



GRAY
DECISION INTELLIGENCE

Program Economics

Benchmarking: Why Does it Matter?



September 10, 2024

Why does benchmarking matter?

Institutions are struggling with enrollment declines and budget pressures.

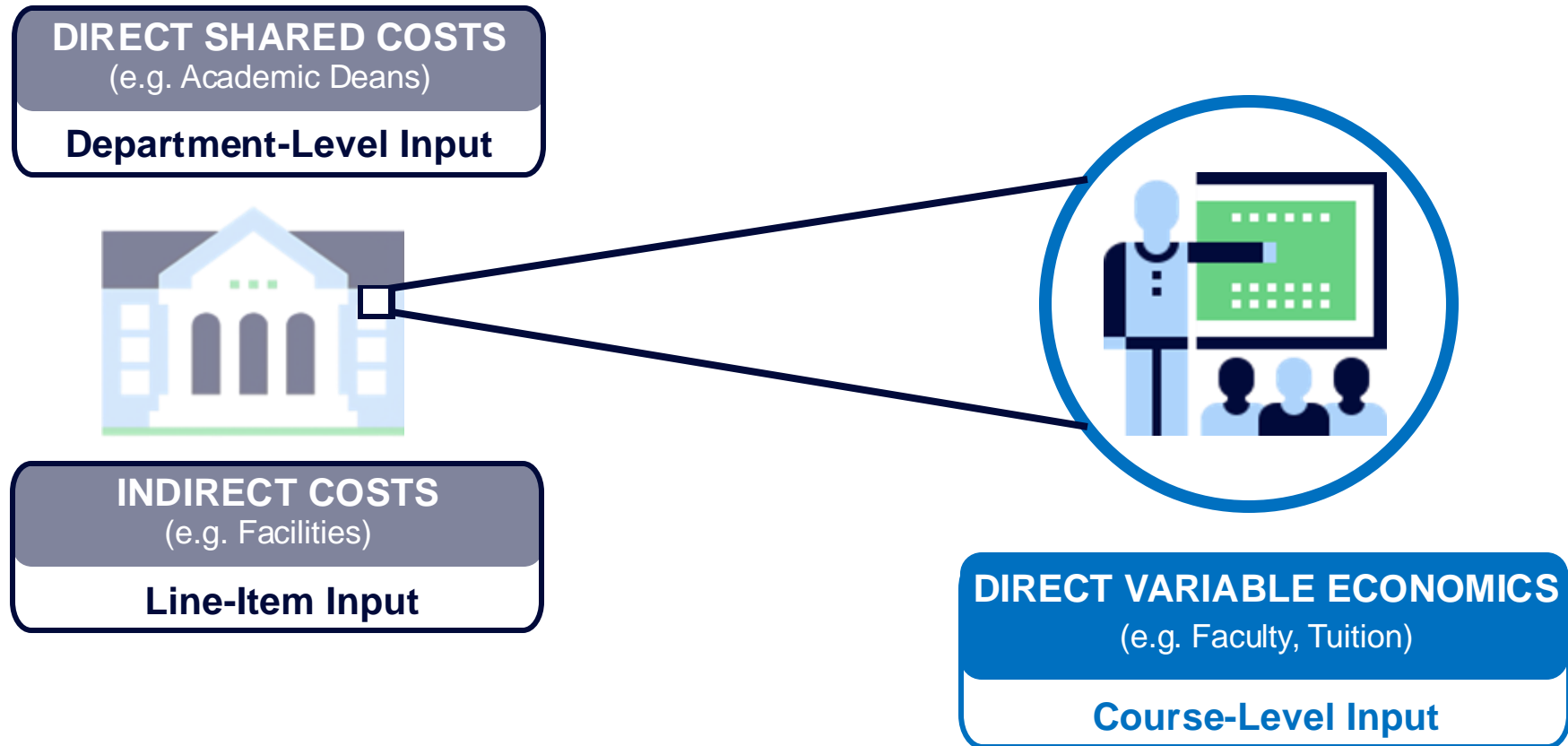
Benchmarking is a tool that allows institutions to make faster data-informed decisions.

It helps to precisely manage an institution's costs, revenue, and financial vitality.

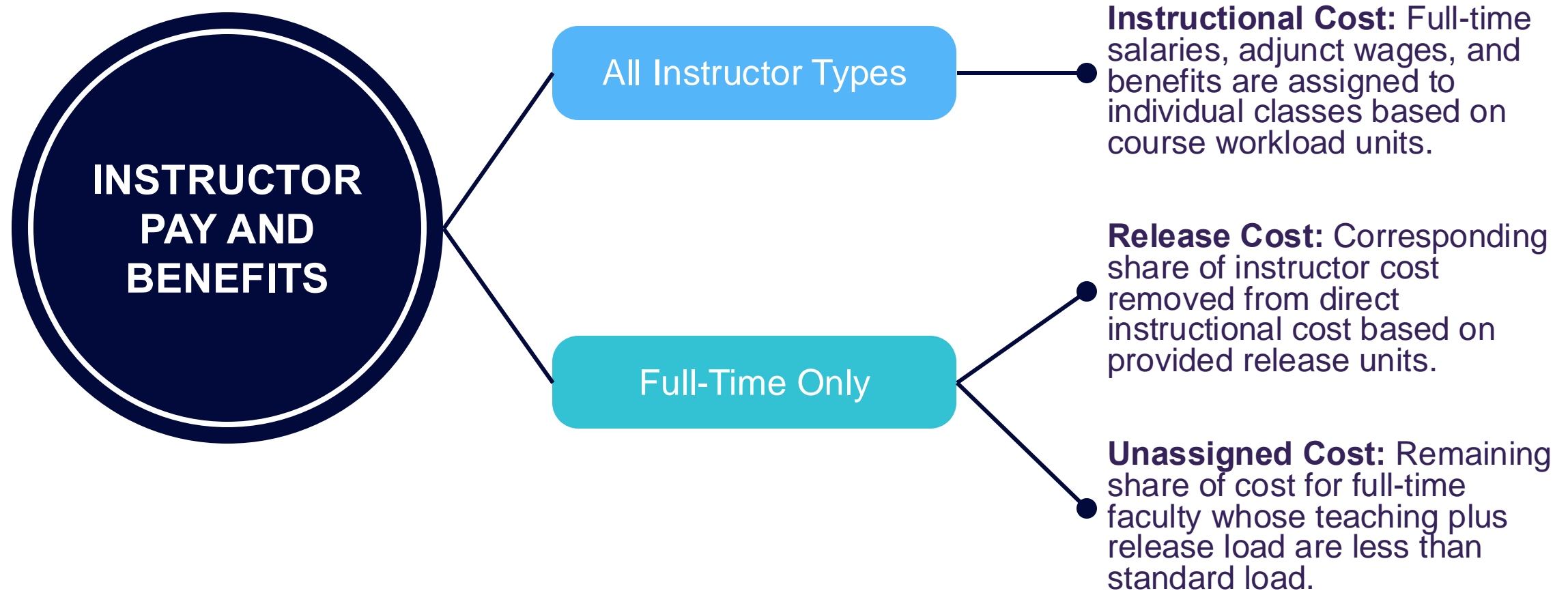
Use this data to:

- Compare your efficiency to peers
- Identify opportunities to improve efficiency
- Identify areas that are under-resourced

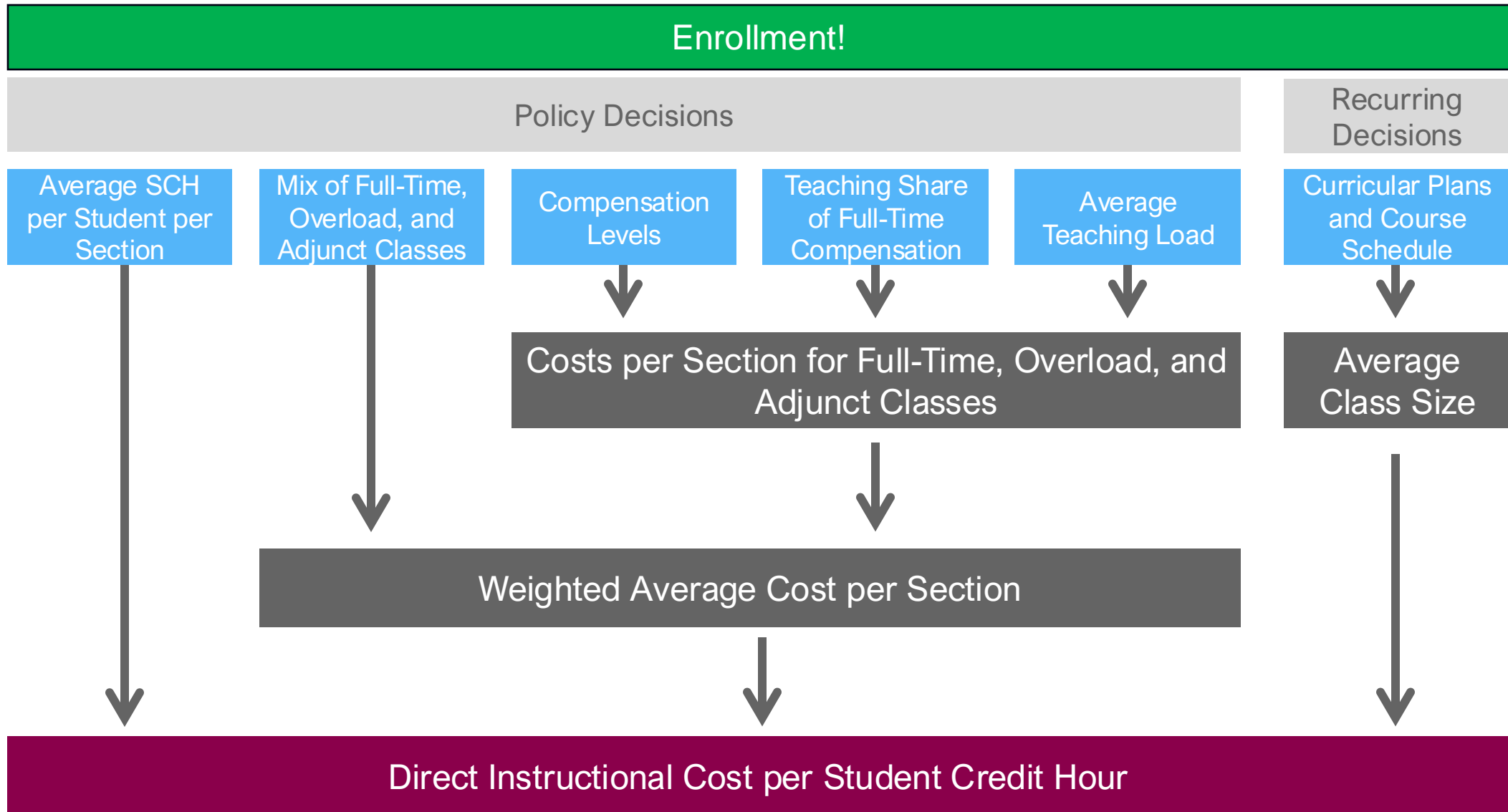
Program economics focus on direct variable economics: the revenue and costs associated with classroom instruction.



Instructor pay and benefits are assigned to the courses they teach based on workload units.



What Drives Cost per Student Credit Hour?



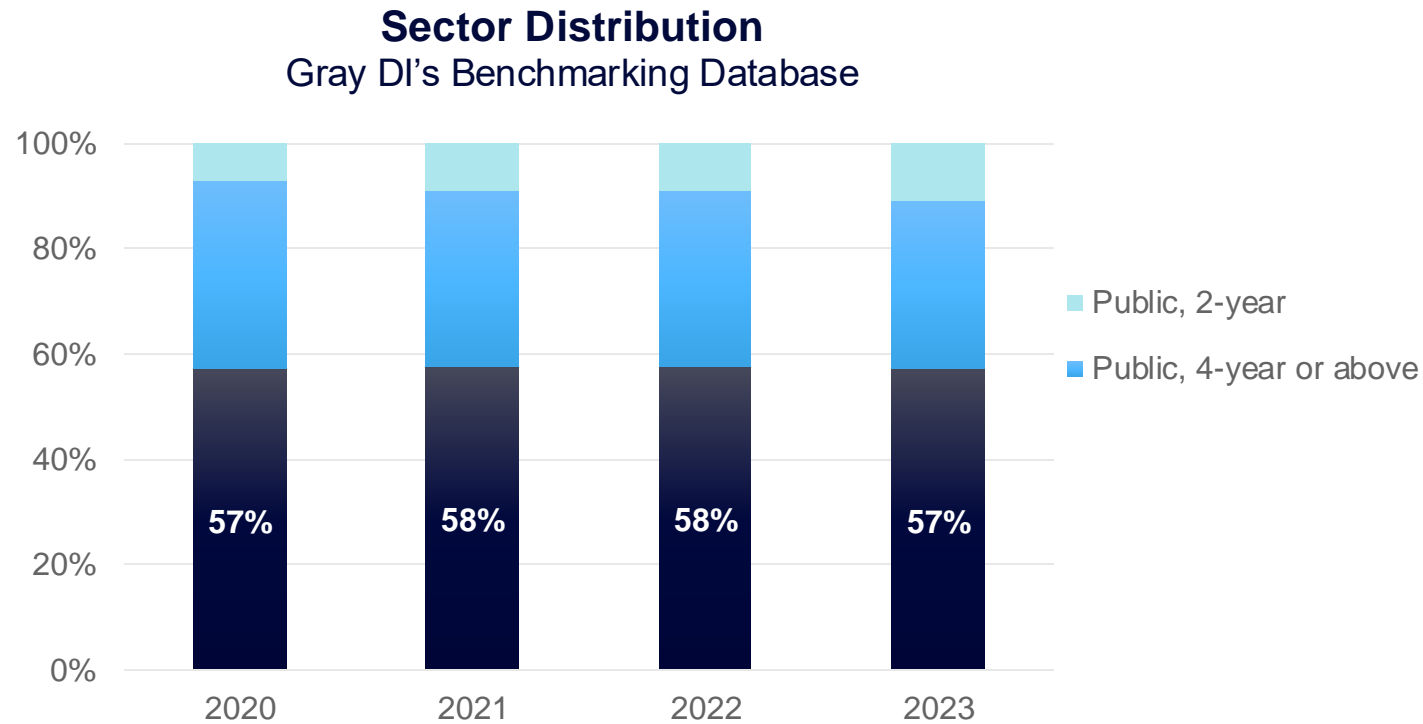
Lowering Cost per Student Credit Hour

Cost per SCH can be lowered by decreasing instructional cost or increasing student credit hours.



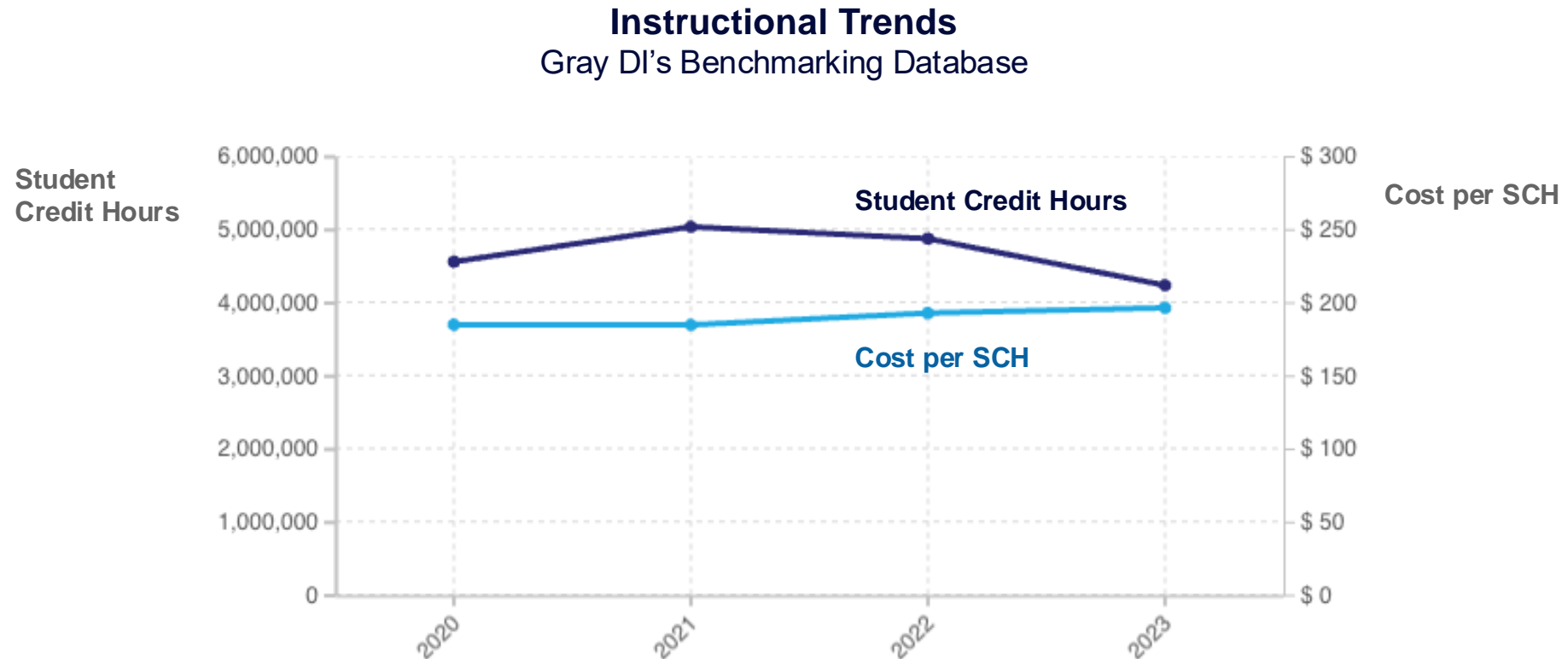
Our benchmarking database is majority private not-for-profit institutions.

Disclaimer: The data provided in this presentation accurately represent reality but do not reflect precise values to respect the privacy of the institutions who anonymously participate in the benchmarking database, including the exemplar institution.



Institutions have been unable to respond quickly enough to a downward trend in student credit hours.

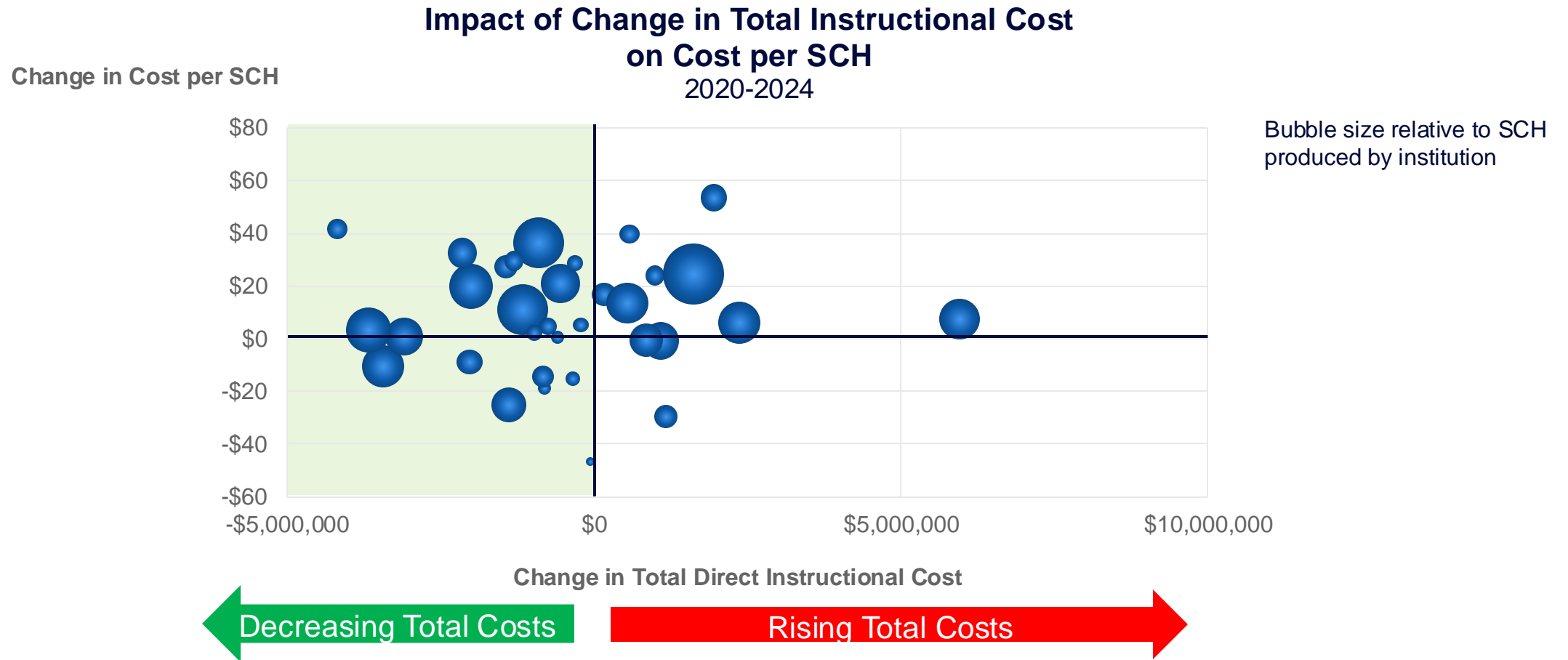
- Student credit hour production dropped by 7%.
- Cost per student credit hour (SCH) rose by 6%.



Change in Total Instructional Cost

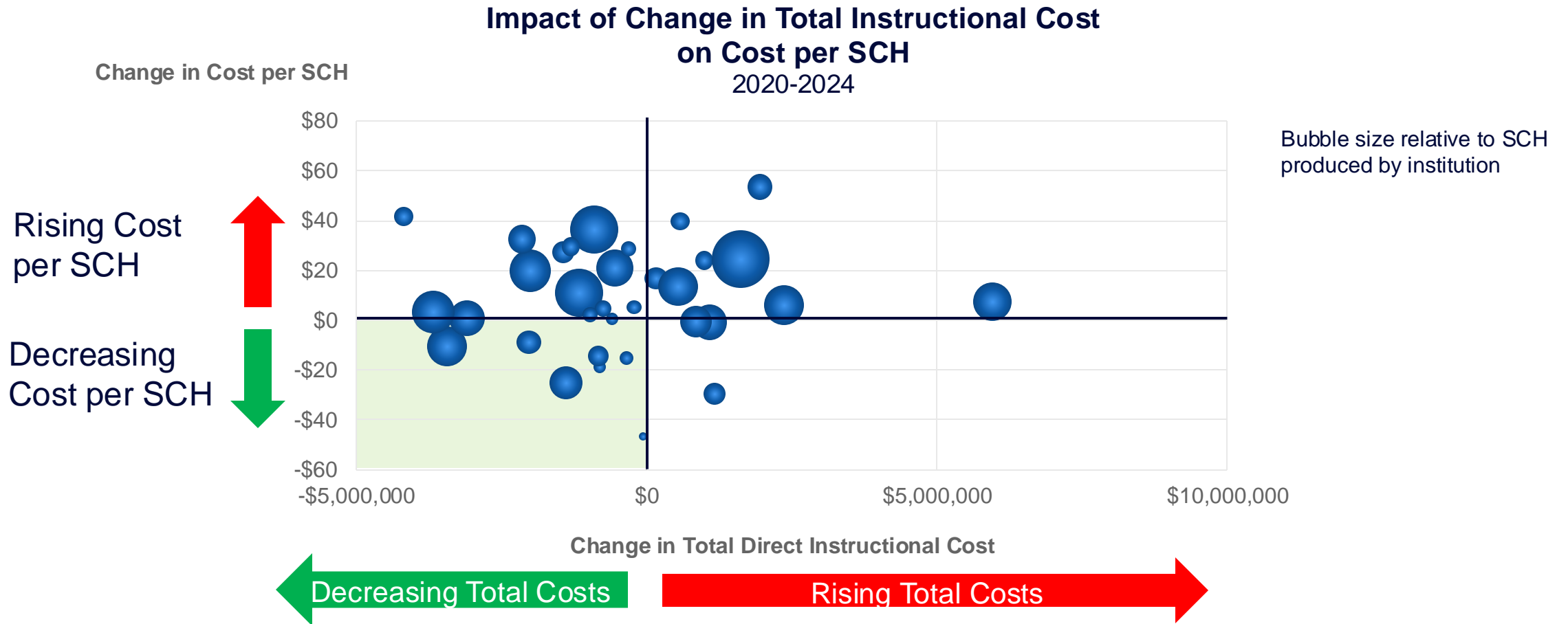
Over the past four years, two-thirds of benchmarking institutions decreased total direct instructional cost.

- This is the total dollar amount associated with courses taught.



Cost-Cutting: Effects on Cost per SCH

Of those that lowered total instructional cost, only 41% were also able to decrease cost per SCH.

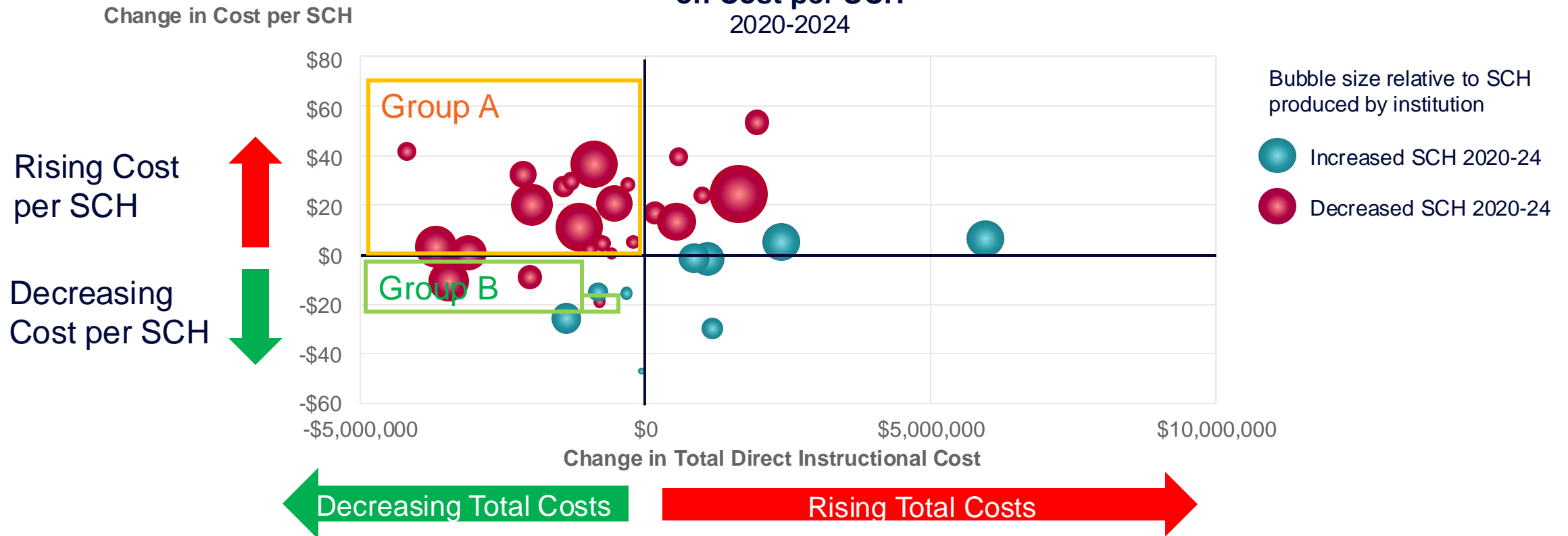


Cost-Cutting: Is it Enough?

The decline in SCH production outpaced cost-cutting at most institutions.

- Group A: Did not decrease total cost fast enough to offset the decline in SCH.
- Group B: Decreased total cost enough to offset the decline in SCH.

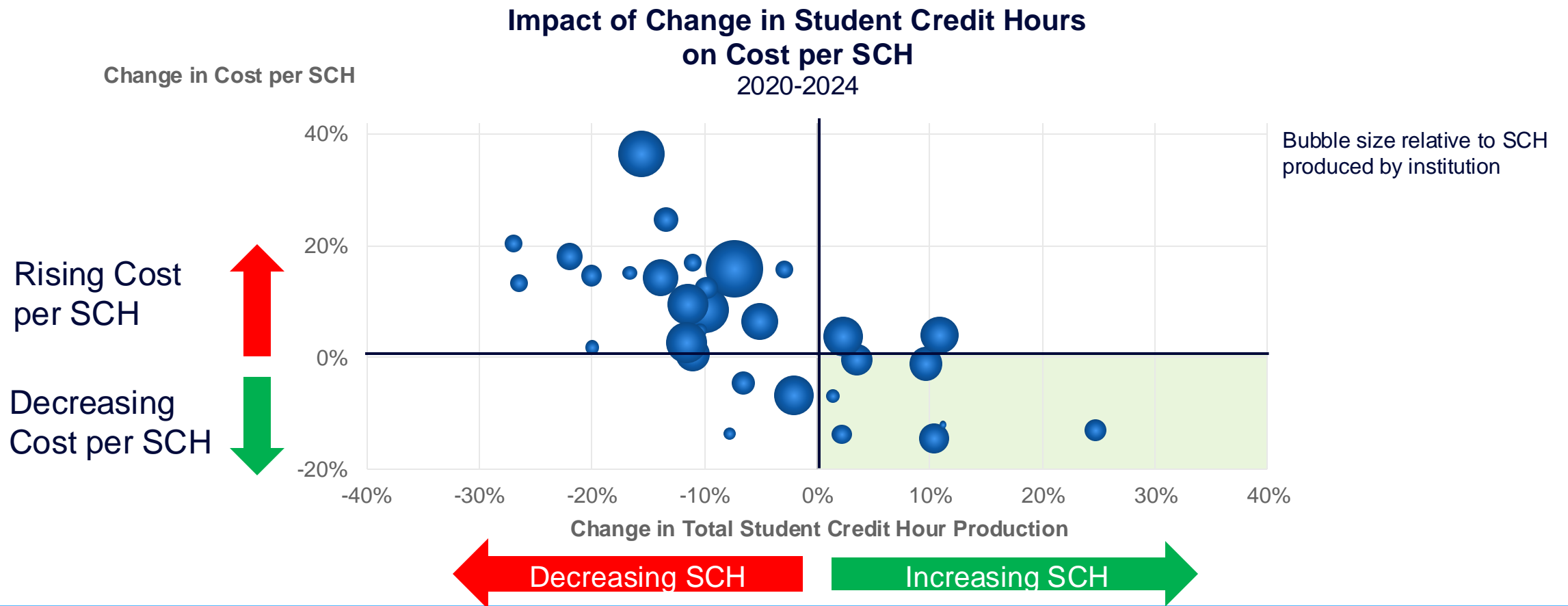
Impact of Change in Total Instructional Cost
on Cost per SCH
2020-2024



Credit Hour Production: Effects on Cost per SCH

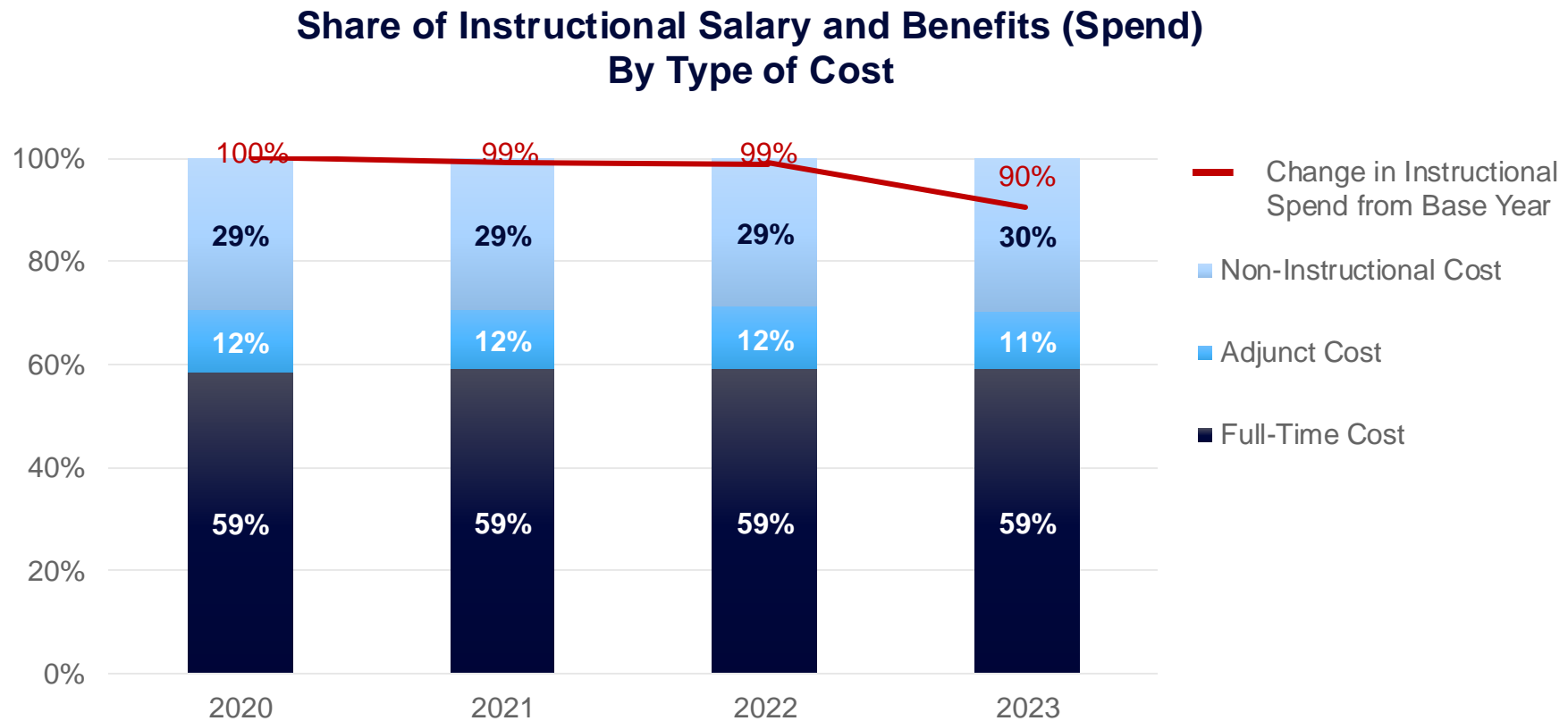
78% of benchmarking institutions that increased SCH production also decreased their cost per SCH.

- Only 13% of benchmarking institutions that decreased SCH production also decreased their cost per SCH.



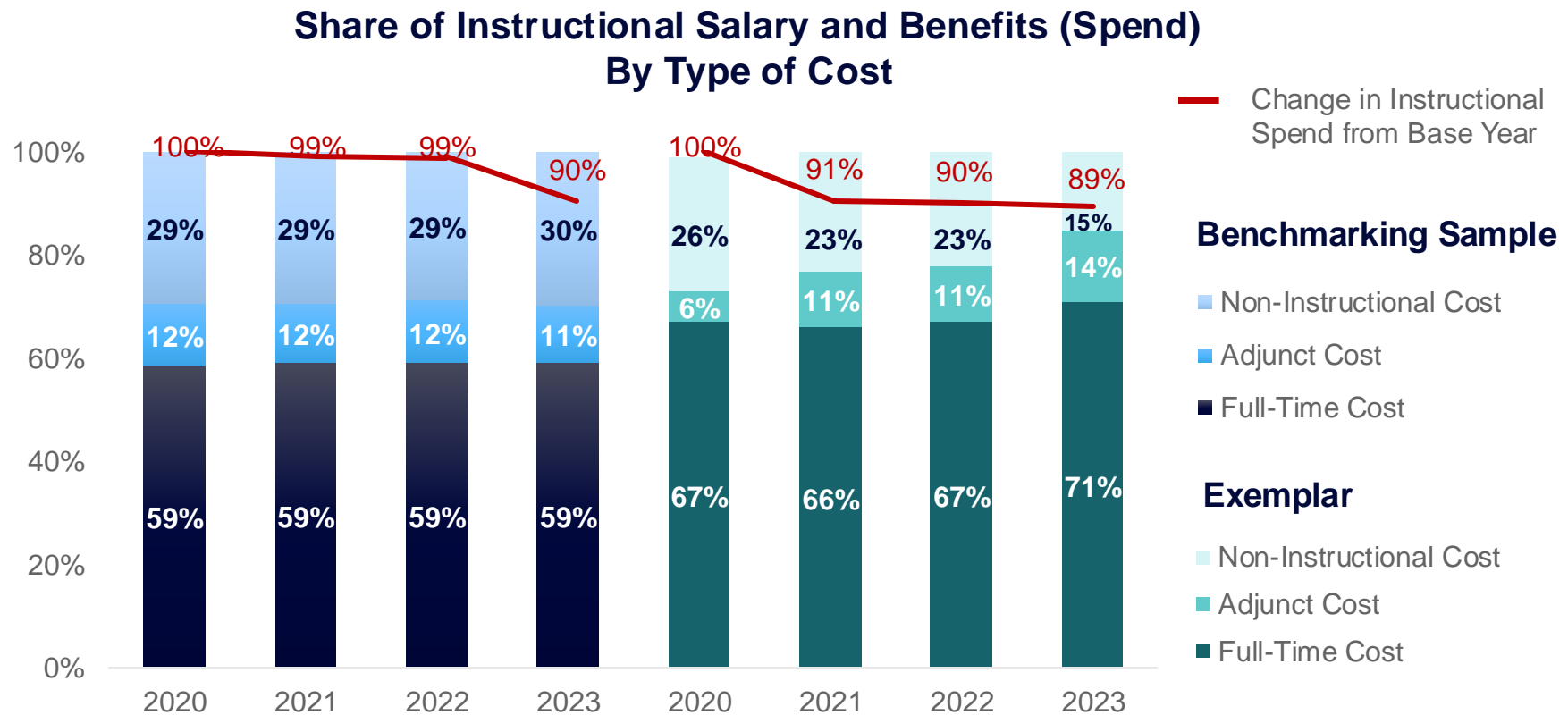
Across benchmarking institutions, 29% of full-time instructors' salary and benefits are spent outside of the classroom.

- Even with a 10% decline in total spend, the share of salary and benefits attributed to direct instructional cost has remained constant.



Our exemplar institution also reduced total instructional spend by 10% – and decreased full-time non-instructional cost from 26% to 15%.

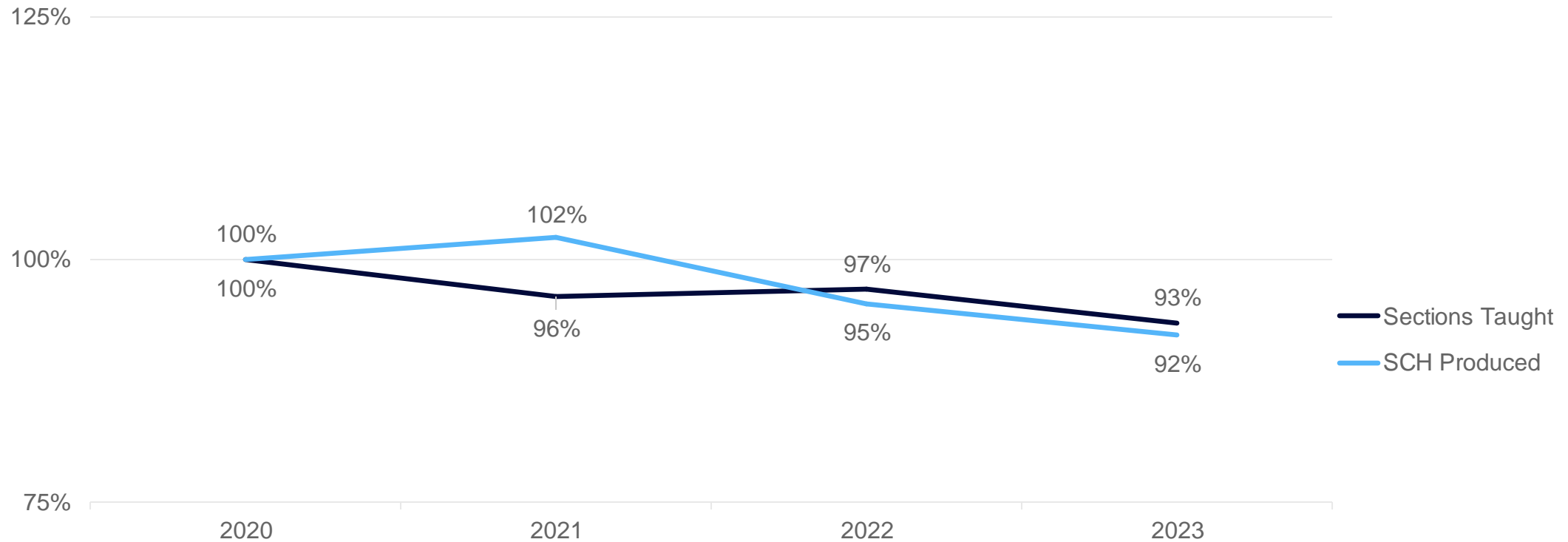
- More full-time cost was attributed to instruction, leading to the increase in direct instructional cost.



Successful management of cost per SCH requires consistent attention and ongoing action.

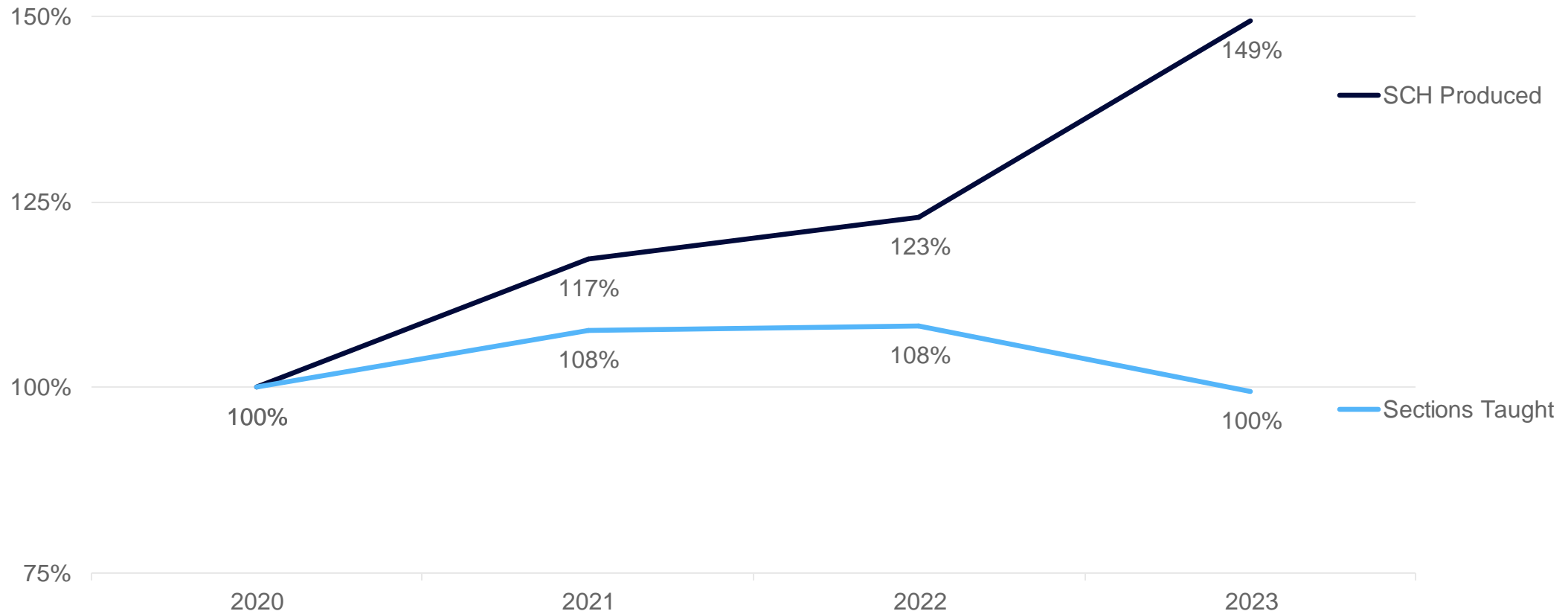
- Managing the number of sections taught to match changes in enrollment is difficult.

Change in Sections Taught and SCH Produced from Base
Gray DI's Benchmarking Database



Benchmarking quickly identifies areas of opportunity by comparing cost per SCH to peers.

Change in Sections Taught and SCH Produced from Base
Gray DI's Exemplar

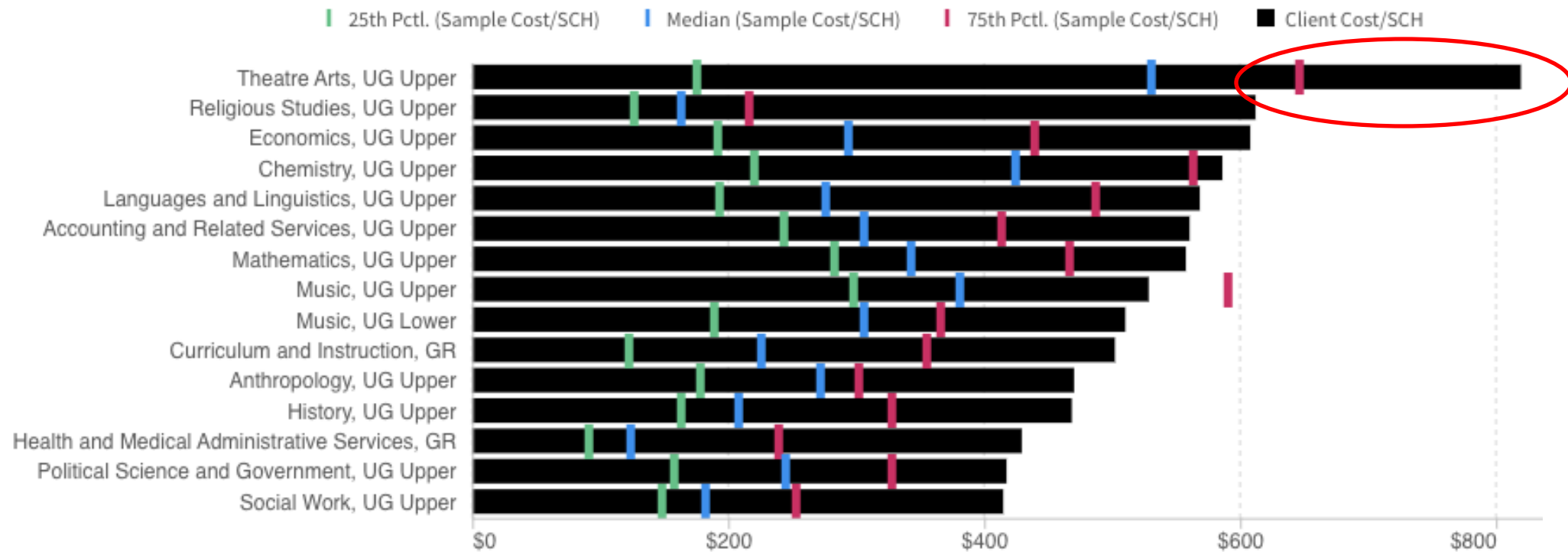


1. Identify Areas of Opportunity

Benchmarking data identifies areas where your cost per SCH is significantly higher than your peers.

- In the base year, the exemplar institution's cost per SCH is higher than the 75th percentile of peers in all but one area.

Exemplar vs. Benchmark: Course Subject and Level

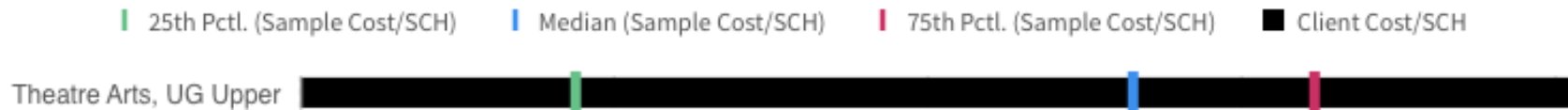


2. Identify Possible Actions to Take

Actions to improve cost per SCH can include:

- Changing course scheduling to increase section sizes
- Increasing full-time teaching loads
- Reducing faculty headcounts
- Increasing the mix of lower-cost sections

In the case of the exemplar institution, a *dramatic* decline in SCH lead to the decision to stop offering upper-level undergraduate courses in Theatre Arts.

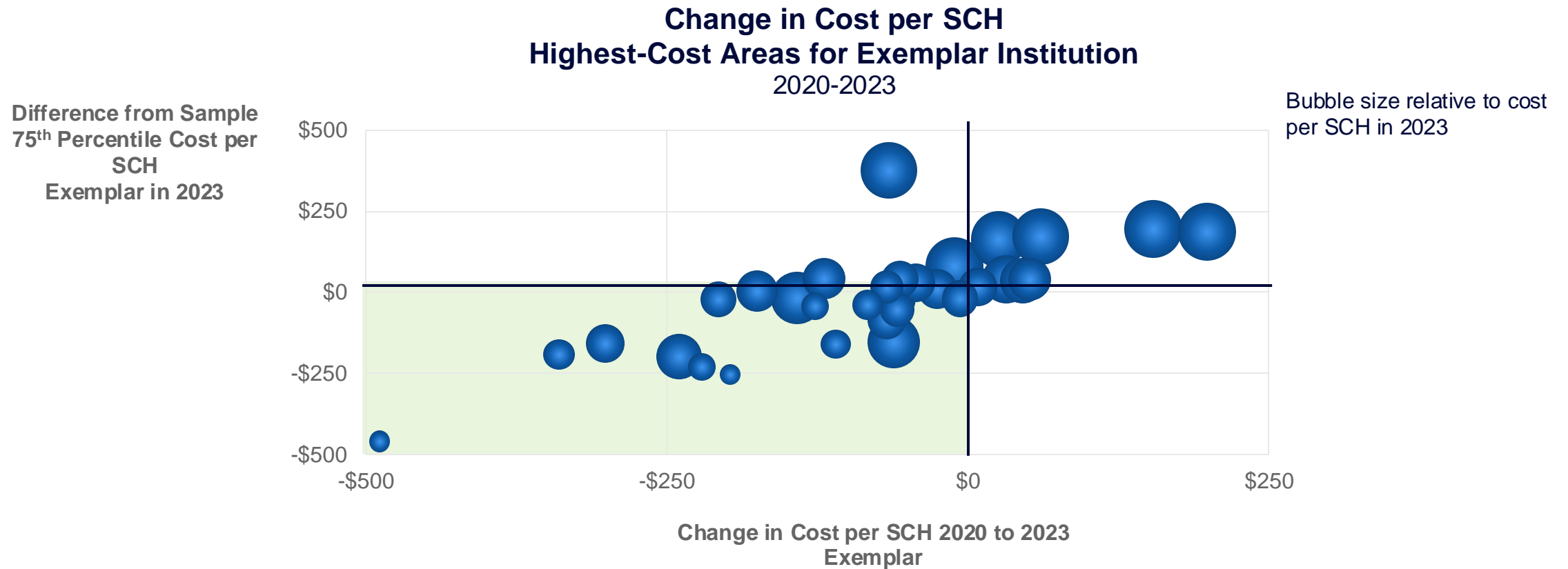


Year	SCH
2017	101
2018	63
2019	92
2020	55
2021	11
2022	2

3. Lather, Rinse, and Repeat

Continuous management of cost per SCH is key to maintain financial vitality.

- While the exemplar was able to lower the cost per SCH in 76% of their highest-cost areas, there is still room for improvement in high-cost areas.

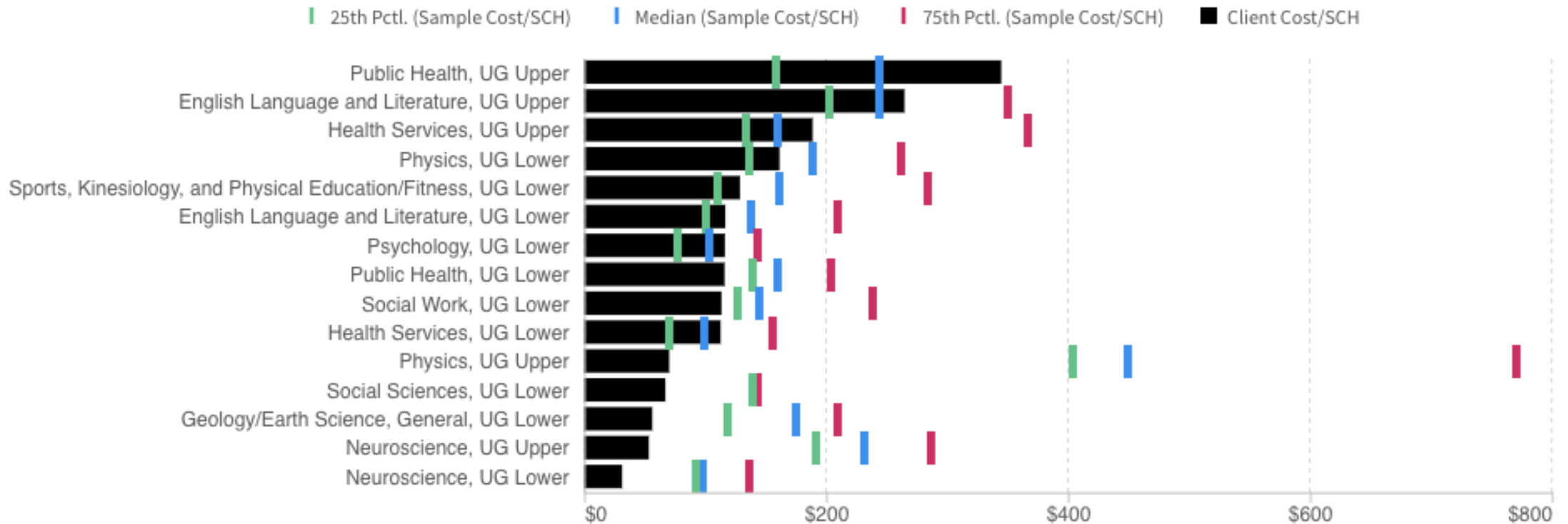


4. Don't Forget Growth!

Benchmarking can identify areas that may be under-resourced, too.

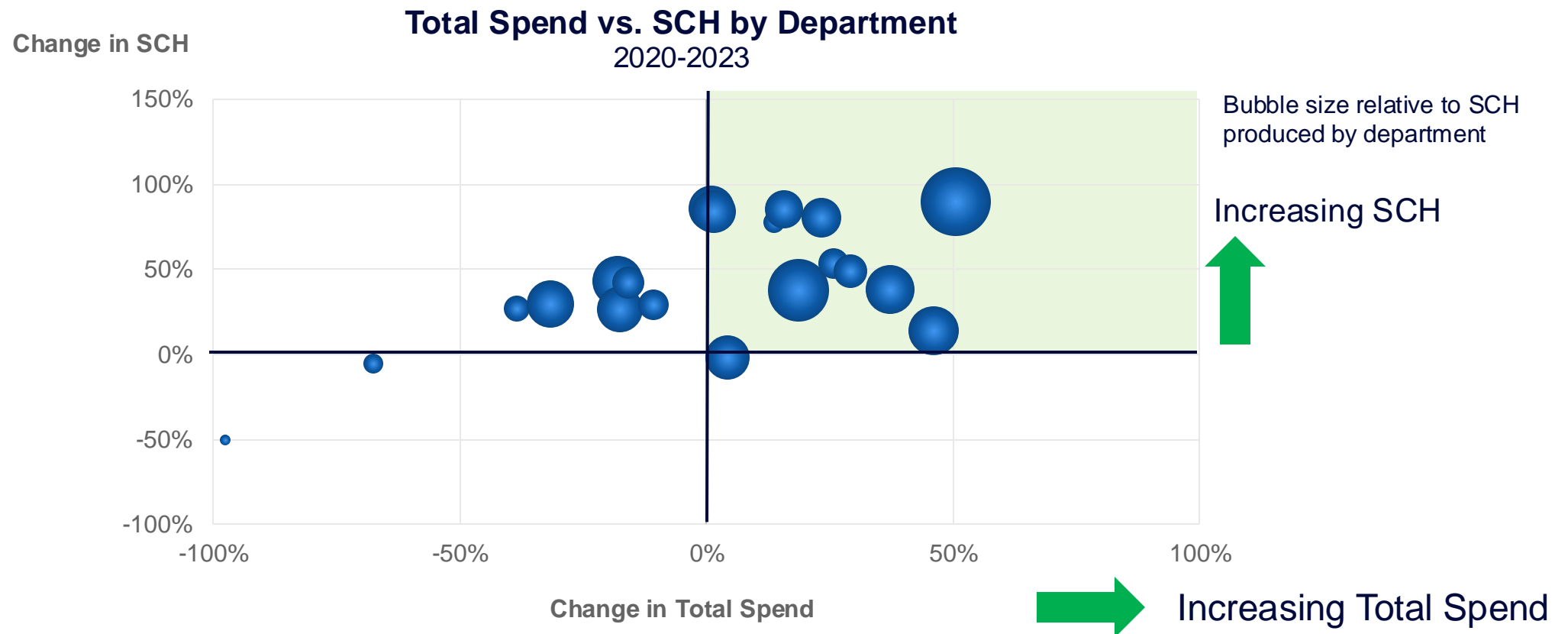
- The exemplar institution is below the 25th percentile cost per SCH of peers in many areas.

Exemplar vs. Benchmark: Course Subject and Level



The exemplar institution took growth seriously, investing in areas with growing student demand.

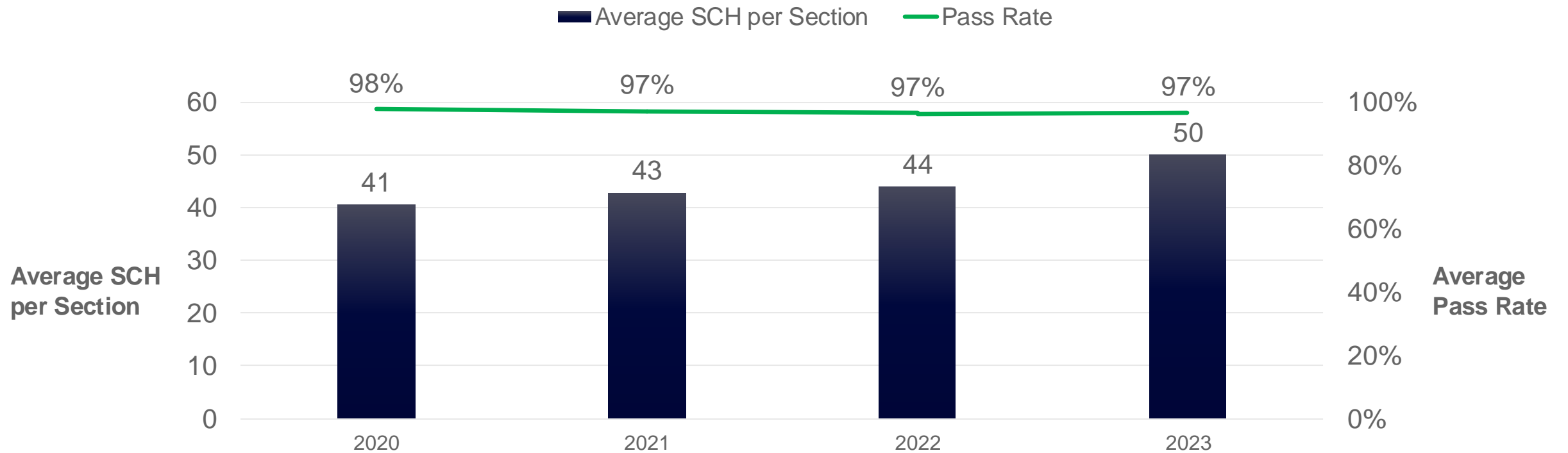
- The institution also de-invested from shrinking content areas.



Success: Maintaining Student Achievement

The exemplar institution decreased instructional spend, increased the average SCH per section, and maintained a consistent pass rate.

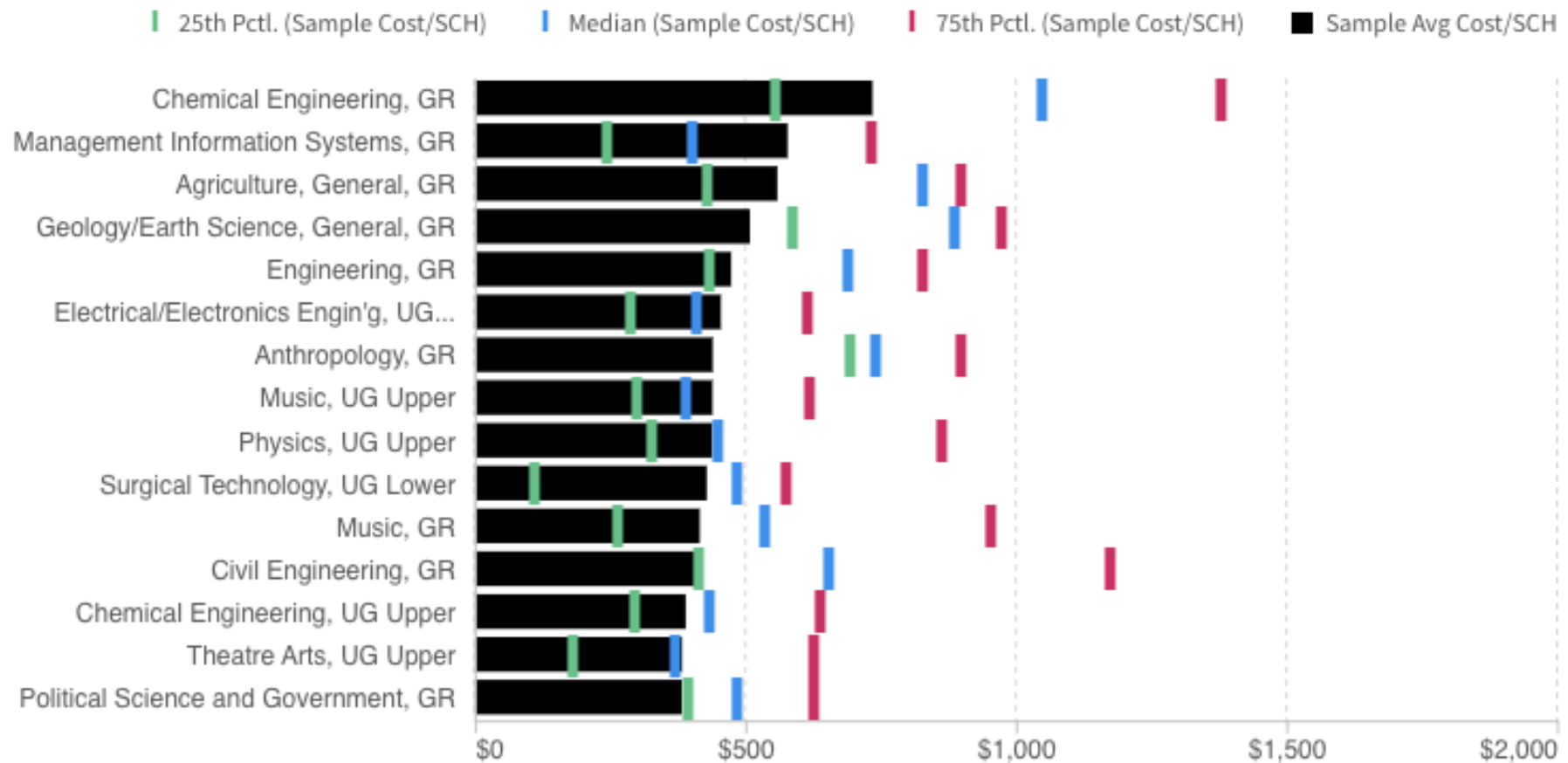
Efficiency Impact on Student Achievement



Fast Facts: Highest Cost per SCH Courses

The highest-cost area is graduate chemical engineering.

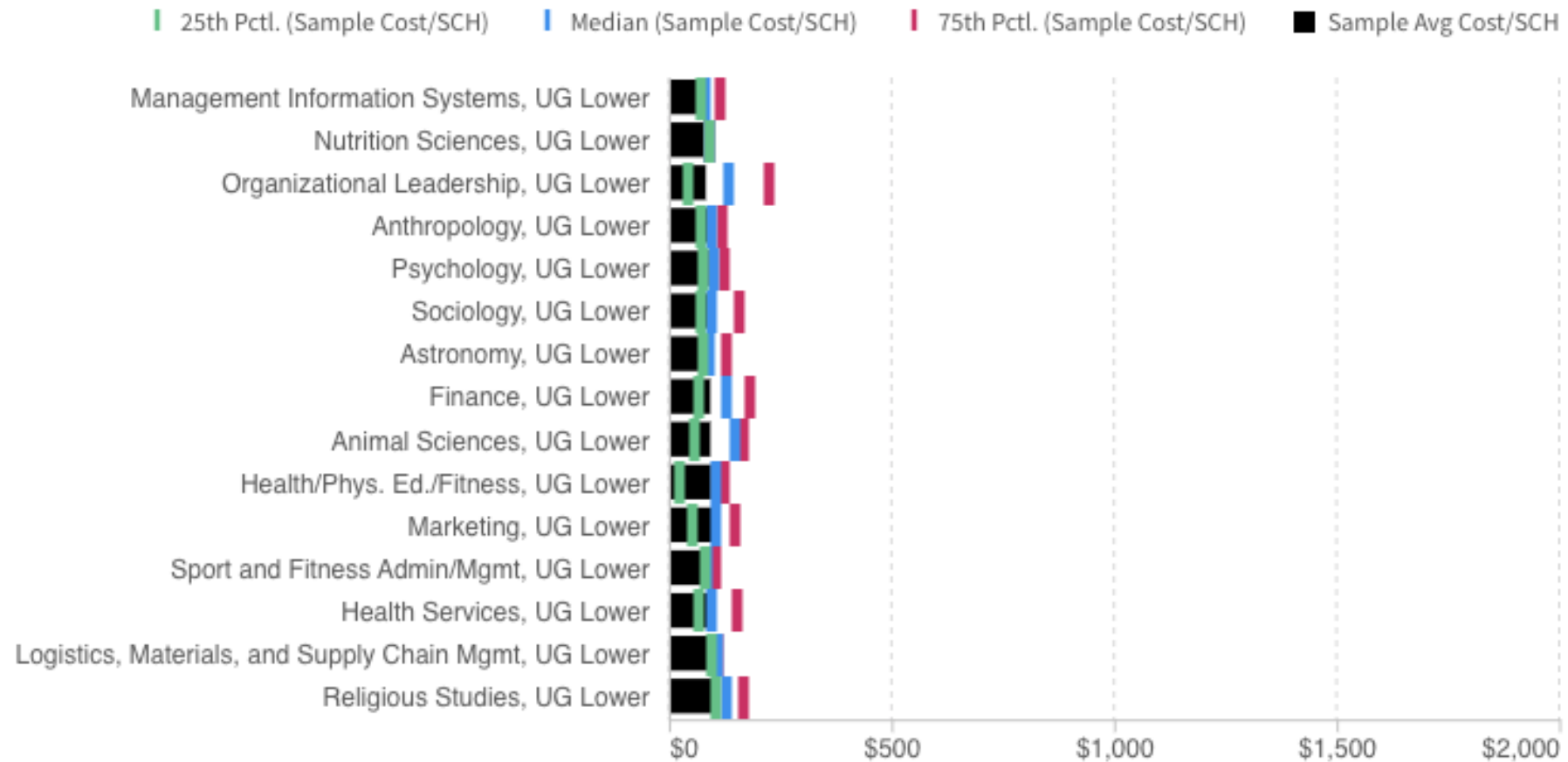
Sample Average: Course Subject and Level



Fast Facts: Lowest Cost per SCH Courses

The lowest-cost area is lower-level undergraduate Management Information Systems.

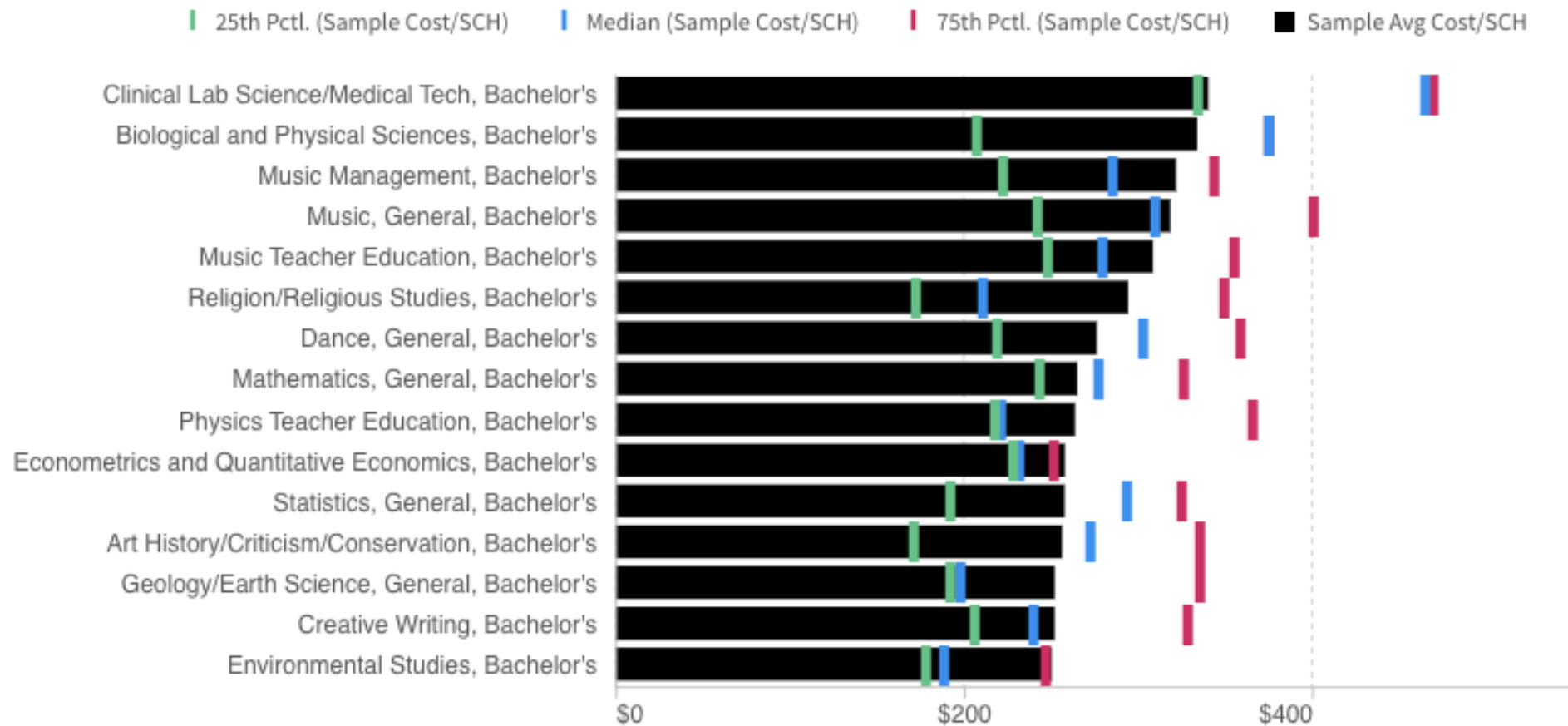
Sample Average: Course Subject and Level



Fast Facts: Highest Cost per SCH Programs

The highest-cost Bachelor's program is Clinical Lab Science.

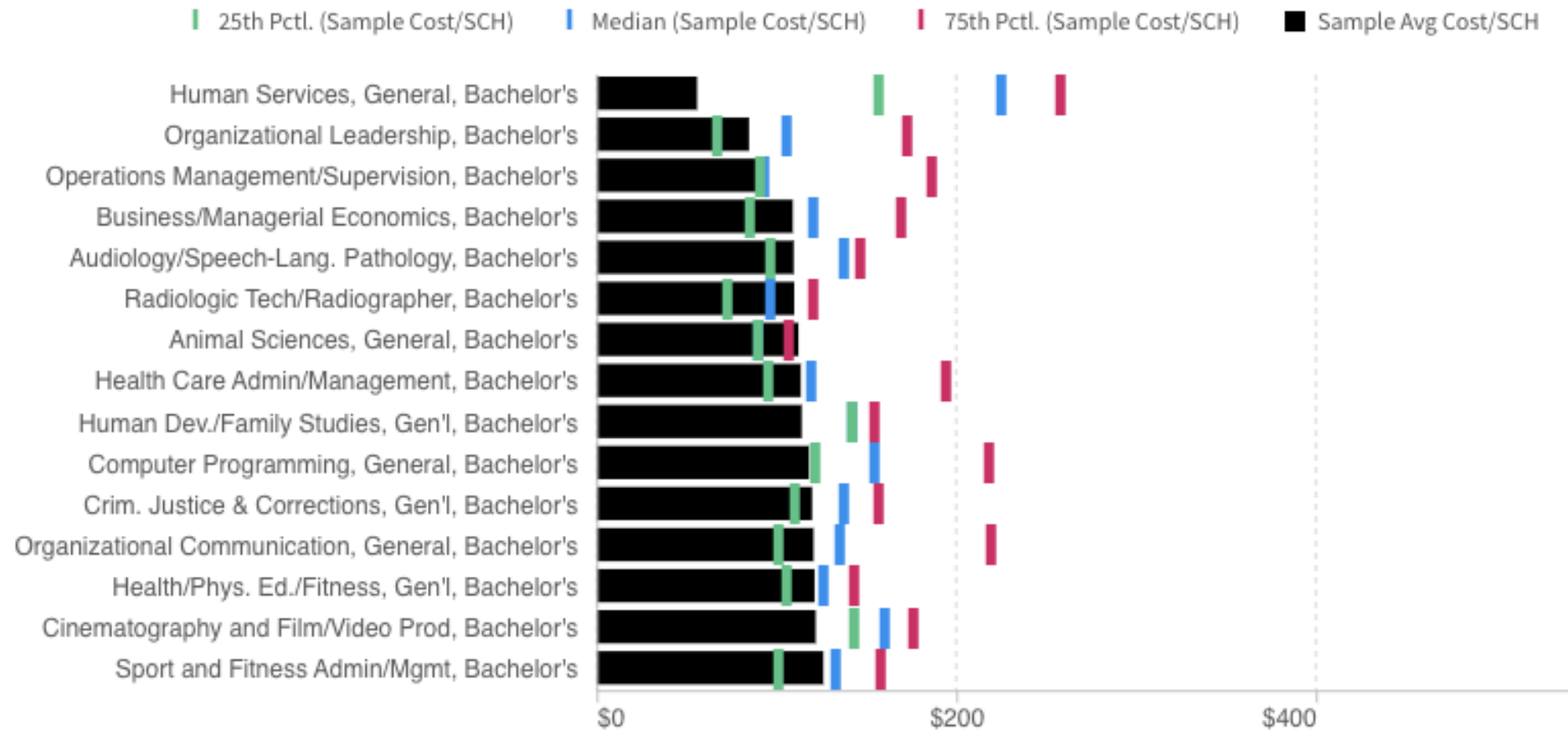
Sample Average: Program and Award Level



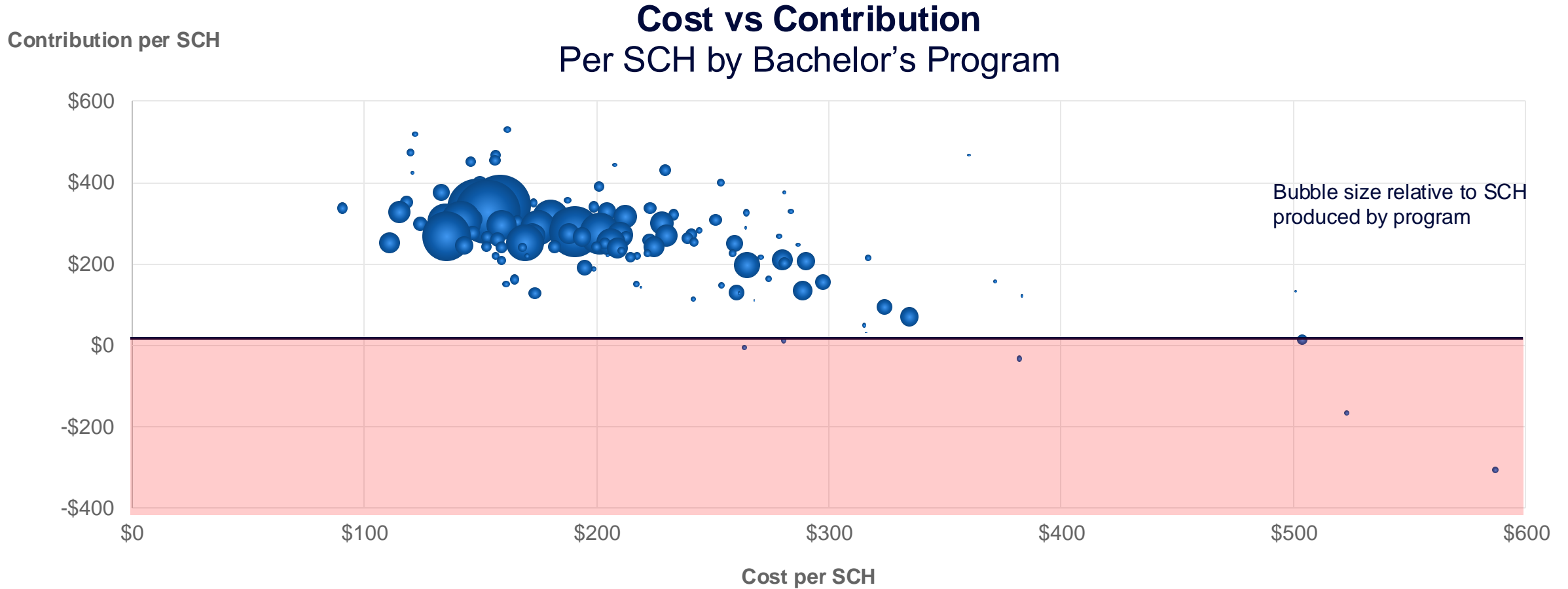
Fast Facts: Lowest Cost per SCH Programs

The lowest-cost Bachelor's program is Human Services.

Sample Average: Program and Award Level



On average, only four Bachelor's programs have a negative contribution margin.



Managing instructional cost at a higher education institution is easier if you:

- Know what your cost per SCH is by course and by program
- Know your peers' cost per SCH
- Know the content areas where changes in enrollment are occurring
- Act!

Contact us to schedule a demo of our PES Economics and Outcomes tool and join our benchmarking database!

<https://www.graydi.us/contact>

Higher Education Demand Trends

In addition to enrollment and labor market data, this month's Demand Trends Webinars will include the recently released 2023 IPEDS Completions data.

Join us to learn about new CIP codes and key market trends.

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GRAY DI SEPTEMBER DEMAND TRENDS WEBINARS

FEATURING

NEW! 2023 IPEDS Integrated Postsecondary
Education Data System

TOPIC	DATE
COMMUNITY COLLEGES	SEPT 25 @ 2 PM ET
BACHELOR'S AND ABOVE	SEPT 26 @ 2 PM ET