Exploring Community College Return on Investment Approaches & Introduction to the NCII/JFF Guided Pathways ROI Model

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Agenda

- Fiscal Considerations of Innovative Approaches – The Thinking Behind the Model
- Exploring the Approach
- Demonstrating the Excel Model
- Final Thoughts

Part 1:
Fiscal Considerations of Innovative Approaches

Fiscal Approaches to Consider

1. Cost analysis
2. Cost effectiveness / ROI
3. Cost efficiency / Cost per Completer
4. Cost reductions per student
5. Wage gains per student
6. Economic impact for communities

1. Cost Analysis Approaches

- An analysis of what it costs to "do things differently" vs. the traditional model
- Can include costs such as:
  - incremental salaries
  - release time for faculty
  - stipends
  - IR support
  - tutors
  - travel
  - supplies
  - facilities*
- Note: colleges are often good at identifying incremental costs…

2. Cost Effectiveness / ROI Approaches

- An investigation of not only the incremental costs to the college but also the potential for incremental revenue that may be generated at the college to offset costs
- Also referred to as return-on-investment or ROI analyses
- Fairly uncommon in higher ed until recently
- Challenges of differential costs / returns by programs, interdependency with level of efficiency of college / departments, enrollment caps, state funding questions

3. Cost Efficiency Approaches

- An analysis of the effect of the program and its incremental costs on key outcomes such as completion, transfer or graduation
- Also called “cost per graduate”, “cost per transfer”, “cost per completer”, etc.
- Good when accountability calls for improvement in key outcomes – or determines incremental funding by them
- Challenge that incremental costs still may go up, even when cost per completer goes down

4. Cost Savings Per Student

- As colleges become more efficient at creating structures that enable students to finish their degrees more quickly, there are direct cost savings for the student, including:
  - Tuition savings
  - Books cost per semester

5. Wage Gains for Students

- As more students finish degrees, the college's net return on wage gains for their students will increase
  - As this is starting to be emphasized / measured, colleges are very likely to have key performance indicators / accountability measures based on such outcomes
- Also, as an individual student finishes more quickly, she will experience the increased wages that a completion grants them earlier, producing a net wage gain for the student.

6. Economic Impact to Community

- With more students getting credentials / degrees / completions, the local, state, and national economies are catalyzed
- Challenge is that this often hard to estimate, but important to call out as a fiscal impact of innovative programs that produce higher completion rates

Summary

- Numerous ways to estimate the fiscal impact of innovative programs on colleges and students
- ROI analyses best for estimating net revenue impact to colleges
- NCII has developed ROI models focused on developmental education reform, student financial stability reform, accelerating opportunity and more recently guided pathways (unreleased until now)

Fiscal Approaches to Consider

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Part 2: Demonstrating a ROI Approach for Guided Pathways

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Traditional CC Economic Reality

- Community Colleges and Four-Year Colleges are set up to think in terms of fiscal periods (usually fiscal years)

- Simplistically, this year's salaries, fixed costs, & variable costs seemingly need to be offset by this year's revenues from tuition, FTES apportionment, and other sources of revenue

A Different (?) Way of Thinking

- As has become common in industry, we could think about deviating from our “traditional” model toward a return-on-investment (ROI) approach

- Under this approach, we use our “traditional” model as the baseline for costs and revenue

Incremental Costs

- We first account for the additional costs associated with guided pathways-related reforms. Examples could include:
  - Incremental salaried personnel such as advisors, completion coaches, or career coaches
  - Incremental hourly personnel costs such as supplemental instruction or tutoring
  - Technology fees / services
  - Professional development
- Note: We are quite good at assigning incremental costs and referring to something as "too expensive"!

The Flip Side – Incremental Revenue

- Successful approaches – if they “work” - have the following outcomes:
  - Increased course retention
  - Increased course success rates
  - Increased persistence
  - Increased progression to college-level work
  - Increase in overall units attempted / earned

What is the coin of the realm?

- FTES = Tuition & Apportionment
- As an example, at a college we worked with in Illinois, an FTES generated $2,000 in apportionment revenue and $2,760 in tuition revenue
- In most states, colleges keep tuition and receive incremental apportionment revenue per FTES, but there are exceptions (e.g. CA, NC – tuition not kept, KS, KY – block grants for apportionment).
- The incremental FTES apportionment and/or tuition generated in successful guided pathways approaches can, in many cases, offset the incremental costs

Incremental FTES $$$ Not Without Costs

- Instructional costs for students who are retained and progress – may require adding additional sections
  - ✓ May fill non-full classrooms especially in large GE courses
- Overhead / infrastructure costs – establishing exact figures is very complex; in discussions with CBOs and CEOs we estimate a range of 40%-70% "profit" from incremental FTES
- Model allows you to adjust the "profit margin" on incremental FTES
  - ✓ We set it at 55% after discussions with those familiar with the economics of community colleges

What the Model Doesn't Do

- This is not a sophisticated economic model
- It doesn't take into account economics concepts such as net present value (NPV), economic rates of return (IRR), discounting, etc.
- Ultimately, it is designed to be an order of magnitude demonstration and to <u>start</u> conversations on your campus (not end them)!

Part 4:
Exploring the Model

Part 5:
Final Thoughts

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Summary

- Numerous ways to estimate the fiscal impact of innovative programs on colleges and students
- ROI analyses best for estimating net revenue impact to colleges
- The ROI model developed for this project will be released shortly and available for you to use
  - Accompanying the ROI model in Excel will be a 3-page Model Overview document and a 2-page Model Instructions document

Find Out More

- **The National Center for Inquiry & Improvement website**

  www.ncii-improve.com

- **Dr. Rob Johnstone, Founder & President**

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