Service FTE}}{\text{Total FTE}} \times \text{Total Costs for All Support Areas (U3 or Y3, Line 10)} = \text{Dollar Amount Allocated To Public Service Function}$

$\frac{110}{1,293} \times (30,530,011 + 12,105,872 + 3,366,565) = 3,913,588$

Unit Cost Example 1

BIO 101 a 4 credit hour course with 10 students.

The faculty has an annual salary (includes benefits) of \$50,000 and a total load of 30 hours.
For this PCS/CIP

Annual Salary Cost = \$50,000

Annual Dept. Cost = \$20,000 with FTE of 5

Annual Equip. Cost - \$10,000

55% of faculty salary costs and other course costs are paid from unrestricted funds.

REVISED

Instructor FTE = $4/30 * .55 = .073$

Students Enrolled = 10

Course Credit Hours = 4

Student Semester Credit Hours = 40

Salary Costs = $\$50,000 * .073 = \$3,650$

Department Costs = $(\$20,000 * .073)/5 = \292

Equipment Costs = $(\$10,000 * .073)/5 = \146

Total Costs = \$4,088

TRADITIONAL

Instructor FTE = $4/30 = .13$

Students Enrolled = 10

Course Credit Hours = 4

Student Semester Credit Hours = 40

Salary Costs = $\$50,000 * .13 = \$6,500$

Department Costs = $(\$20,000 * .13)/5 = \520

Equipment Costs = $(\$10,000 * .13)/5 = \260

Total Costs = \$7,280

Unit Cost Example 2

BIO 101 a 4 credit hour course with 10 students.

The faculty has an annual salary (includes benefits) of \$50,000 and a total load of 30 hours.

For this PCS/CIP

Annual Salary Cost = \$50,000

Annual Dept. Cost = \$20,000 with FTE of 5

Annual Equip. Cost - \$10,000

45% of faculty salary costs and other course costs are paid from unrestricted funds.

REVISED

Instructor FTE = $4/30 \times .45 = .06$

Students Enrolled = 10

Course Credit Hours = 4

Student Semester Credit Hours = 0

Salary Costs = $\$50,000 \times .06 = \$3,000$

Department Costs = $(\$20,000 \times .06)/5 = \240

Equipment Costs = $(\$10,000 \times .06)/5 = \120

Total Costs = \$3,360

TRADITIONAL

Instructor FTE = $4/30 = .13 = .1$

Students Enrolled = 10

Course Credit Hours = 4

Student Semester Credit Hours = 40

Salary Costs = $\$50,000 \times .13 = \$6,500$

Department Costs = $(\$20,000 \times .13)/5 = \520

Equipment Costs = $(\$10,000 \times .13)/5 = \260

Total Costs = \$7,280

Unit Cost Example 3

BIO 101 a 4 credit hour course with 10 students.

The faculty has an annual salary of \$50,000 and a total load of 30 hours.

*Cost of this class include:

Salary Cost (semester's salary) = $\$50,000 * 4/30 = \$6,667$

Annual Dept. Cost = \$20,000 Course share of this cost = \$500

Annual Equip. Cost = \$10,000 Course share of this cost = \$1,000

Total course cost = \$8,167 (100% unrestricted funds as source of costs)

*Costs paid from unrestricted funds

REVISED and TRADITIONAL METHOD

Instructor FTE = .1

Students Enrolled = 10

Course Credit Hours = 4

Student Semester Credit Hours = 40

Salary Costs = \$6,667

Department Costs = \$500

Equipment Costs = \$1,000

Unit Cost Example 4

BIO 101 a 4 credit hour course with 10 students.

The faculty has an annual salary of \$50,000 and a total load of 30 hours.

Cost of this class include:

*Salary Cost (semester's salary) = $\$50,000 \times 4/30 = \$6,667$

Annual Dept. Cost = \$20,000 Course share of this cost = \$500 (specifically identified by the college)

Annual Equip. Cost - \$10,000 Course share of this cost = \$1,000 (specifically identified by the college)

Total course cost = \$8,167 (81.6% of costs supported with restricted funds and 18.4% of costs supported with unrestricted funds)

*Costs paid from restricted funds

REVISED

Instructor FTE = .13

Students Enrolled = 10

Course Credit Hours = 4

Student Semester Credit Hours = 0

Salary Costs = 0

Department Costs = \$500

Equipment Costs = \$1,000

Total Costs = \$1,500

TRADITIONAL

Instructor FTE = .1

Students Enrolled = 10

Course Credit Hours = 4

Student Semester Credit Hours = 40

Salary Costs = \$6,667

Department Costs = \$500

Equipment Costs = \$1,000

Total Costs = \$8,167

Additions to the S3 Submission Process

Beginning August 1, 2003, the Illinois Community College Board (ICCB) will be collecting two additional credit hour claim submissions, the SU and SR per semester. One submission will contain only the credit hours that are being funded from unrestricted monies (SU submission). The other submission will contain only the credit hours that are being funded from restricted monies (SR submission). Unrestricted monies are those funds and grant awards which have no expenditure requirements associated with them. These funds are available to be used for any purpose. Restricted monies are those funds and grant awards which have expenditure limitations/requirements imposed by the grantor and are intended to be used for a specific purpose.

The layout and record format will remain the same as used in the S3 submission process. The additions involve breaking out the credit hours associated with courses into those that are paid with 50% or more unrestricted funds and those that are paid with 50% or more restricted funds. Courses supported with exactly 50% shall be reported as institutional unrestricted (SU) records. This involves two additional submissions, the SU and the SR. In order to provide accurate reporting, you will need to identify the source of funds used to pay the costs of offering classes.

Specific naming conventions will be used for these two additional submissions. The unrestricted credit hour submission will be named as SUDDDCCT.FY. The restricted credit hour submission will be named as SRDDDCCT.FY. The S3 submission will continue to use its current naming convention.

The college will need to resubmit all semesters of Fiscal Year 2003 credit hour data using these two formats by August 1, 2003 with final certification by September 1, 2003. Due to the timing of these additions, the college may also need to resubmit their summer Fiscal Year 2004 credit hour data.

The additional methods will be submitted to the ICCB along with the current S3 method. These methods are being done to correspond with the change in the funding formula as recommended by the Community College Funding Study TaskForce. The submissions are also necessary to calculate the hold harmless amount that will be needed for fiscal years 2005 and 2006.

SU and SR Review

SU Submission - Contains the credit hours associated with courses that are paid with 50% or more from unrestricted funds.

SR Submission - Contains the credit hours associated with courses that are paid with 50% or more from restricted funds.

Naming Conventions

SU - SUDDDCCT.FY

SR - SRDDDCCT.FY

Possible FY2003 Reporting Implementation

Given,

- 1) $SU + SR = S3$
- 2) Identify credit hours funded by course section with 50% or more restricted funds.
 - 2a) Eliminate restricted supported credit hours from the original S3 reporting to create an SU submission ($S3 - SR = SU$)
- 3) Identify credit hours funded by course section with 50% or more unrestricted funds.
 - 3a) Eliminate unrestricted supported credit hours from the original S3 reporting to create an SR submission ($S3 - SU = SR$)