GRAY™
DECISION INTELLIGENCE

Fiscal Fitness: Program Economics

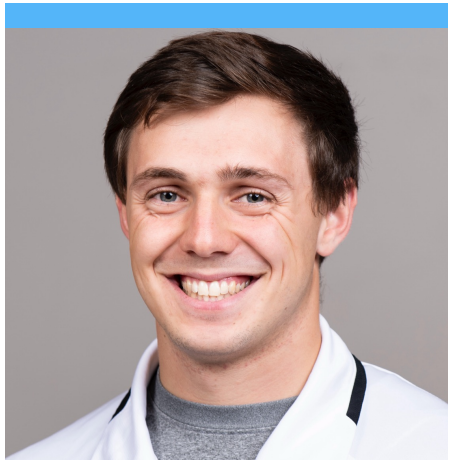
Gray DI Master Class Series

March 11, 2025

Today's Speakers

Elizabeth Atkins

Vice President, Product



Michael Hunter

Director of Customer Success and Product

Agenda

Warm Up: Program E

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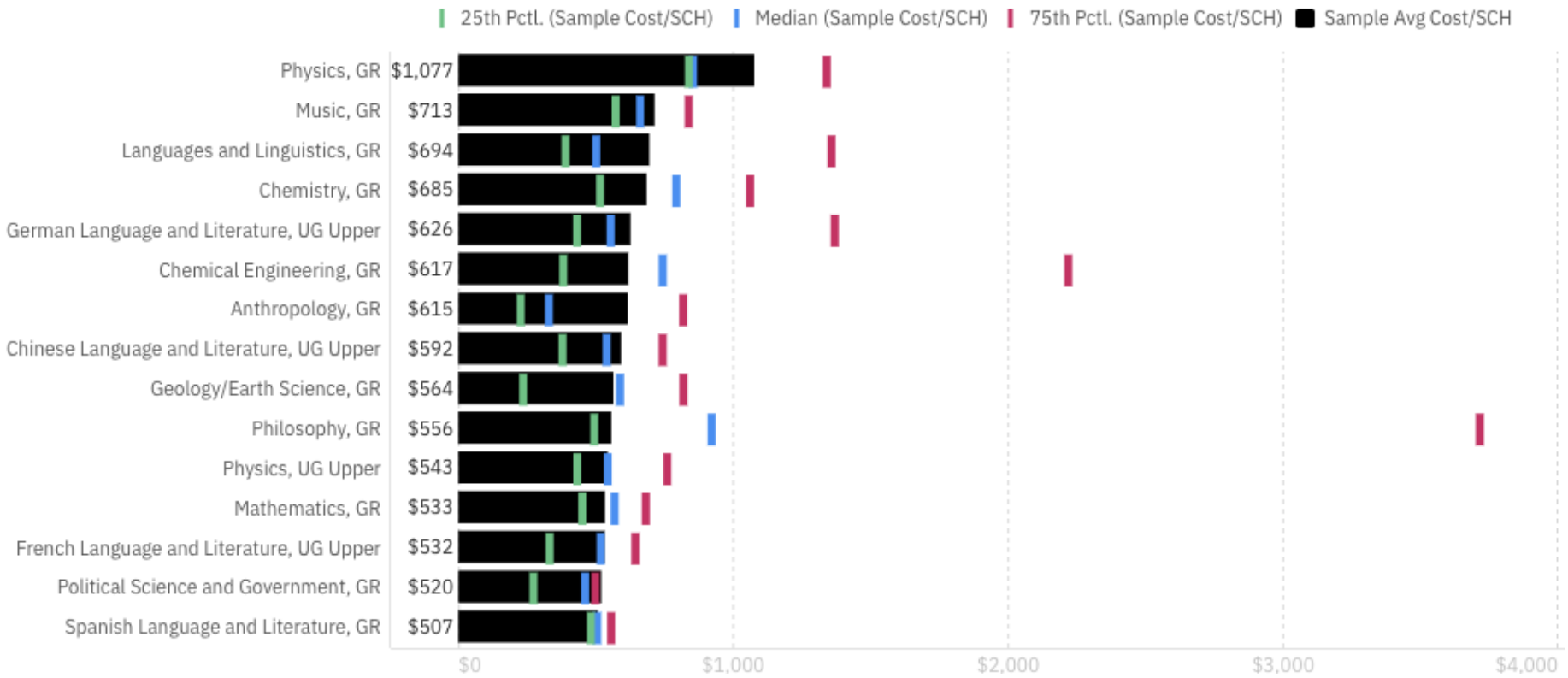
Conditionin

Cool Down:

Graduate-level Physics has the highest average cost per SCH.

Gray DI Benchmark
Cost per Student Credit Hour
Course Subject and Level



Source: Gray DI Benchmarking Database

Margins are only one component of a complete Program Evaluation System.

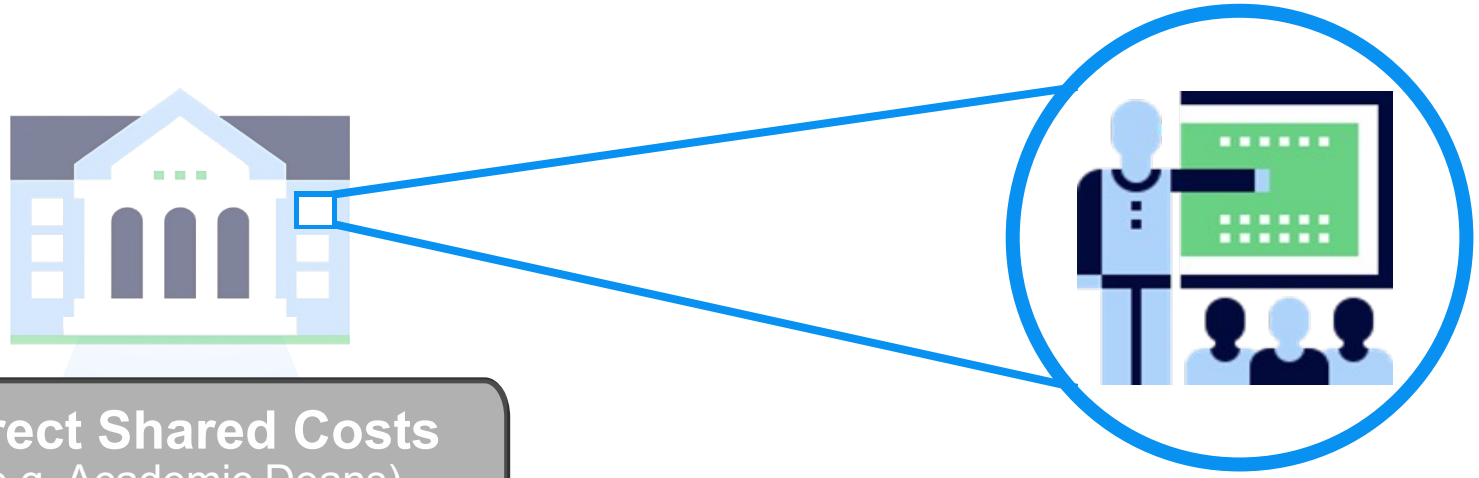
Why are margins important?

Cross-subsidies fund what markets won't: *investing in your mission.*

- Institutions use the funds to subsidize other mission-critical programs and activities.

Program Economics Methodology

Gray DI calculates revenue, cost, and margin for teaching; we usually exclude overhead.



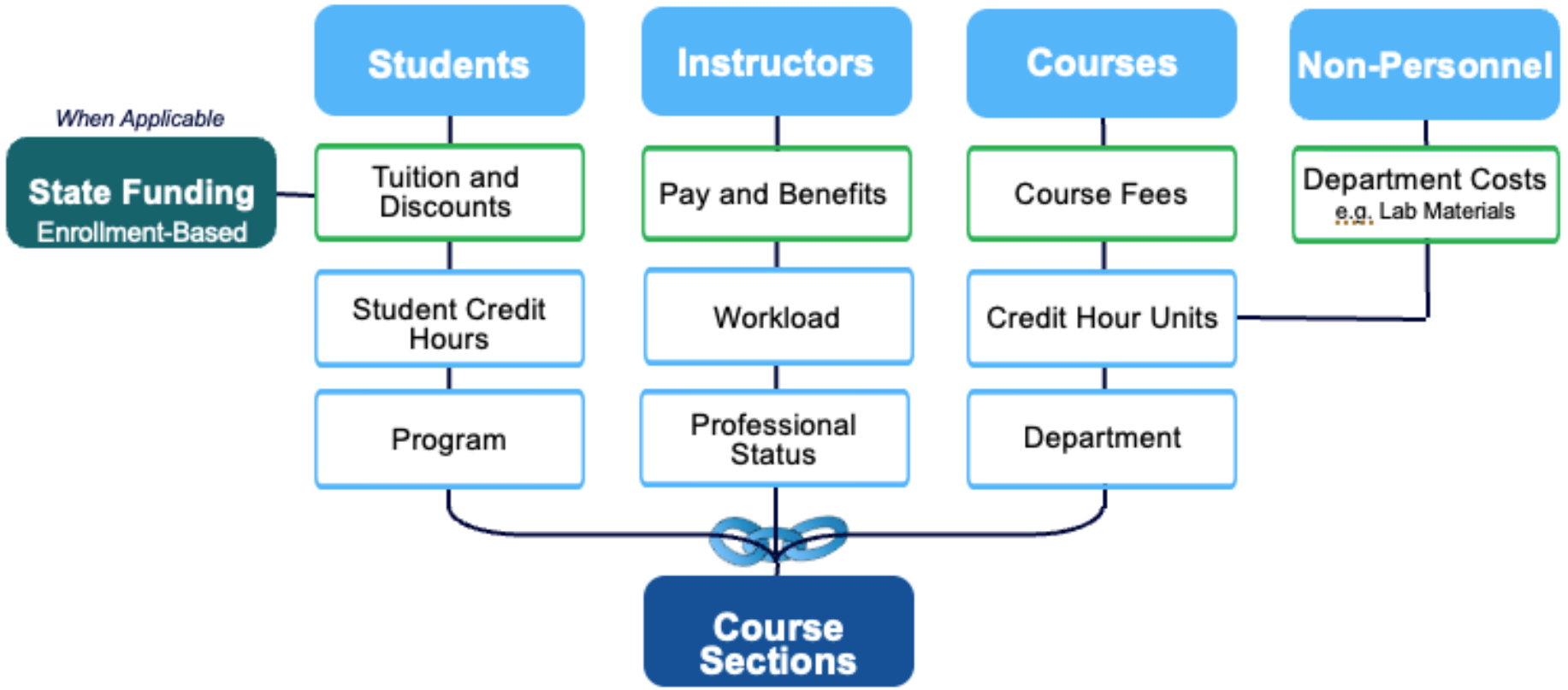
Direct Shared Costs
(e.g. Academic Deans)
Department-Level Input

Indirect Costs
(e.g. Facilities)
Line-Item Input

Direct Variable Economics
(e.g. Faculty, Tuition)
Course-Level Input

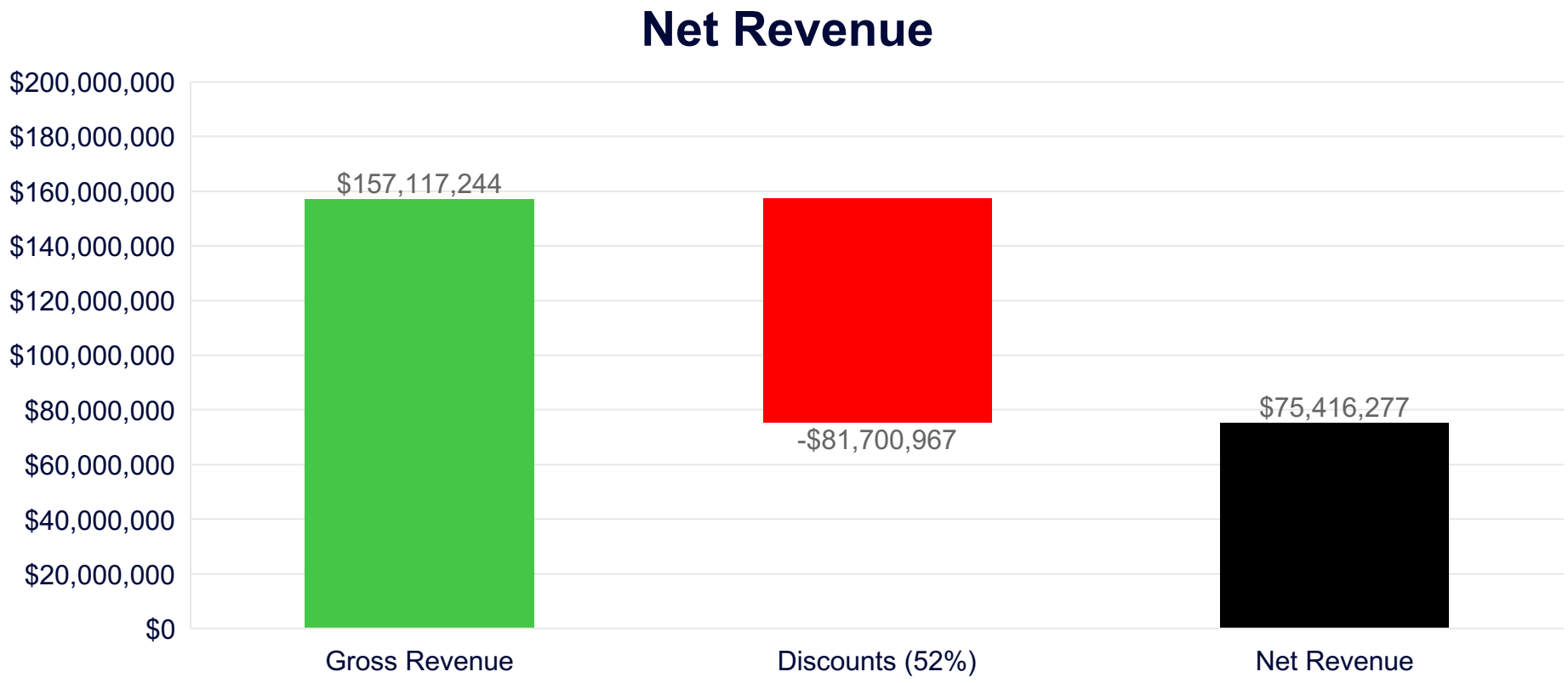
Data Gathering

The data model is centered on course sections, students enrolled, and instructors teaching.



Composition of Net Revenue

Net revenue is the sum of tuition and fees charged less institutional discounts.



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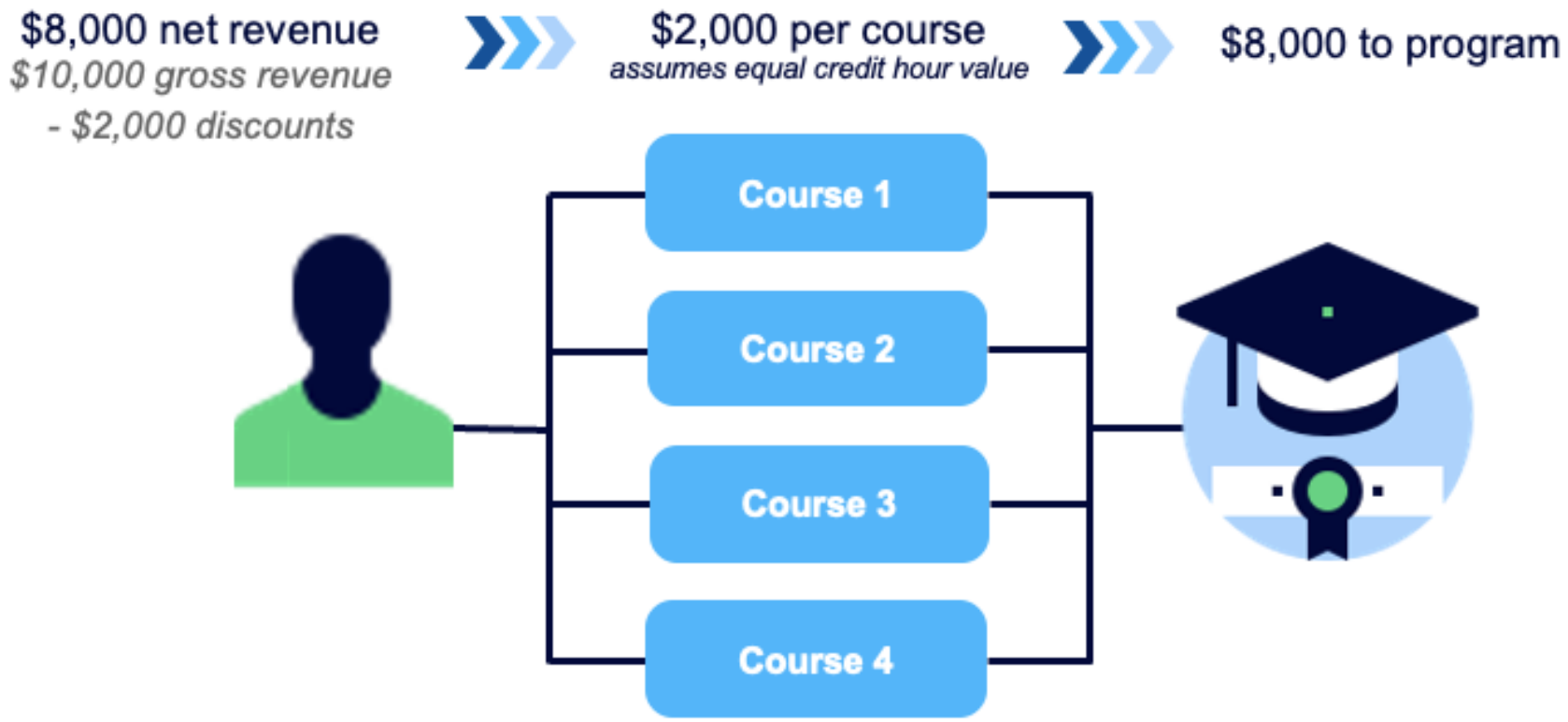
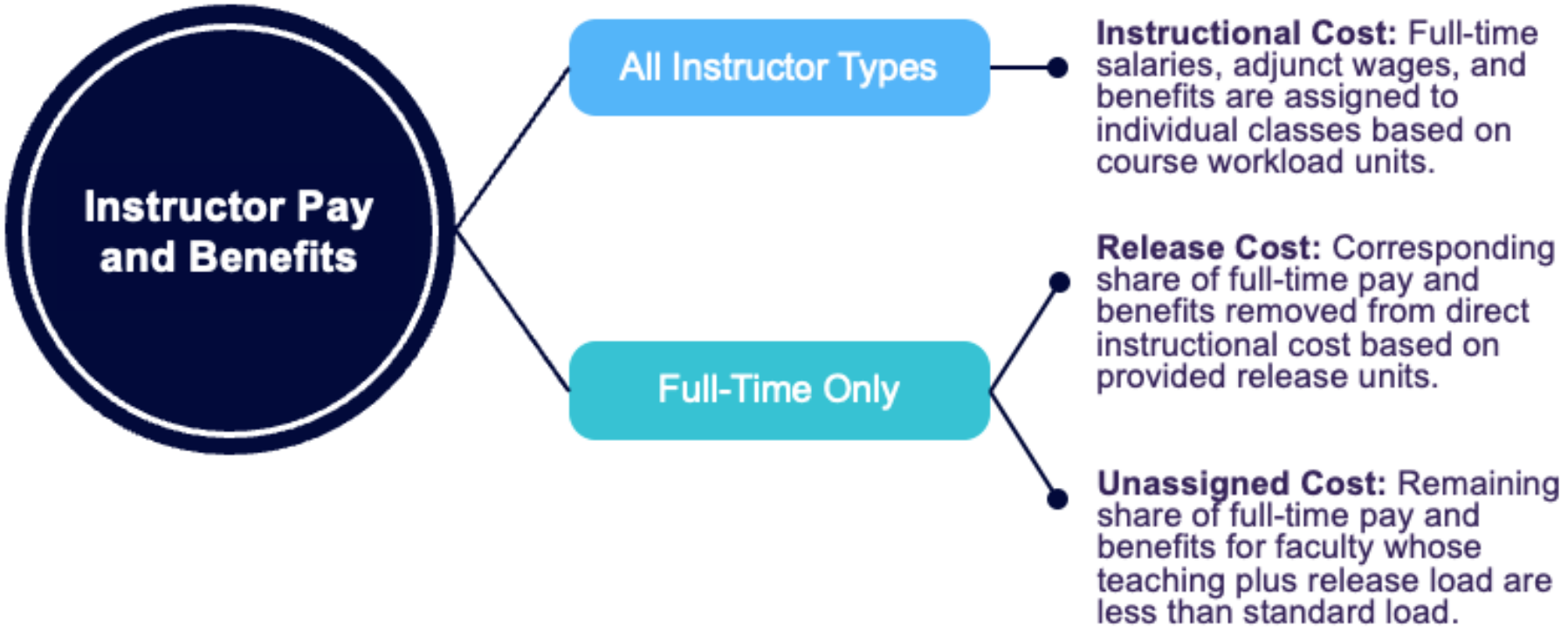
Net Revenue Methodology

Revenue and discounts follow students into courses and flow to their declared major or program.



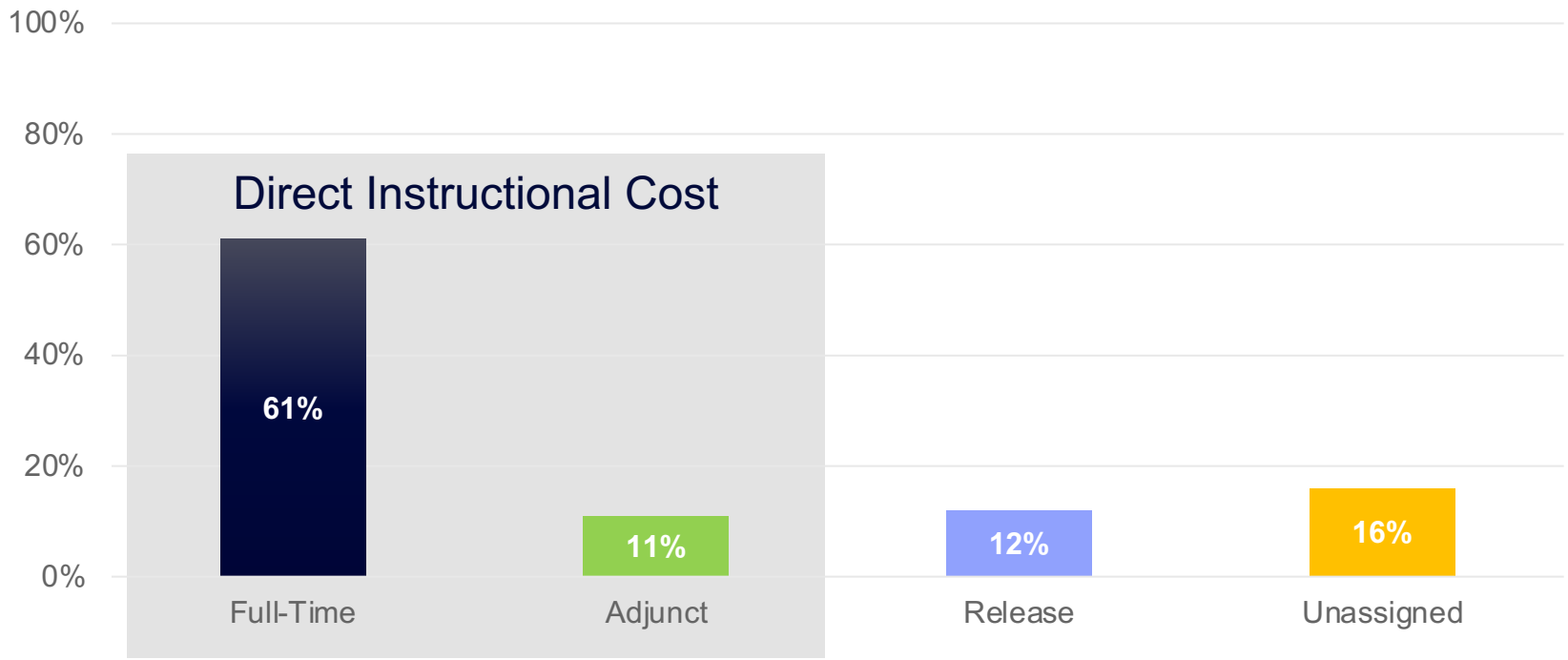
Instructor Cost Methodology

Instructor pay and benefits are assigned to their courses based on workload units.



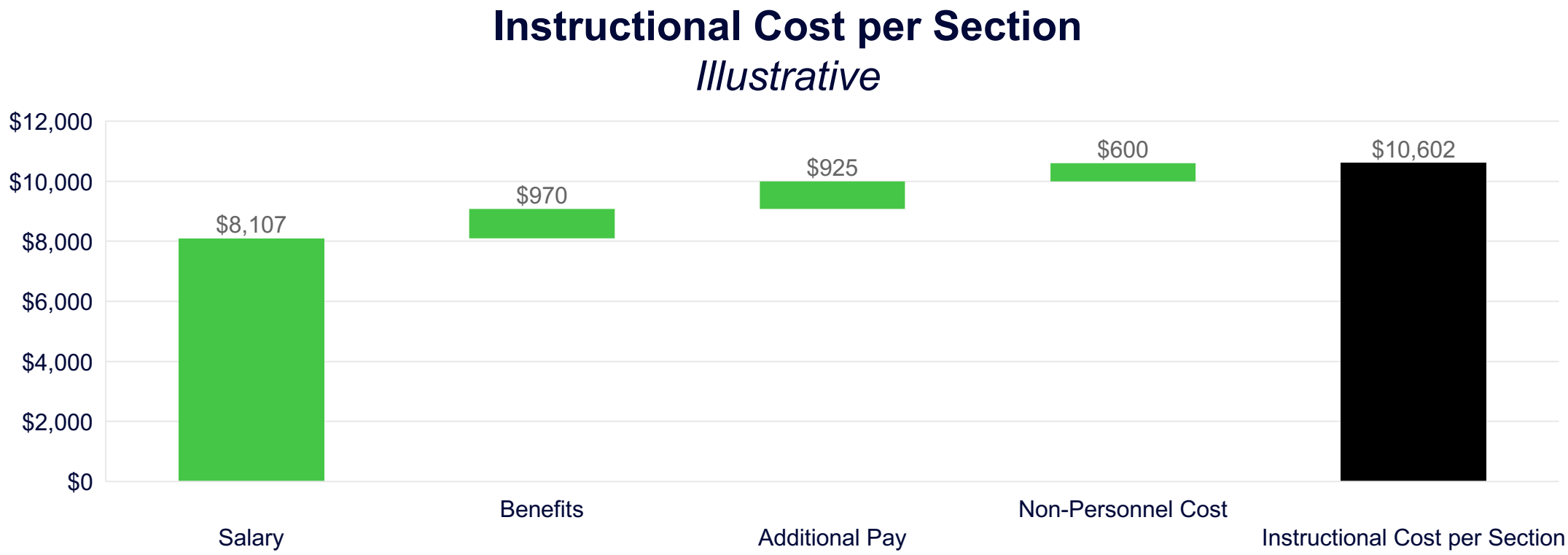
Using workload expectations to calculate instructional cost also quantifies the amount invested outside the classroom – and excess capacity.

Share of Instructional Pay and Benefits By Type of Cost



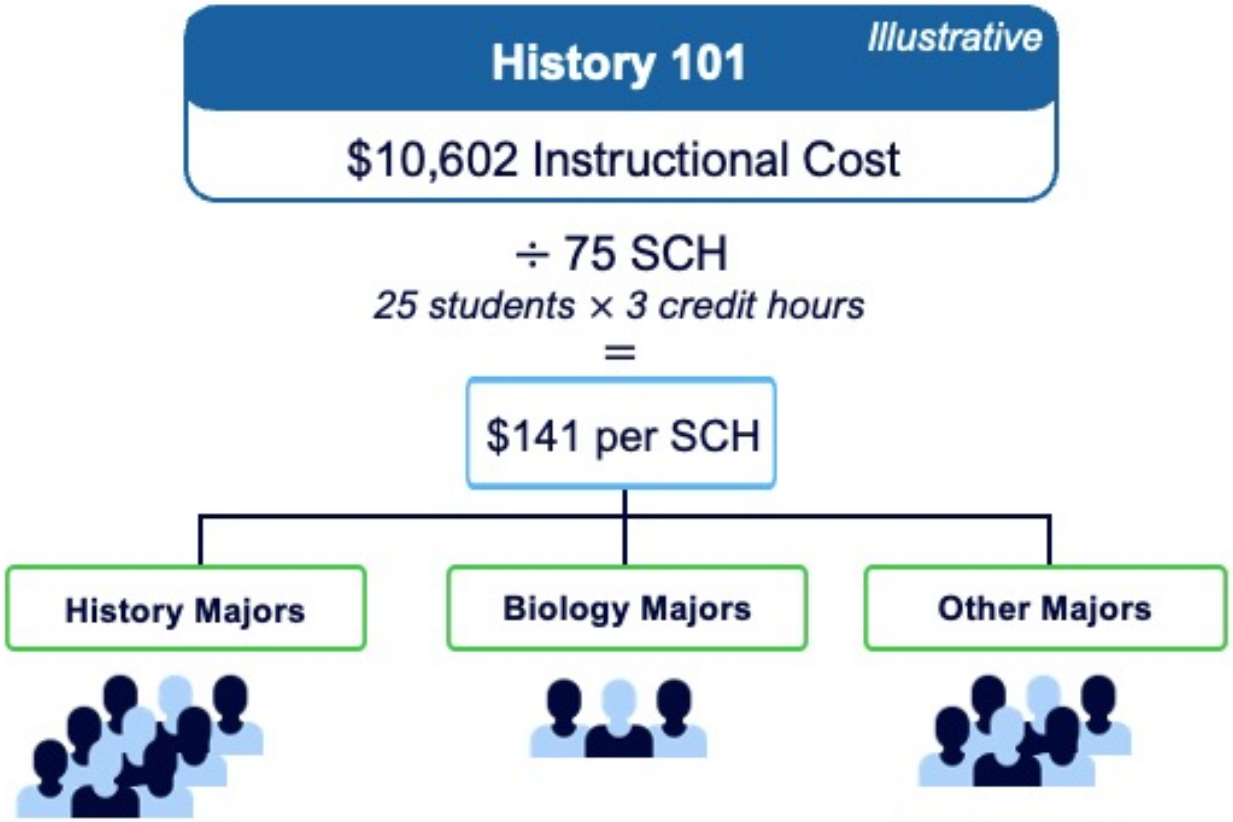
Instructional Cost per Section

In addition to a share of instructor pay and benefits, the cost of a section also includes departmental non-personnel costs assigned to sections based on credit hour units.



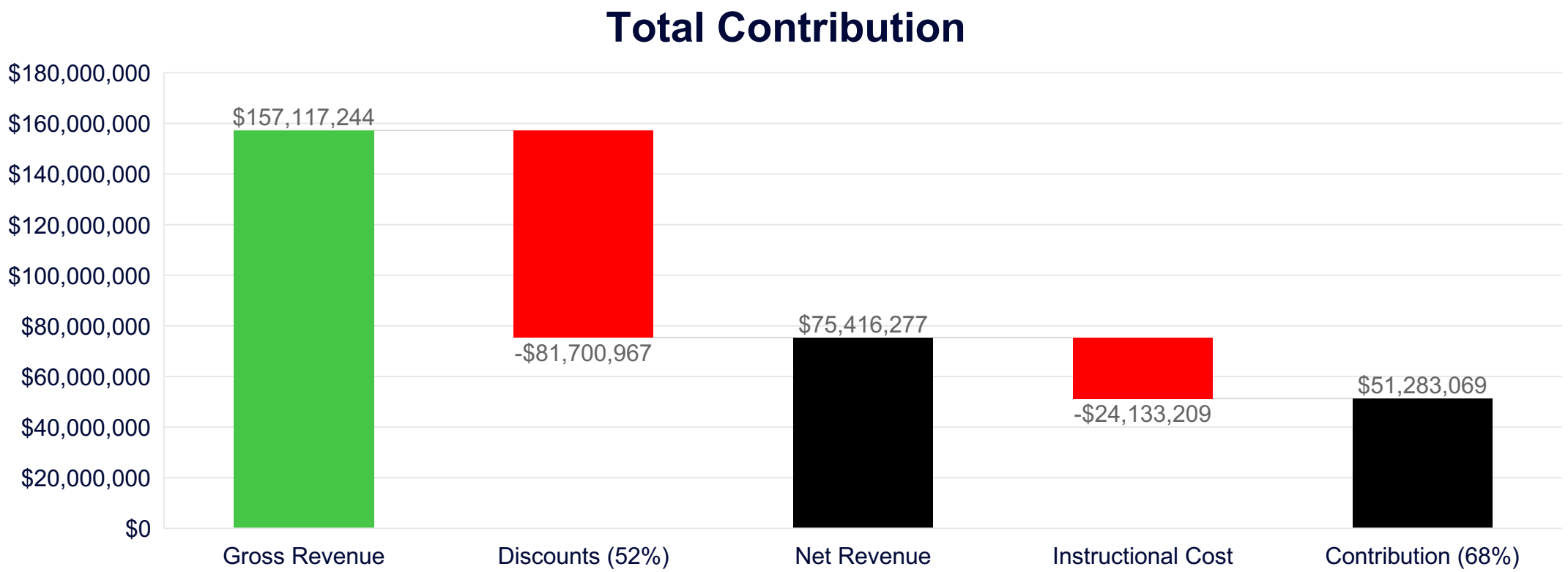
Allocating Cost to Students

The “fair share” of each section’s cost is allocated to all students in the class by student credit hour.



Contribution Margin

Net revenue less direct instructional cost equals contribution margin.



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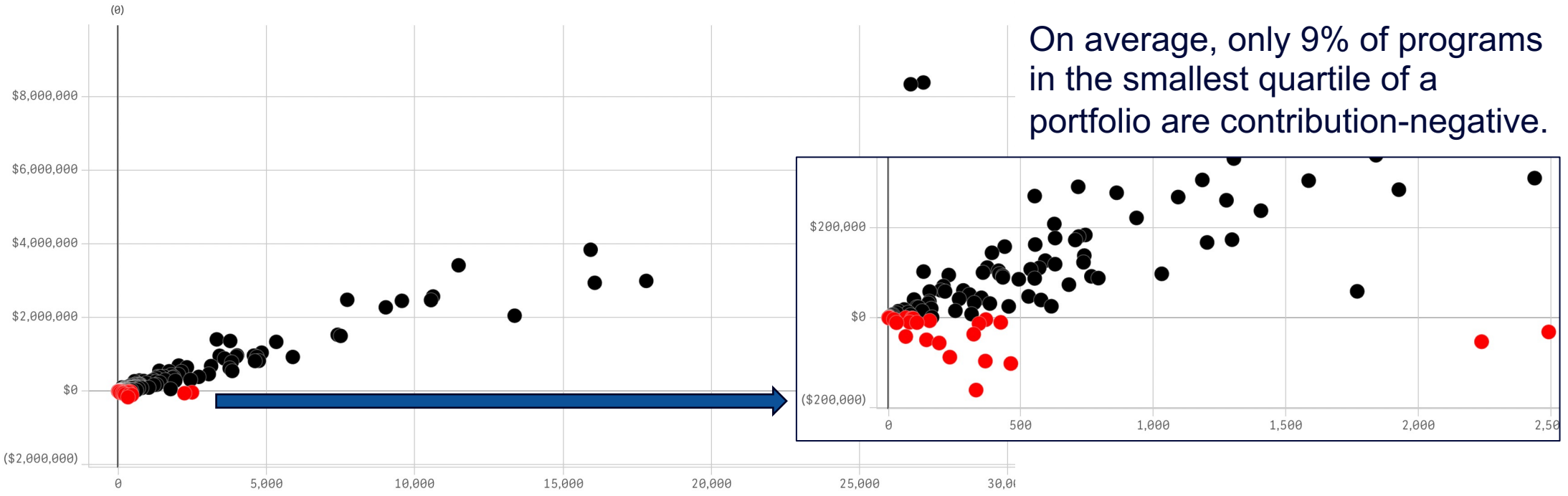
Why bother?

Programs of all shapes and sizes can be fiscally fit.

Program Contribution by Student Credit Hour



On average, only 9% of programs in the smallest quartile of a portfolio are contribution-negative.

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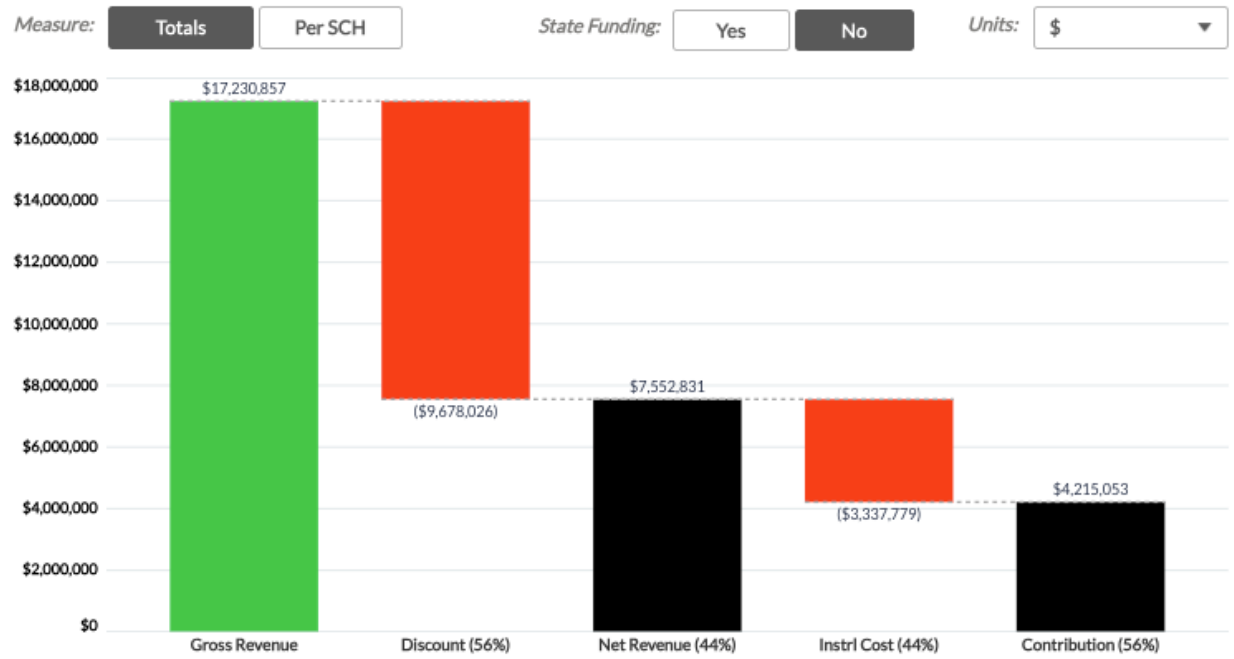
Co

with:



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Agenda

Warm Up: Program Economics Methodology

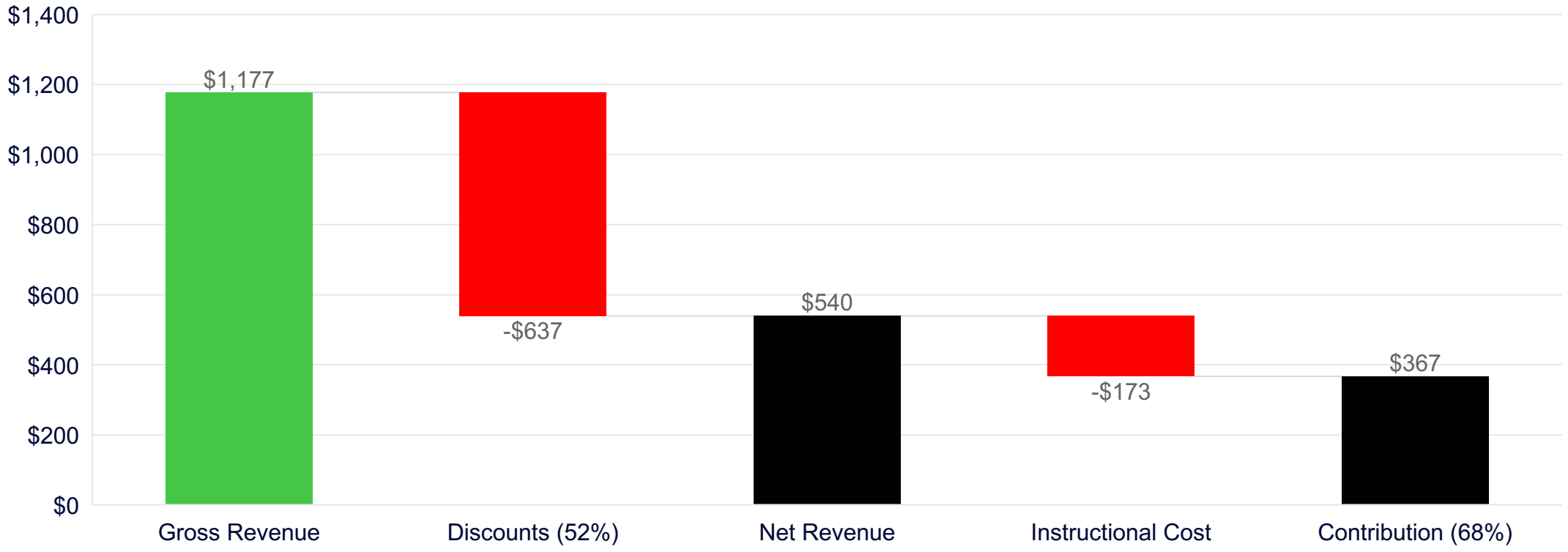
Strength: Benchmark Bench-Press

Conditioning: Curricular Efficiency

Cool Down: Ongoing Management

Economics at the per-SCH level enables benchmark comparisons across big and small courses, programs, departments, and institutions.

Economics per Student Credit Hour (SCH)



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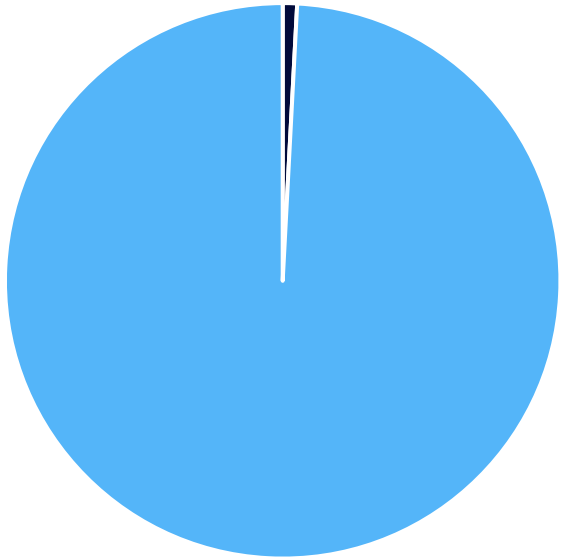
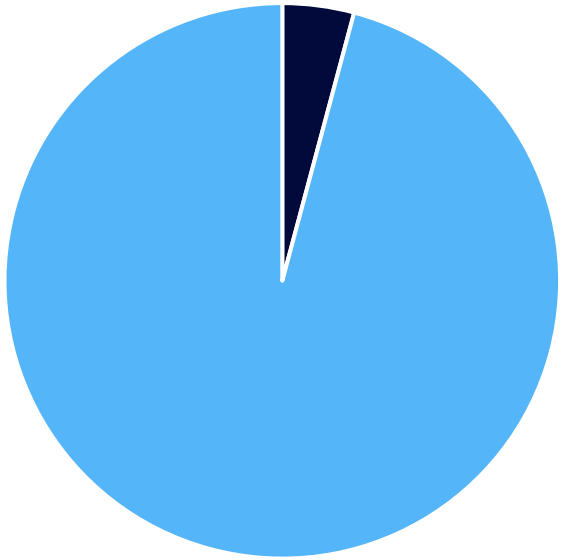
Unit-level comparisons allow for an “apples-to-apples” measure of efficiency.

1/120 of a Bachelor's Degree



1 Credit Hour Unit

1/24 of an Instructor Workload



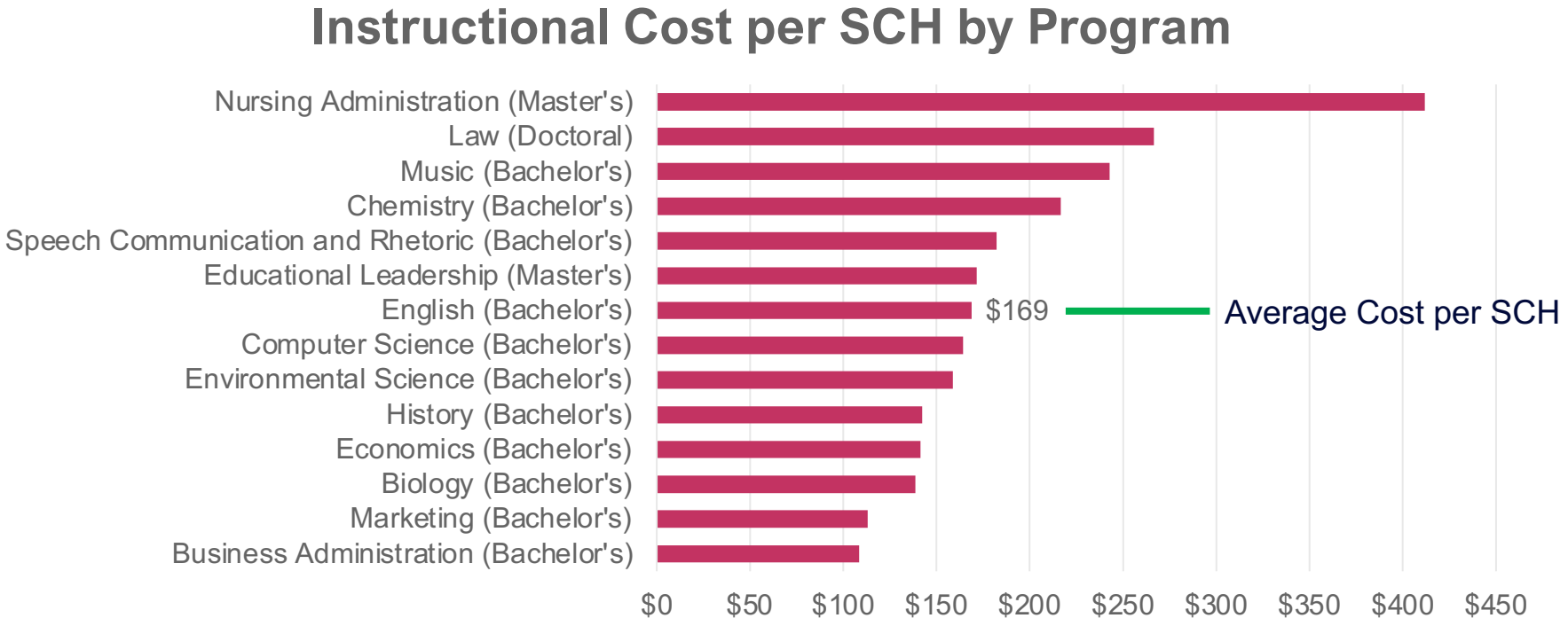
The Essential Metric: Cost per SCH

Use your institution's average cost per SCH to understand how it varies by program, level, and subject and where actions may be needed.

Instructional Cost

$169

per Student Credit Hour



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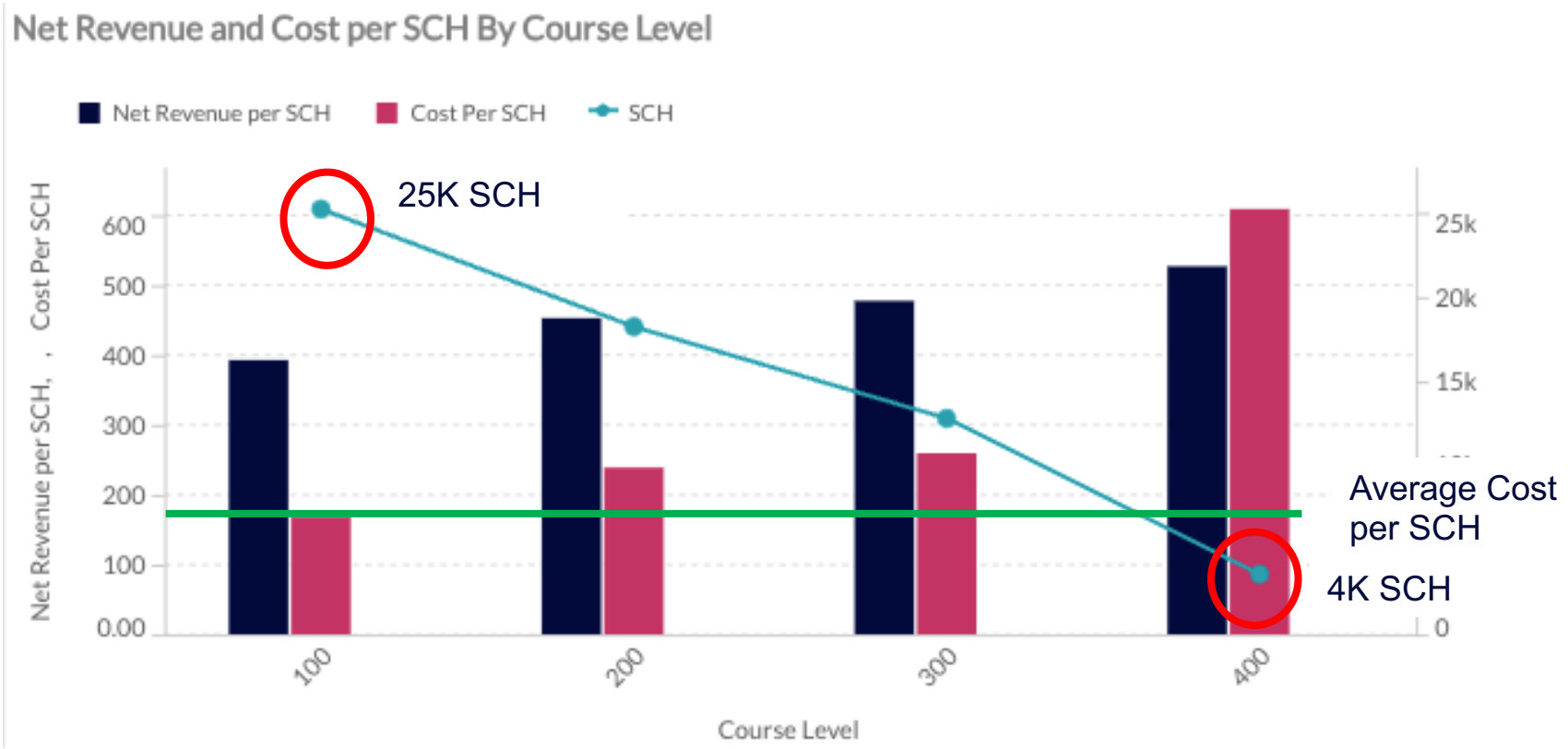
Course Level Trends

Decreased credit hour production due to student retention issues compounded with senior faculty instruction can drive up cost per SCH in higher-level courses.

Instructional Cost

$169

per Student Credit Hour



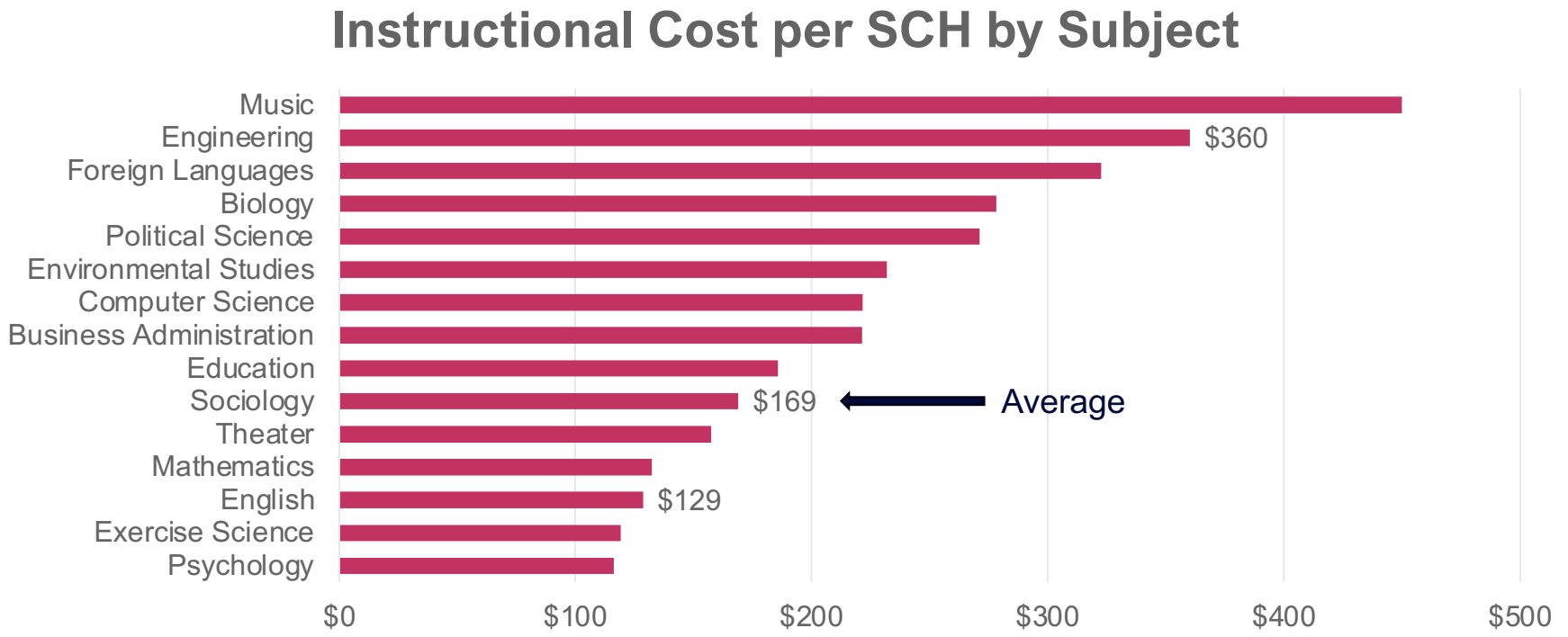
Content Area Trends

English and Engineering are different – content areas have their own economic profiles.

Instructional Cost

$169

per Student Credit Hour



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Cost weighing you down?

External benchmarks help keep your performance in perspective.

Instructional Cost

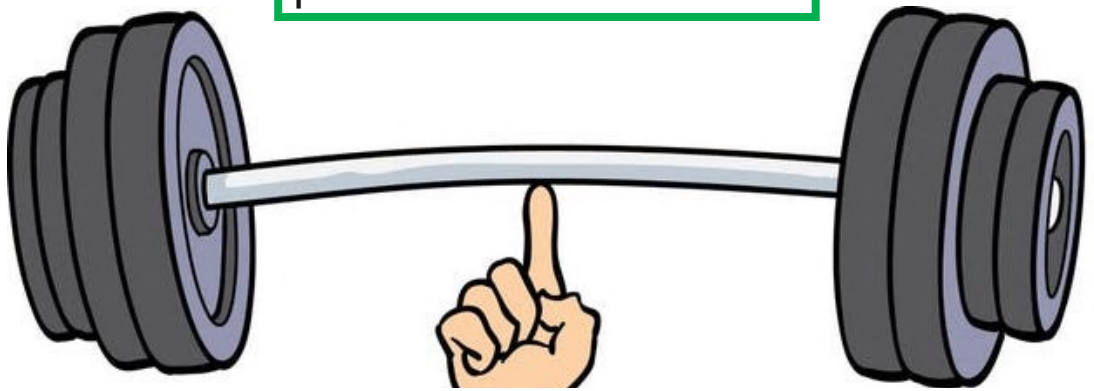
$169

per Student Credit Hour

Benchmark Cost*

$206

per Student Credit Hour

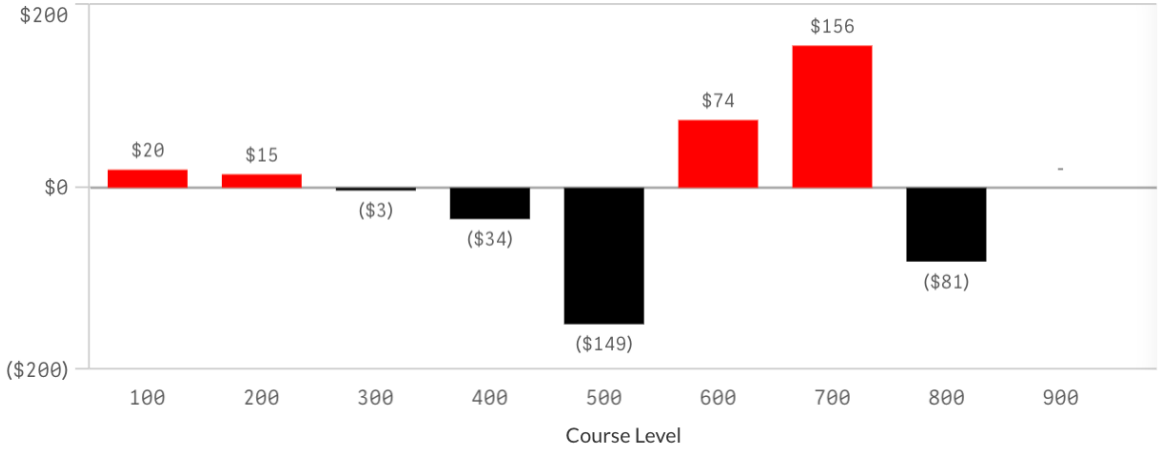


*Cost per SCH for Private 4-Year Institutions

Quantifying the difference in actuals vs. benchmark costs highlights where improvements will have the largest impact on cost.

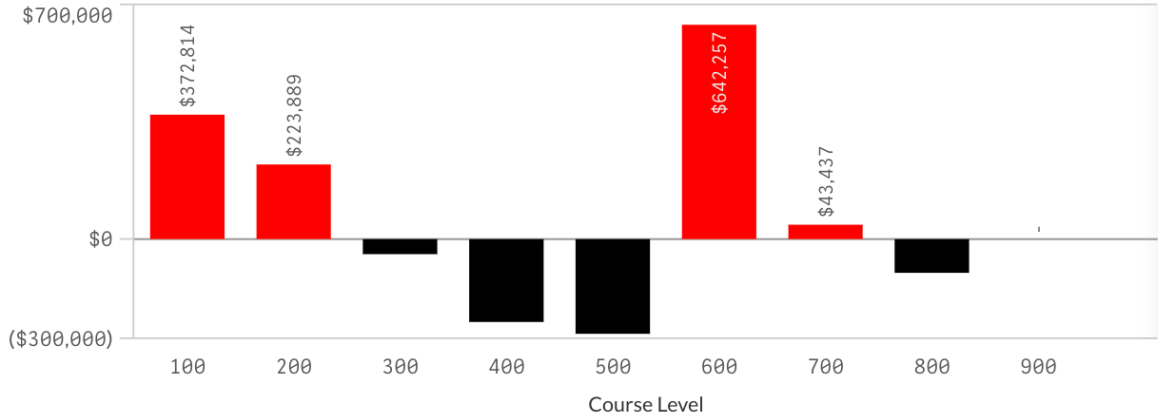
Avg. Cost/SCH, Client	Avg. Cost/SCH, Sample	Percent Difference	Total Cost Difference
$230	$192	20%	1.34M

Difference In Average Cost/SCH, Client Vs. Sample



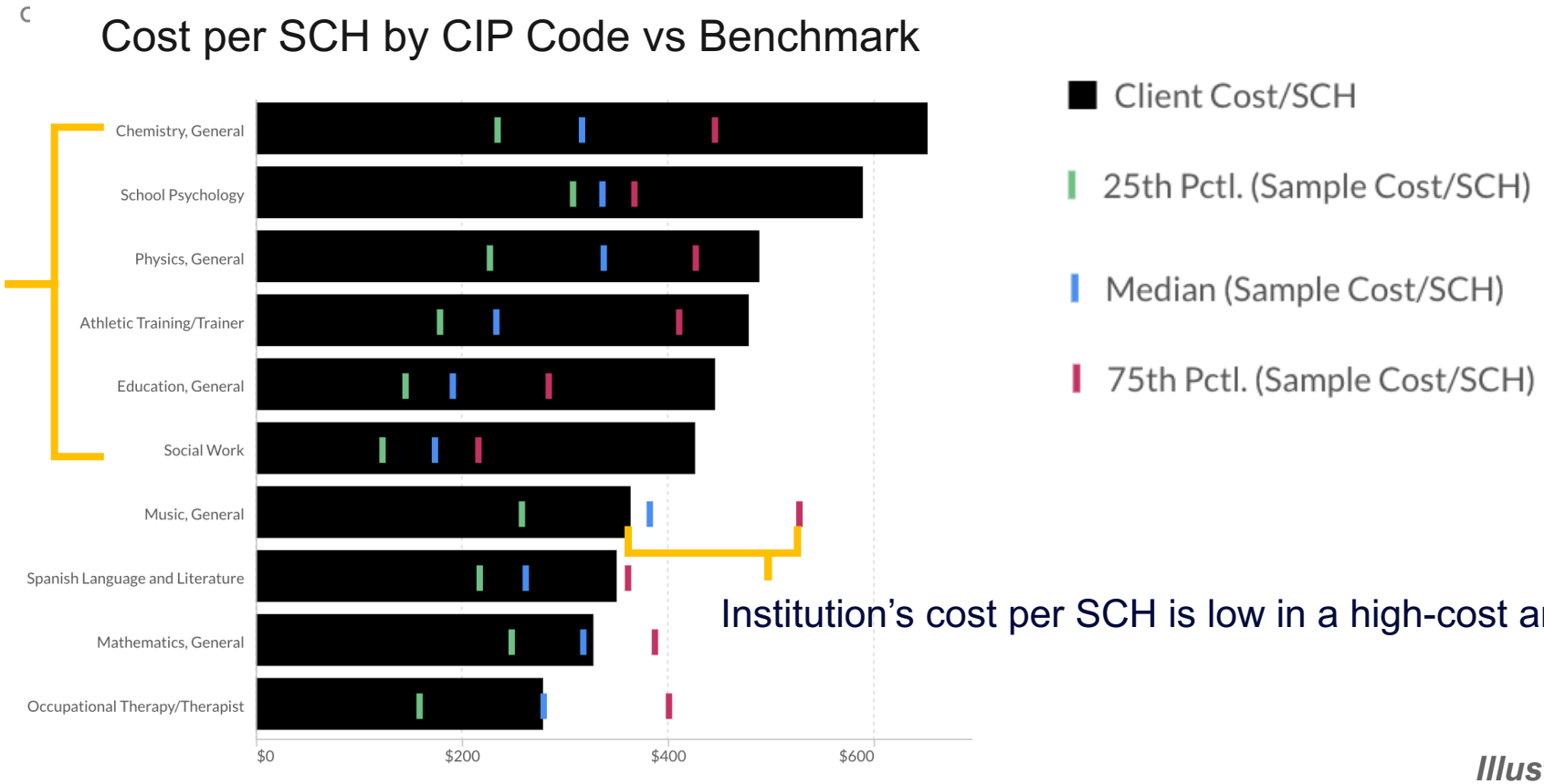
Total Cost Impact, Client Vs. Sample

(Client Cost/SCH - Sample Cost/SCH) * Client SCH



Ranking your programs by cost per SCH against the benchmark can identify both areas of opportunity and noteworthy efficiencies.

Institution's top 5 highest-cost per SCH programs all exceed the benchmark 75th percentile



Institution's cost per SCH is low in a high-cost area

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Details down to the course subject and level help you pinpoint actions to take.

Course Subject	Cost/SCH Client	Median Cost/SCH Sample	Percent Dif. from Sample Median	Dif. in Cost if Client Same as Sample Cost/SCH	FT % of Total Cost Client	FT % of Total Cost Sample	Avg. Students Client	Avg. Students Sample	Avg. SCH Client	Avg. SCH Sample	Count of Courses in Sample
Business Admin/Mgmt	$214	$170	26%	-$222,144	88%	82%	26	52	88	152	2,539
Religious Studies	$443	$199	122%	-$164,650	91%	84%	6	38	13	115	1,036
Theatre Arts	$461	$326	41%	-$53,453	88%	78%	16	17	40	48	887
Social Sciences	$159	$199	-20%	$44,254	72%	80%	72	39	277	127	25
Chemistry	$304	$360	-16%	$78,613	82%	82%	28	43	58	119	1,317
English Language and Literature	$201	$240	-16%	$118,690	92%	82%	30	42	117	136	1,844

Illustrative

Agenda

Warm Up: Program Economics Methodology

Strength: Benchmark Bench-Press

Conditioning: Curricular Efficiency

Cool Down: Ongoing Management

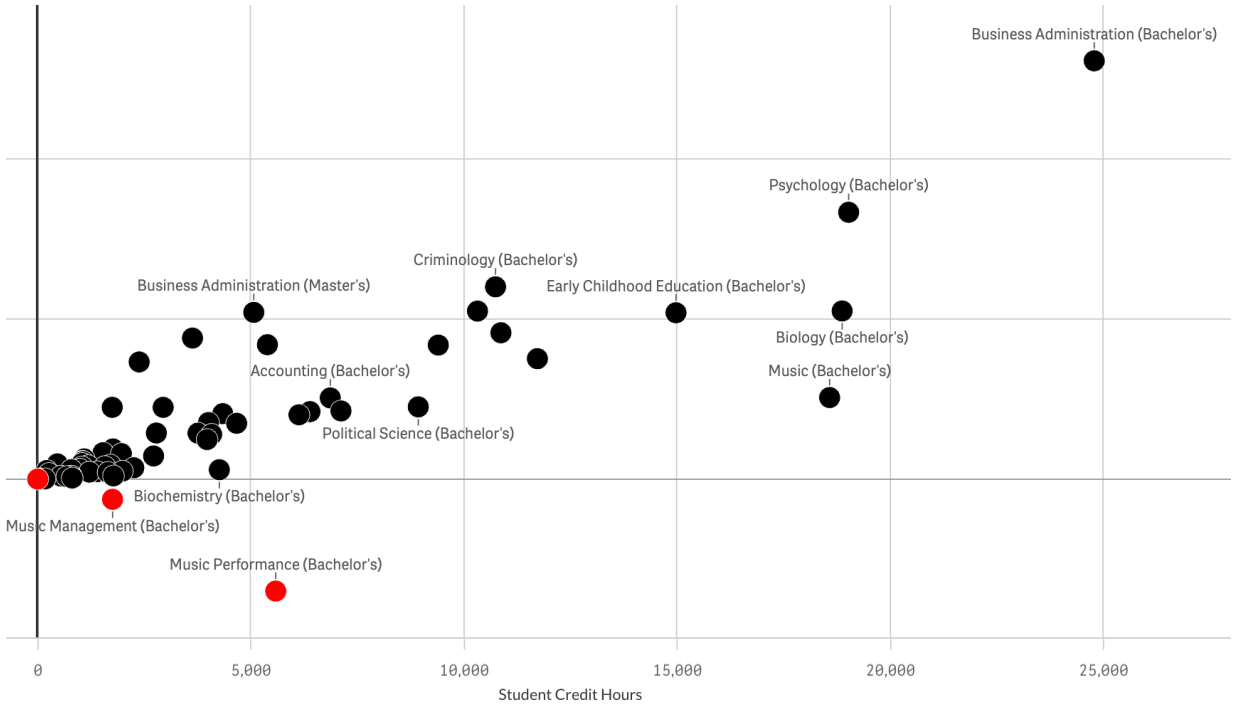
The goal of curricular efficiency analysis is to identify ways to reduce the total teaching workload so that you can:

- Minimize the extent to which budget cuts translate into higher workloads or inferior education
- Free up resources to enable growth in existing and new programs
- Reduce the need to hire more faculty
- Make college more affordable

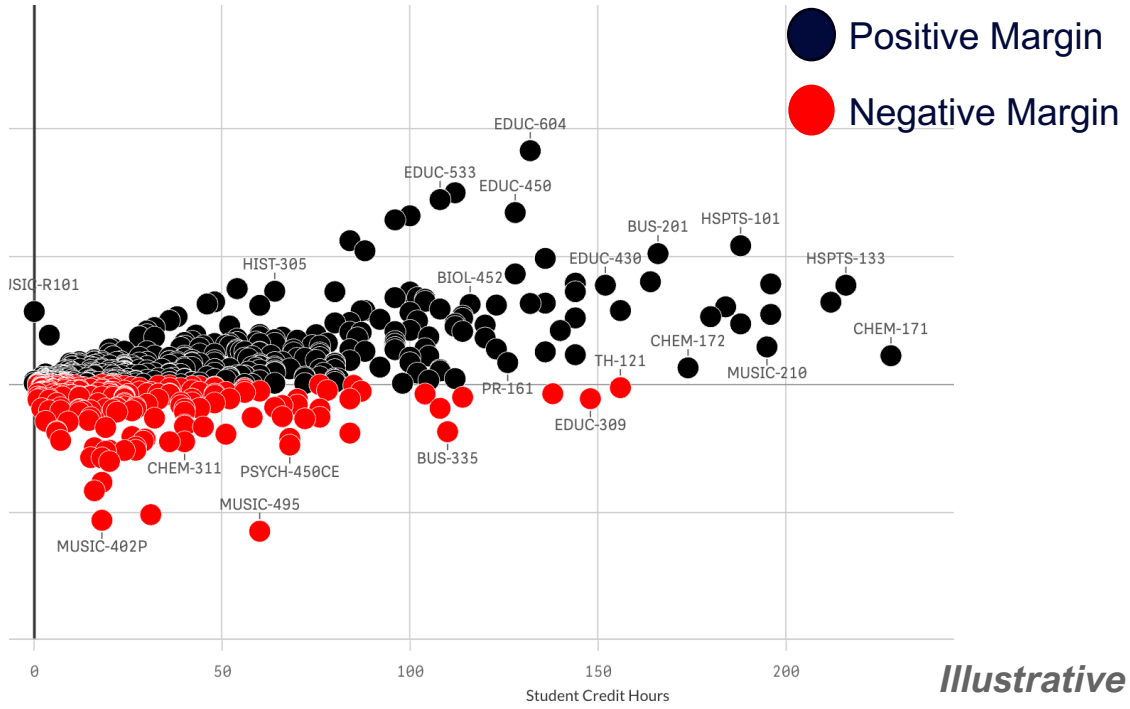
Programs tend to be contribution-positive – courses cost money.

Reduced course offerings don't make the news, but program cuts do.

Contribution by Program



Contribution by Course



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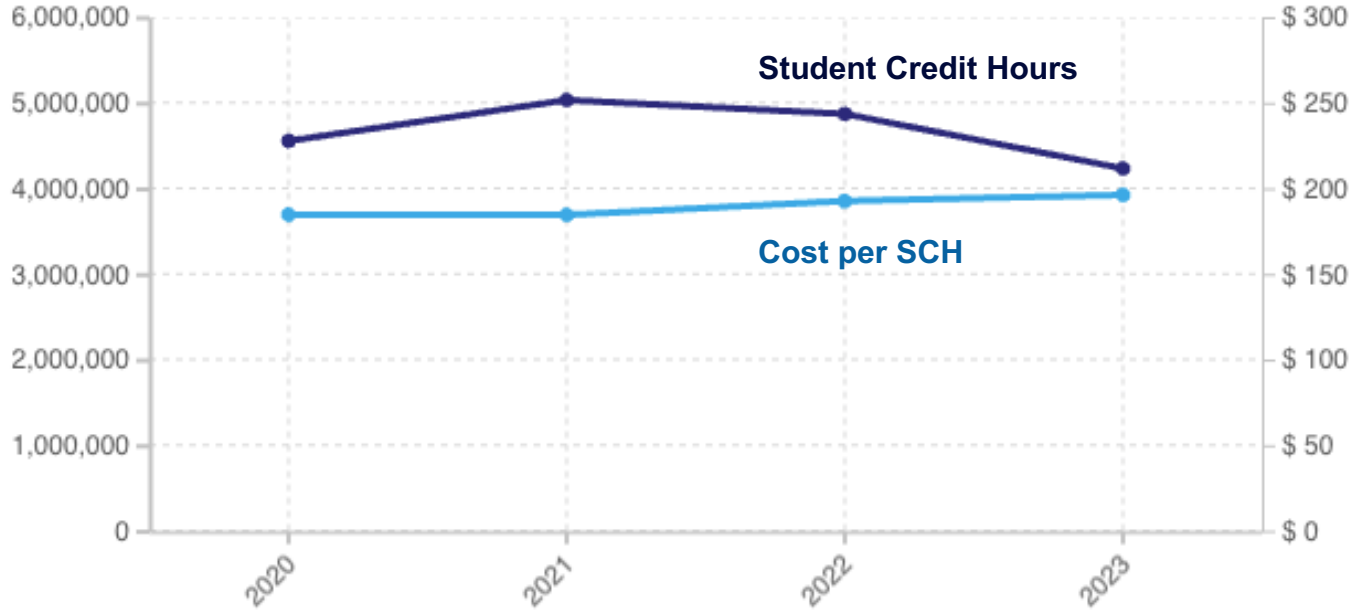
Cost per SCH remains an essential metric in curricular efficiency analysis.

Institutions have been unable to respond quickly enough to a downward trend in student credit hours, so cost per SCH has increased.

Instructional Trends
Gray DI's Benchmarking Database

Student Credit Hours

-7%

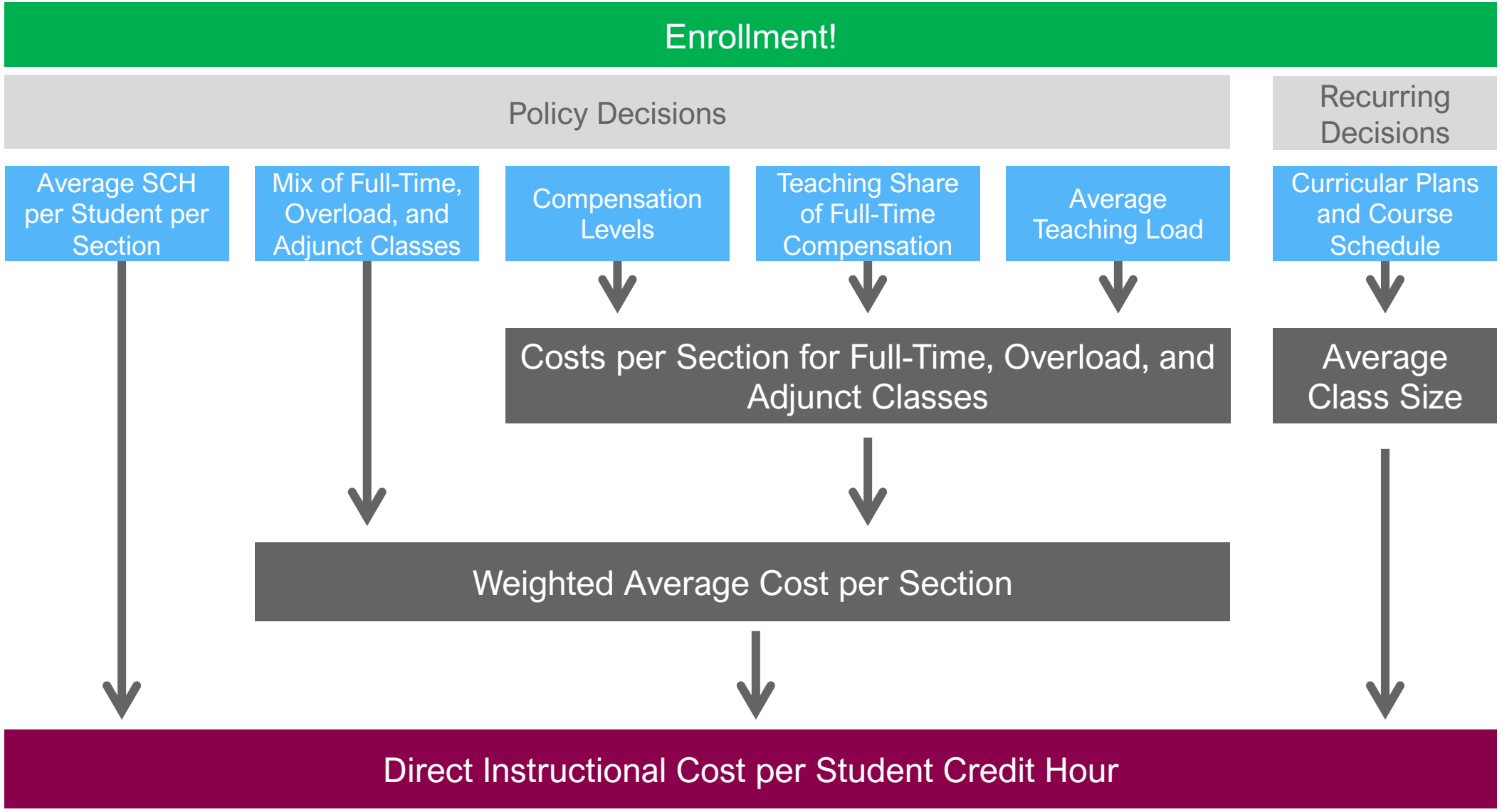


Cost per SCH

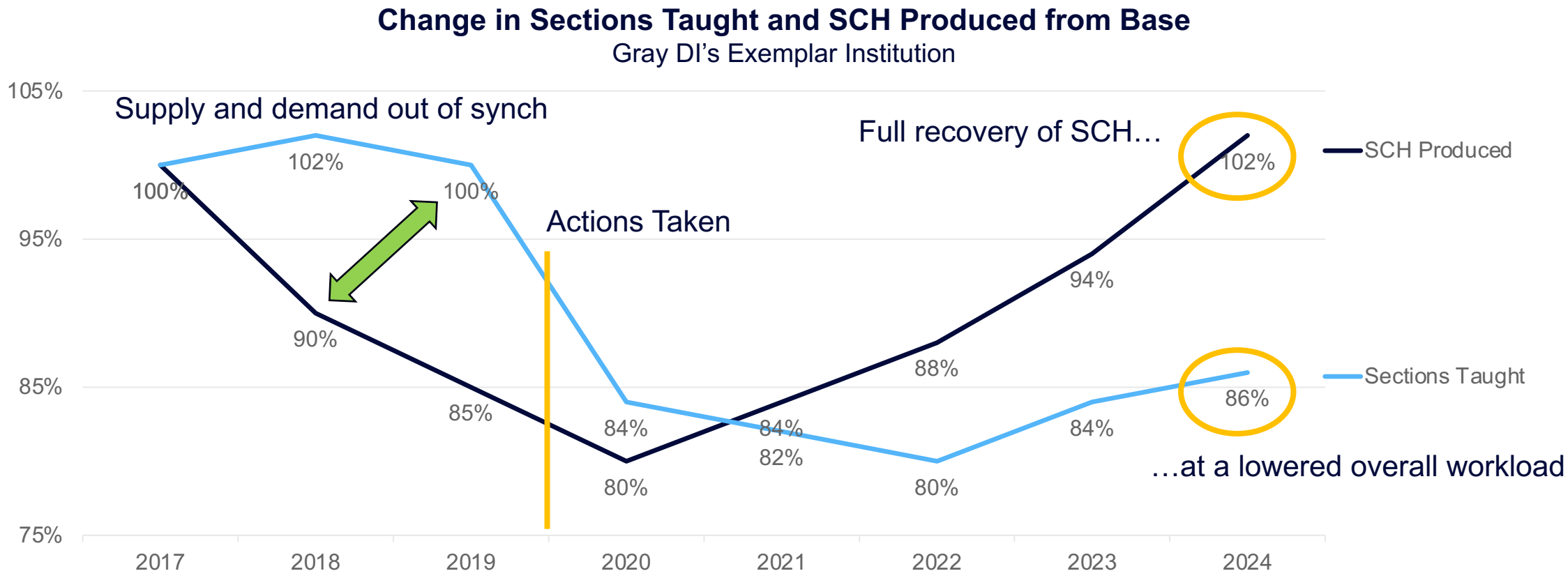
+6%

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

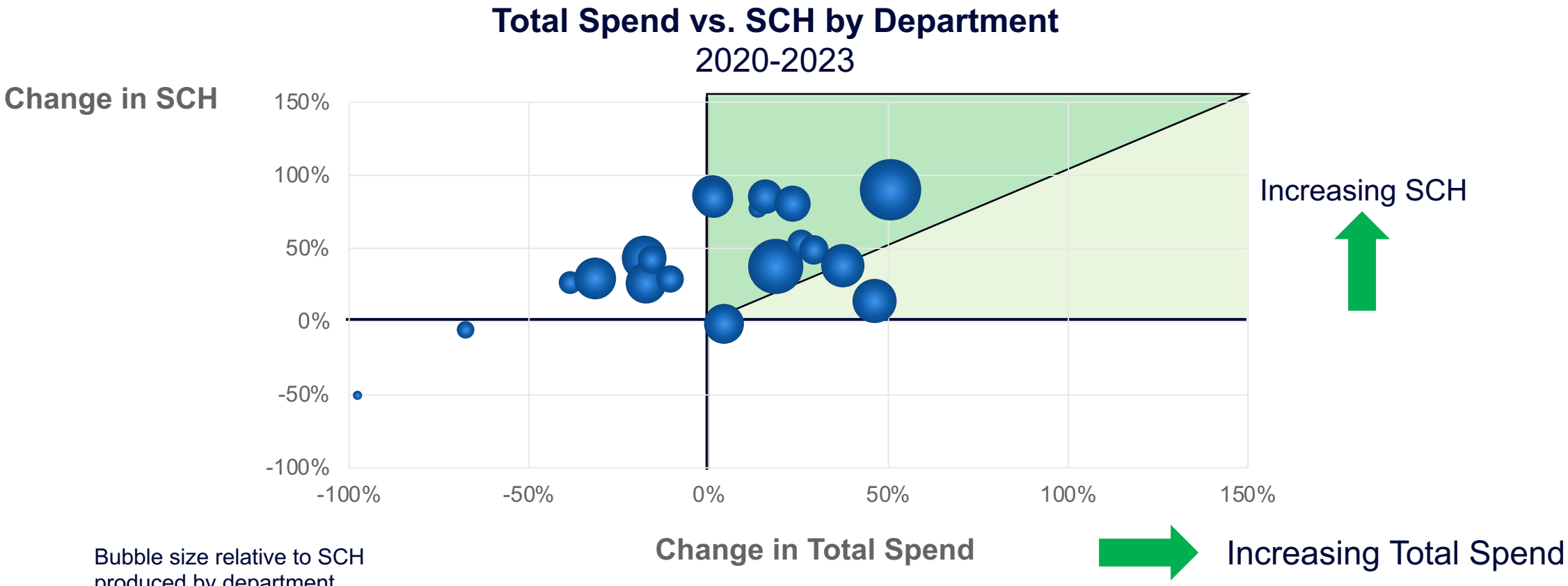
$$\frac{\text{Cost}}{\text{SCH}} \qquad \frac{\text{Cost}}{\text{SCH}}$$


Enrollment!
Policy Decisions
Recurring Decisions
Average SCH per Student per Section
Mix of Full-Time, Overload, and Adjunct Classes
Compensation Levels
Teaching Share of Full-Time Compensation
Average Teaching Load
Curricular Plans and Course Schedule
Costs per Section for Full-Time, Overload, and Adjunct Classes
Average Class Size
Weighted Average Cost per Section
Direct Instructional Cost per Student Credit Hour

If cuts are necessary, data-informed decisions can prevent harm to the long-term viability of an institution.



The exemplar institution was able to pivot and invest in growth.



Agenda

Warm Up: Program Economics Methodology

Strength: Benchmark Bench-Press

Conditioning: Curricular Efficiency

Cool Down: Ongoing Management

A program economics system supports a healthy institution:

- It creates a consistent method of evaluating a program's financial health.
- Key stakeholders have access to the same information.
- Data are kept current to best inform decisions.

A healthy institution is able to:

- Offer the courses and programs that will fund long-term viability
- Pivot and adjust to changing student demand
- Sustain mission-critical activities and programs

Getting fiscally fit is hard work, and it takes time.

Your mission makes it worth it!

Next up in our Master Class Series:

All classes are from 2-3 PM ET.

Date	Topic
Tues., March 4	Foundations of Academic Program Evaluation
Tues., March 11	Fiscal Fitness to Fund Growth
Tues., March 18	**Market Demand: The Key to Program Growth and Relevance**
Tues., March 25	Managing and Sustaining Program Evaluation
Tues., April 1	Embracing Innovation: The Future of Program Evaluation

Register here:
https://www.graydi.us/2025-master-class-series

Next Month: Butler University Case Study Webinar

Thursday, April 17th, 2 PM ET