

Report and Suggestions from IPEDS Technical Review Panel #39 Improving Finance Survey Forms for For-Profit Institutions

SUMMARY: Based on a review of the current Finance component, the Technical Review Panel suggests that a number of changes be made to the FASB forms for for-profit institutions to increase data comparability across institutional sectors and utility to institutions and decisionmakers, while also ensuring data being reported are appropriate for the sector and accurately represent the institutions. Comments from interested parties are due to Janice Kelly-Reid, IPEDS Project Director at RTI International, at ipedstrpcomment@rti.org by December 7, 2012.

On August 21-22, 2012, RTI International, the contractor for the Integrated Postsecondary Education Data System (IPEDS) web-based data collection system, convened a meeting of the IPEDS Technical Review Panel (TRP) in Washington, DC. Meetings of the IPEDS TRP are conducted by RTI to identify technical improvements to the IPEDS data collection and dissemination, as well as to foster communication with data providers and users. The purpose of this meeting was to solicit input from the postsecondary education community regarding improving IPEDS Finance survey forms for for-profit institutions. The panel consisted of 36 individuals representing the federal government, state higher education agencies, institutions, data users, association representatives, and others.

Overview

Each year, institutions are required to report basic financial information in IPEDS. This information provides context for understanding how postsecondary institutions are funded and the cost of providing postsecondary education. The data reported are associated with institutions' audited General Purpose Financial Statements (GPFS) and include:

- revenues by source (e.g., tuition and fees, government grants and contracts, sales and services of educational activities);
- expenses by function (e.g., instruction, academic and institutional support, and student services);
- scholarships and fellowships; and
- assets and liabilities.

IPEDS collects finance data conforming to the accounting standards that govern public and private institutions. There are six different versions of the forms, based on the institution's accounting standards, institutional control, and degree-granting status. The majority of public institutions use accounting standards adopted by the Governmental Accounting Standards Board (GASB). Private institutions (and a few public institutions) operate under accounting standards adopted by the Financial Accounting Standards Board (FASB). Private for-profit institutions operate under FASB accounting standards but report finance data to IPEDS in a simplified form. Differences in accounting standards can make it difficult for data users to make comparisons that cross sectors.

NCES has taken steps to improve comparability across sectors and increase the utility of the IPEDS Finance data. In 2008-09 and 2009-10, NCES phased in new aligned reporting for public and private nonprofit institutions to increase comparability, based on suggestions from a TRP held in January

2007. However, for-profit institutions report less detailed revenue and expense information, and the data are not generally comparable with the public and private nonprofit sectors. Table 1 presents an overview of differences in revenues and expenses reported on the private FASB forms for for-profit institutions (F3), the FASB forms for private nonprofit institutions (F2), and the GASB forms for public institutions (F1).

Table 1. Differences in revenues and expenses collected on FASB forms for private for-profit institutions, FASB forms for private nonprofit institutions, and GASB forms

Revenue categories	FASB Forms for for-profit institutions (F3)	FASB Forms for nonprofit institutions (F2)	GASB Forms for public institutions (F1)
	Report only total amounts for revenue categories	Report total amounts; unrestricted; temporarily restricted; and permanently restricted amounts for revenue categories	Report total amounts, with some categories split by operating and nonoperating amounts for revenue categories
Government appropriations, grants, contracts	Combined	Appropriations; grants & contracts	Appropriations; operating grants and contracts; nonoperating grants and contracts
State and local revenues	Combined	Separate	Separate
Private gifts/contributions from affiliated entities	Not reported	Private gifts and affiliated entities are reported separately	Combined
Investment income and gains	Only the amount included in net income	Total realized and unrealized returns	Total realized and unrealized returns
Hospital and Independent operations	Not applicable	Separate	Separate
Net assets released from restriction	Not reported	Reported	Not reported
Capital appropriations	Not reported separately	Included with government appropriations, as applicable	Separate
Capital grants and gifts	Not reported separately	Included in other categories	Separate
Additions to permanent endowments	Not applicable	Not split out; tends to be included in restricted revenues	Separate
Expense categories	FASB Forms for for-profit institutions	FASB Forms for nonprofit institutions	GASB Forms for public institutions
	Report only total amounts for expense categories	Report total amounts; salary and wages; benefits; operations and maintenance; interest; depreciation; and other for expense categories	Report total amounts; salary and wages; benefits; operations and maintenance; interest; depreciation; and other for expense categories
Research and public service	Combined	Separate	Separate
Academic support, student services, and institutional support	Combined	Separate	Separate
Operations and maintenance	Not reported separately (assumed to be included in other amounts)	Included as part of functional and natural categories	Included as part of functional and natural categories
Hospital and Independent operations	Not applicable	Separate	Separate

Although some accounting differences cannot be made to correspond, RTI convened the IPEDS TRP to explore how the finance data for for-profit institutions could be made more useful to institutions and decision makers and more comparable across institutional sectors—and, if certain comparisons cannot be made, to better understand why not. The panel was also asked to consider ways to ensure the data being reported are appropriate for the sector and accurately represent the institutions.

Discussion

The for-profit sector has experienced dramatic growth in both the number of institutions and enrollments since 2000. At the same time, demand for transparency around college costs and spending at all types of postsecondary institutions has increased. Policymakers and other stakeholders have expressed interest in topics like the distribution of instructional expenses by expense type and the percentage of total revenue from federal grants. However, the FASB forms for for-profit institutions collect considerably less detail than the FASB forms for nonprofit institutions and GASB forms, so there are limitations to accurately comparing these data statewide or aggregating them at the national level.

The panel examined the current finance survey forms item by item to consider which items are reported by GASB and nonprofit FASB institutions that could also be reported by the for-profit institutions to increase comparability across the forms. This review of the finance forms also focused on possible additions to the FASB forms for for-profit institutions that could help provide a more complete picture of financial conditions within higher education and address changing policy and research needs.

Discussion Item #1: Revenue

The IPEDS finance component collects information on revenue sources from tuition and fees; government sources; private sources; investment income; auxiliary enterprises and other self-supporting activities. However, the level of detail with which these data are reported is inconsistent across institutional sectors. The GASB form splits revenues into broad categories for operating, nonoperating, and other amounts. The nonprofit FASB form breaks many of the revenue category totals into unrestricted, temporarily restricted, and permanently restricted. Despite the differences in how the data are reported on F1 and F2, the amounts can generally be reconciled to provide comparable data. However, the FASB forms for for-profit institutions do not collect the level of detail that would be necessary to make pertinent comparisons between revenue categories or across institutional sectors. The panel discussed how the for-profit form could be improved to provide more detail and allow for comparability to the public and private nonprofit forms.

Government Revenues

The F1 and F2 forms collect data on government funding split out by federal, state, and local levels. For each government revenue source, the amounts are reported as either appropriations or grants and contracts. The FASB forms for nonprofit institutions collect federal revenue in two categories: (1) federal appropriations and (2) federal grants and contracts. The GASB forms collect federal revenue in three categories (1) federal operating grants and contracts, (2) federal nonoperating grants, and (3) federal appropriations. Federal operating and nonoperating grants and contracts can be summed to provide a total for federal grants and contracts. However, the for-profit F3 forms collect all amounts received from the federal government, including a direct appropriation of Congress and any grants or contracts, combined in one category, "federal appropriations, grants, and contracts." Reporting

appropriations revenue as a separate category from grants and contracts is important because the processes for both receiving and accounting for those revenues are different.

The public and private nonprofit forms also collect state revenues separate from local revenues and each source is broken out into appropriations or grants and contracts. The for-profit form collects these sources together as “state and local government appropriations, grants and contracts.” The aggregation of these revenue sources make it difficult to understand how for-profit institutions are funded and how those revenue streams may differ from other institutional sectors.

The panel agreed that there is value in collecting revenues by similar source categories for all forms, where possible, to increase comparability across sectors. The revenue categories on most for-profit institutions’ GPFSs are generally more detailed than the revenue categories required for IPEDS reporting. Since the detailed data can be pulled from the GPFS, the panel agreed that a further breakdown of appropriations, grants, and contracts into (1) appropriations and (2) grants and contracts at the federal, state, and local levels is appropriate for this sector and does not impose an undue reporting burden on for-profit institutions.

Several panelists noted that for-profit institutions receive little, if any, revenue from government appropriations and questioned the relevance of disaggregating this category when it is likely that many institutions will always report zeros. However, as these revenues are currently reported, there is no simple method for comparing the extent to which for-profit institutions, compared with nonprofit and public institutions, are funded by government appropriations. Therefore, the panel agreed that collecting revenues further disaggregated by source helps provide context for the key differences in funding sources across sectors while also improving the quality of the data. To be consistent over time and preserve trend data, a simple addition of appropriations plus grants and contracts provides a value comparable to that reported by for-profit institutions under current standards.

Private Grants and Contracts

The F1 and F2 forms split revenue from private sources into more detailed categories such as gifts and contributions from affiliated entities or private grants and contracts. Comparisons of these categories cannot be made across sectors because the FASB forms for for-profit institutions do not specifically collect data on gifts or contributions from affiliated entities as a source of revenue. Several panelists noted that there are no tax benefits for contributions to for-profit institutions and nonexchange transactions rarely occur in this sector. However, the point was raised that as traditional funding sources decrease, institutions are looking to other sources to generate revenue without raising tuition.

Panelists agreed that it is important to accurately capture these data to reflect the changing dynamics of funding sources for all sectors. The panel agreed that adding private gifts to the private grants and contracts category on the FASB forms for for-profit institutions makes these data more comparable with that reported by other sectors. Several panelists noted that most private for-profit institutions will have no private gifts revenue to report and thus felt that there would be no significant reporting burden associated with reporting data in the revised category.

Hospital Revenue

The GASB forms and FASB forms for nonprofit degree-granting institutions collect data on revenues from hospitals operated by the institution or as a component of the institution. A comparable category is not included on the FASB forms for for-profit institutions. The panel noted that several for-profit institutions focus on the growing fields of health science and medical services, and that

while none currently operate hospitals, it is reasonable to expect that may change as for-profit institutions continue to evolve and expand their missions. To minimize the reporting burden, the panel suggested adding a screening question to determine applicability for reporting this category.

Independent Operations Revenue

The GASB forms and FASB forms for nonprofit institutions collect data on independent operations revenue, but no such category is included on the FASB forms for for-profit institutions. Generally, this category includes revenues associated with major federally funded research and development centers. Several public institutions and a number of private nonprofit institutions report independent operations revenue. The panel was asked to examine the value of adding this level of detail to the FASB forms for for-profit institutions.

Several panelists noted that for-profit institutions are statutorily prohibited from participating in federally funded research projects and thus cannot account for independent operations. There was concern with adding this category to the FASB forms for for-profit institutions without first determining its applicability to the for-profit sector. Consequently, the panel suggested that NCES conduct additional research to determine whether all sectors are statutorily mandated to report data on independent operations. If all sectors are required to report on independent operations, NCES should update the glossary terms and definitions to specify that independent operations are generally not applicable to for-profit institutions.

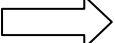

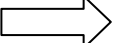
Other Revenues and Additions

The GASB form collects information on “other revenues and additions”, which are revenues outside of the operating and nonoperating classifications and include capital appropriations, capital grants and contracts, and additions to permanent endowments. However, FASB accounting standards do not require revenue sources to be split out as operating, nonoperating, or other and as such, these revenues are counted in the totals for the applicable sources (for example: total private grants and contracts could include amounts for capital grants and contracts if they are from a private source). The information required to report this section typically comes from the notes section of the GPFS.

Following the FASB standards, these other revenue categories do not apply to the private for-profit sector. Therefore, the panel determined that it is not appropriate to break out capital appropriations and capital grants on the FASB forms for for-profit institutions. Furthermore, for-profit institutions have no endowments and endowment fund activity is not within the scope of the for-profit forms. Given the differences in accounting standards, the panel suggested no changes to report these other revenues for endowments or capital assets as a result of this discussion.

Summary of Suggested Changes to Revenues on the FASB Forms for For-Profit Institutions

Based on the above, the panel suggested revising the FASB forms for for-profit institutions as follows:

Existing Categories		Suggested New Categories
<ul style="list-style-type: none"> Federal appropriations, grants, and contracts 		<ul style="list-style-type: none"> Federal appropriations Federal grants and contracts
<ul style="list-style-type: none"> State and local government appropriations, grants, and contracts 		<ul style="list-style-type: none"> State appropriations State grants and contracts Local appropriations Local grants and contracts
<ul style="list-style-type: none"> Private grants and contracts 		<ul style="list-style-type: none"> Private gifts, grants, and contracts Hospital services (if answer YES to screening question, 4-year institutions only) Independent operations revenue (suggested that NCES conduct additional research on the appropriateness of this category for for-profit institutions)

Discussion Item #2: Expenses

Private for-profit institutions currently report total expenses for instruction; research and public service; academic support, institutional support, and student services; net grant aid to students; auxiliary enterprises; and all other expenses. By comparison, public and private nonprofit institutions report using an expense matrix that shows both the functional expense (rows) and natural expense (columns) amounts for each category as displayed below.

Expenses by Functional Classification	Total amount	<u>Salaries and wages</u>	<u>Benefits</u>	Operation and maintenance of plant	<u>Depreciation</u>	<u>Interest</u>	All other
<u>Instruction</u>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	
<u>Research</u>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	
<u>Public service</u>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	
<u>Academic support</u>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	
<u>Student services</u>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	
<u>Institutional support</u>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	
<u>Auxiliary enterprises</u>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	
<u>Net grant aid to students</u> (net of allowances for tuition & fee and auxiliary enterprises)	<input type="text"/>						
<u>Hospital services</u> If this institution is primarily a hospital, please click here	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	
<u>Independent operations</u>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	
<u>Operation and maintenance of plant (see instructions)</u>	0	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	
Other expenses CV=[E13-(E01+...+E11)]							
Total expenses (from B02)		<input type="text"/>	<input type="text"/>	0	<input type="text"/>	<input type="text"/>	

Functional Expenses: Instruction, Research, Public Service, Academic Support, Student Services, Institutional Support, Auxiliary Enterprises, Net Grant Aid to students, Hospital Services, Independent Operations, Operations and Maintenance of Plant, and Other Expenses

The basic functional expense categories reported on the GASB and nonprofit FASB forms are the same and all institutions report spending for instruction, net student grant aid, auxiliary enterprises, and other expenses. However, the FASB forms for for-profit institutions do not collect research, public service, academic support, student services, and institutional support as separate functions but rather aggregate these expenses to broader categories of: research and public service; and academic support, student services and institutional support. It is unclear where expenses for operations and maintenance of plant are reported by for-profit institutions using the current form.

Policymakers and other data users are interested in better understanding costs of higher education for all sectors and metrics such as spending by function as a percentage of total costs (for example: the proportion of total spending that goes to student services). The differences between the expenditure data reported by for-profit institutions and public and nonprofit institutions greatly limit comparisons across sectors.

In the past, for-profit institutions reported all of the functional expenses in separate categories. In 2000, the FASB form for for-profit institutions was simplified to its current format. Although for-profit institutions are not required to report expenses by function in their GPFS, some accrediting boards require them to report expenses by function using their underlying accounting records. Expenses should be assigned to functional categories by direct identification with a function, wherever possible. The survey instructions allow for allocations when direct assignment to functional categories is not possible.

The panel agreed that there is value in collecting more expense data from for-profit institutions to increase comparability across sectors and improve the utility of the data, but was concerned that this would impose an undue burden on institutions. The increased burden is associated not only with reporting the data but also with providing explanations about the disseminated data and justifying why certain expenses were assigned to a particular category. Several panelists noted that the categories are somewhat ambiguous and prone to variation across institutions. Additionally, the group was concerned that the inability to distinguish between the categories will lead to broad inconsistencies in reporting and decrease comparability within the sector. For example, panelists felt it is unclear whether the salaries and wages of an admissions counselor are reported as student services or academic support.

The group acknowledged that there is some degree of burden associated with reporting detailed expenditure data but the value of the data justifies the imposed burden. The panel reached a consensus that the issue of burden can be addressed by making it easier for institutions to report by providing clear and consistent definitions, which will also improve the overall quality of the data reported. Further, panelists agreed that providing training opportunities to data reporters will alleviate the concerns raised about validity and potential reporting inconsistencies. Several panelists noted that for-profit institutions that reported finance data prior to the implementation of the simplified form in 2000 should be capable of reporting using the detailed categories because they were required to report this way in the past.

Natural Expense Categories: Salary, Benefits, Operation and Maintenance of Plant, Depreciation, Interest, and All Other

For each of the functional expense categories noted above, public and nonprofit institutions report a total amount along with the amounts for each of the natural expenses (salary, benefits, operations and maintenance of plant, interest, depreciation, and other) that comprise the total. The panel was asked to examine the extent to which for-profit institutions could report their expense data using the natural classifications. The institution's financial accounting policies and procedures used for their GPFS should be the beginning basis for reporting these expenses. The GPFS typically include the natural expenses totals but does not allocate these expenses to the functional categories. As such, deviations from the GPFS may be required to report this section. Several panelists were concerned that this approach has the potential to add a level of complexity and increase reporting burden.

The panel members were concerned with the level of institutional burden associated with gathering data that deviates from the GPFS to report allocated functional expenses. Several panelists felt that the allocations are arbitrary because the GPFSs are not structured in a way that allocates these expenses to the functional categories. Small institutions face a separate set of challenges since many of these schools have no dedicated staff member responsible for IPEDS reporting. Institutions that are unable to make the allocations themselves will need to rely on their auditors to report this level of detail on their GPFS. Additionally, adding this level of detail to the forms imposes a burden on corporate offices that will be required to disaggregate and allocate data for multiple institutions.

The panel examined multiple approaches for balancing the burden with the value of the data collected. A panelist questioned whether collapsing depreciation, interest, and operation and maintenance of plant expenses into a catch-all expense category would provide comparable information across sectors while reducing the reporting burden on for-profit institutions. The group raised several concerns with this approach, specifically that it shifts the burden associated with reporting the data to calculating the allocations outside of the survey forms. Several panelists noted that allocating functional expenses by salaries, wages, and benefits is the least burdensome approach while still maintaining some comparability with the private nonprofit and public sectors. However, unless for-profit institutions allocate depreciation, interest, and operation and maintenance of plant to all functional categories, the total expenses by function are incomparable across sectors.

Members of the panel noted that the National Association of College and University Business Officers (NACUBO) has written an advisory note to assist public and private nonprofit institutions with making IPEDS expense allocations. The report provides five commonly used allocation methodologies: (1) direct assignment based on functional category of space, (2) assignable square footage, (3) salaries (and wages), or salaries (and wages) plus benefits, (4) total expenses by function, or (5) combination of the above. The NACUBO guidance should be provided to for-profit institutions to help them transition to the new functional expense categories. However, it was noted by the panel that most for-profit institutions are not currently members of NACUBO.

As a result of this discussion, the panel recommended revising the expense categories collected on the FASB forms for for-profit institutions to resemble the expense matrix found on the F1 and F2 forms. The only change to the matrix would be regarding the reporting of hospitals and independent operations expenses. The panel suggested using the same approach for determining applicability of reporting on hospitals and independent operations as noted above in the revenue discussion, such that institutions would report hospital expenses only if they indicated they had a hospital on a screening question and independent operations expenses would be reported only if considered appropriate after NCES conducts further research .

Given the burden associated with allocating the natural expenses across the functional expense categories, the panel suggested that NCES investigate strategies for reducing burden such as allowing institutions the option to use a default allocation factor calculated by the system based on salaries and wages. Additionally, the panel suggested that NCES consider the usefulness of all of the finance forms to determine if data are being collected effectively and efficiently.

Additional Items to Include: Taxes

In addition to considering the issue of providing comparable data across sectors; the panelists also examined financial indicators that are specific to the for-profit sector. Most notably, for-profit institutions must pay income taxes to the government while the public and nonprofit sectors are most often tax exempt. The panel agreed that information about tax expenditures can help address policy questions and provide more detailed context for the for-profit sector. Within the for-profit sector, the business structure of the institution dictates whether taxes are paid by the institution or the owner of the institution.

In order to capture useful data related to income tax, the panel suggested collecting information on the business structure of for-profit institutions. Institutions with either a Limited Liability Company (LLC) or C corporation business structure will be asked to report on federal and state income tax expenditures. This is because C corporations and some larger LLCs pay state and federal income taxes, and the amount of taxes paid is shown on the institutions' GPFSs. Institutions operated as sole proprietorships or S corporations would not report tax expenses to IPEDS because their taxes are shown on the owners' personal tax return instead of institutional expenses on the GPFS.

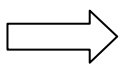
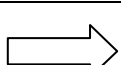
Panelists agreed that since income tax payments are unique to the for-profit sector, it is worthwhile to collect information about these expenses. Some panelists recommended that income tax amounts paid to the federal and state/local governments be reported in two separate categories. A panelist pointed out that accrual based accounting systems measure *tax expense for the reporting period*, rather than *taxes paid*. In light of this, the group suggested that NCES solicit input from NACUBO and other financial experts to reconcile any definitional inaccuracies or ambiguities for reporting income tax expenses.

The panel also explored the value of reporting on additional tax payments such as real estate tax, sales tax, and payroll taxes to provide context to the income tax measure. Additionally, panelists agreed that there is value in collecting the total of other taxes paid, excluding sales tax and payroll tax. However, sales tax and payroll tax expenditures are already included in the expenses being reported and are not separate items on most institutions' financial statements.

After careful consideration, the group agreed that there may be value in collecting more detailed information on other tax expenditures from the public and nonprofit sectors, such as payments in lieu of taxes, but panel members did not feel that they had enough information to make a suggestion at this time. While the group consensus was that it may be preferable to collect data on other taxes from all sectors, the panel felt that a more focused review should be conducted on the feasibility of implementing a change of this kind, and that the topic should be explored in greater detail during a future meeting of the TRP if necessary.

Summary of Suggested Changes to Expenses on the FASB Forms for For-Profit Institutions

Based on the above, the panel suggested revising the FASB forms for for-profit institutions as follows:

Existing Categories	Suggested New Categories
<ul style="list-style-type: none"> • Research and public service 	 <ul style="list-style-type: none"> • Research • Public service
<ul style="list-style-type: none"> • Academic support, student services, and institutional support 	 <ul style="list-style-type: none"> • Academic support • Student services • Institutional support
<hr style="border-top: 1px dashed black;"/> <ul style="list-style-type: none"> • Operation and maintenance of plant • Hospital services (if answer YES to screening question, 4-year institutions only) • Independent operations revenue (suggested that NCES conduct additional research on the appropriateness of this category for for-profit institutions) 	
<hr style="border-top: 1px dashed black;"/> <p>The following categories will be allocated across the functional categories and will also be reported as a total amount following the expense matrix used by public and private nonprofit institutions:</p> <ul style="list-style-type: none"> ○ salaries and wages ○ employee fringe benefits ○ operations and maintenance ○ interest ○ depreciation ○ all other 	
<hr style="border-top: 1px dashed black;"/> <ul style="list-style-type: none"> • What is your business structure? <p>Based on the information provided, institutions with the business structure of either C Corporations or LLC will subsequently be asked to report income tax expenses as follows:</p> <ul style="list-style-type: none"> ○ Total Federal income tax expenditures ○ Total state and local income tax expenditures <hr style="border-top: 1px dashed black;"/>	

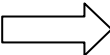
Discussion Item #3: Scholarships and Fellowships

Institutions across all sectors report similar data for the Scholarships and Fellowships section of the finance survey component. Currently, all institutions report the amounts of Pell grants, other federal grants, state and local grants, institutional grants along with discounts/allowances applied to tuition and fees and auxiliary enterprises. One of the differences between how the sectors report scholarships and fellowships between the sectors is that the for-profit institutions report state and local student grant aid combined while the other sectors split them apart. The panel agreed that collecting the state and local student grant aid amounts separately does not introduce a significant burden. Further, it better aligns the FASB forms for for-profit institutions with other sectors and makes the data more comparable.

The other difference in the scholarships and fellowships section reporting is that the private for-profit institutions do not differentiate between funded and unfunded institutional grant aid as the public and private nonprofit institutions do. GASB forms distinguish between institutional grants from restricted resources and institutional grants from unrestricted resources; FASB forms for nonprofit institutions distinguish between institutional grants from funded resources and institutional grants from unfunded resources. The difference in terminology between restricted or funded institutional grants is nominal and is due to different language used in GASB and FASB standards. Funded or restricted institutional grants are often funded through the institution by endowments, private donors or other external agencies and are restricted to providing student aid for specific purposes, programs, departments, or schools. Unrestricted institutional funds and institutional grants from unfunded sources are from institutional funds without restrictions for how the funds should be expended. Panelists agreed that since for-profit institutional grants are not funded by endowments and are instead funded from institutions' general funds, collecting more detailed data on institutional grants is not appropriate for this sector.

Summary of Suggested Changes to Scholarships and Fellowships on the FASB Forms for For-Profit Institutions

Based on the above, the panel suggested revising the FASB forms for for-profit institutions as follows:

Existing Category	Suggested New Categories
<ul style="list-style-type: none"> • State and local grants (government) 	<div style="text-align: center; margin-bottom: 10px;"></div> <ul style="list-style-type: none"> • Grants by state government • Grants by local government

Discussion Item #4: Balance Sheet Information

The F1 and F2 forms for degree-granting institutions collect a variety of detailed information on assets, liabilities, and net assets from the public and private nonprofit sectors. These categories tend to be broken down into current or noncurrent and restricted or unrestricted amounts. Furthermore, the public and private nonprofit institutions provide information about their capital assets for land improvements, buildings, equipment (including library collections), construction in progress, total plant property and equipment, and accumulated depreciation. Comparatively, the F3 form only collects information on total assets, liabilities, and equity.

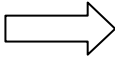
Several panelists noted that while for-profit institutions report less detailed financial information than the other sectors, their financial statements do contain a higher level of detail than is currently required to report to IPEDS. However, the group questioned whether *all* of the category breakdowns found on the GASB forms and nonprofit FASB forms are relevant to the for-profit sector. For example, making comparisons across sectors on capital assets such as improvements to land, easements, buildings, building improvement, and infrastructure is difficult because many for-profit institutions lease space, so these categories would not be applicable.

The panel agreed that reporting balance sheet information at a higher level of detail does not significantly increase the reporting burden of for-profit institutions because their GPFSs contain the more detailed information. However, the panel was undecided whether IPEDS is the most appropriate instrument for collecting these data. Several panelists noted that although publicly traded for-profit institutions already report these data to the U.S. Securities and Exchange Commission (SEC), IPEDS is thought of as the most comprehensive source of data on postsecondary education.

The panel noted that there is value in collecting more detailed financial information for institutional benchmarking purposes—specifically, for comparing balance sheet ratios.

As a result of this discussion, the panel agreed that collecting more detail on assets and liabilities from for-profit institutions as part of the Finance component increases comparability across sectors and improves the financial transparency of the institutions. Although balance sheet data are already useful as aggregate totals, collecting data at the same level of disaggregation from all sectors makes sense and does not significantly increase the reporting burden because this level of detail is reported on institutions’ GPFS. Therefore, where applicable, the FASB forms for for-profit institutions should be modified to match the FASB forms for nonprofit institutions.

Summary of Suggested Changes to Balance Sheet Information on the FASB Forms for For-Profit Institutions

Existing Categories	Suggested New Categories
	<ul style="list-style-type: none"> • Long-term investments • Property, plant, and equipment, net of accumulated depreciation • Intangible assets, net of accumulated amortization • Debt related to property, plant, and equipment • Additional detail to align with financial statements • Land improvements • Buildings • Equipment—including art and library collections • Construction in progress • Other plant, property, and equipment • Total plant, property, and equipment • Accumulated depreciation

Technical Review Panel Discussion: Definitional and Other Issues

In exploring ways to make the finance data more useful and comparable across institutional sectors, the panel identified the following definitions and items related to definitions that need further clarification to improve the overall quality of the data reported:

Definitional Issues:

Contributions from affiliated entities: These are defined as revenues from non-consolidated affiliated entities, such as fundraising foundations, booster clubs, other institutionally-related foundations, and similar organizations created to support the institution or organizational units of the institution. General purpose financial statements for FASB institutions include a separate line for these revenues; GASB institutions classify such revenues as gifts.

Auxiliary enterprises, Independent operations, Sales and Services of Educational Activities: Several panelists noted the perceived similarities between the definitions for auxiliary enterprises, independent operations, and sales and services of educational activities. An important distinction lies in the source of funds (e.g., self-supporting operations that furnish a service to students, faculty or staff and charge a fee directly related to that service; operations independent of the primary missions of the institution such as major federally funded research and development centers sales from goods

or services that are incidental to the conduct of research, public service, or instruction;). The panel suggested that each category be clearly defined to avoid incorrect reporting.

Institutional grants

- funded vs. unfunded; and
- restricted vs. unrestricted:

Funded grants are analogous to restricted grants in that both are institutional grants subject to restrictions but they are labeled differently under FASB and GASB standards. NCES should examine the extent to which they can be modified while continuing to conform to GASB and FASB standards. Additionally, the panel suggested that NCES develop common definitions that are equally applicable to all three sectors and list the GASB and FASB definitions alongside the common definition.

Discounts and allowances: The amounts of scholarships or fellowships that are used to pay tuition and fees or are applied to auxiliary enterprises are defined by GASB standards as *discounts and allowances*. FASB standards define these amounts as *allowances*. The panel suggested that NCES should investigate whether the same terminology can be used for both GASB and FASB institutions.

Marketing, advertising, and student recruitment: Several panelists noted that more data on marketing, advertising, and student recruitment expenditures would be valuable in terms of increasing the financial transparency of for-profit institutions. Panel members agreed that there is high interest in this information and while such data would be useful, the lack of a clear definition prevents these expenditures from being collected in a way that is comparable across institutions. For example, the panel considered the expense of t-shirts printed with an institution name or football team and whether this should be considered advertising and whether it is appropriate to classify the expenditure the same way that a television commercial is classified. The panel agreed that, at this time, the scope of advertising and marketing expenditures is too complex to include as a separate category in IPEDS. Instead, the panel suggested that NCES clarify that advertising and marketing expenditures should be assigned by direct identification with a function. For example, expenditures for activities with the primary purpose of recruiting students should be reported as student services expenditures; marketing and advertising expenditures for self-supporting operations of the institution such as intercollegiate athletic teams should be reported as auxiliary enterprises; and expenditures related to recruiting and hiring faculty and staff are directly related to an institution's mission and should be reported as institutional support.

Taxes: NCES should define where to include taxes and specify which taxes, with examples, and indicate whether there is a need to report payment in lieu of taxes and, if so, where. NCES should also consider adding an expense item for taxes other than income, payroll, and sales taxes to the finance survey forms for all institutions.

Summary of Proposed Revisions to the IPEDS Finance Component for Institutions Reporting on the FASB Forms for For-Profit Institutions

Following is a list of the changes included in the discussion sections of this report.

Revenues and Investment Return

- Separate federal appropriations, grants, and contracts into two new categories:
 - Federal appropriations
 - Federal grants and contracts
- Separate state and local government appropriations, grants, and contracts into four new categories:
 - State appropriations
 - State grants and contracts
 - Local appropriations
 - Local grants and contracts
- Add private gifts to be reported with private grants and contracts
- Add a new category: hospital services (if answer YES to screening question, 4-year institutions only)
- Add new category: independent operations revenue (if considered appropriate after further research by NCES)

Expenses

- Separate research and public service into two new categories:
 - Research
 - Public service
- Separate academic support, student services, and institutional support into three new categories:
 - Academic support
 - Student services
 - Institutional support
- Add the following new functional expense categories:
 - Operation and maintenance of plant
 - Hospital services (if answer YES to screening question, 4-year institutions only)
 - Independent operations (if statutorily required and not in conflict with rules regarding federally funded grants and contracts with for-profit institutions)
- Add the following new natural expense categories to be allocated across the functional categories and reported as total amounts
 - salaries and wages
 - employee fringe benefits
 - operations and maintenance
 - depreciation
 - interest
 - all other
- Add a new informational screening question: What is your business structure?

Based on the information provided, institutions with the business structure of either a C corporation or a limited liability company (LLC) will subsequently be asked to report the following income tax expenditures:

- Federal income tax expenditures
- State and local income tax expenditures

Scholarships and Fellowships

- Separate state and local grants into two new categories:
 - Grants by state government
 - Grants by local government

Balance Sheet Information

- Add the following new categories:
 - Long-term investments
 - Property, plant, and equipment, net of accumulated depreciation
 - Intangible assets, net of accumulated amortization
 - Debt related to property, plant, and equipment
 - Additional detail to align with financial statements
 - Land improvements
 - Buildings
 - Equipment—including art and library collections
 - Construction in progress
 - Other plant, property, and equipment
 - Total plant, property, and equipment
 - Accumulated depreciation

Implications on Reporting Burden for Institutions

The TRP recognized that aligning the FASB forms for private for-profit institutions to be more comparable with other sectors has the potential to impose a high level of burden on private for-profit institutions. The TRP attempted to minimize the burden by recommending that NCES review existing definitions and make clarifications to the instructions.

Institutions are encouraged to provide estimates of reporting burden for the private for-profit Finance component during the comment period. The estimate should include time required to review instructions, search data sources, complete and review responses, and transmit or disclose information.

Next Steps and Reporting Implications

Once the TRP summary comment period has closed, RTI will review the comments and provide NCES with final recommendations based on both the comments and the suggestions of the TRP. NCES will review the recommendations to determine next steps and any reporting implications for IPEDS. Before any changes are made to the IPEDS data collection, proposed changes will be submitted to the Office of Management and Budget (OMB) for information collection clearance. The next OMB package will cover the 2014-15 through 2016-17 IPEDS data collections. NCES plans to implement any changes based on suggestions from this TRP for the 2014-15 data collection and beyond, with possible preview screens available in 2013-14.

Comments

RTI is committed to improving the quality and usefulness of IPEDS data. We encourage interested parties to send any comments or concerns about this topic to Janice Kelly-Reid, IPEDS Project Director, at ipedsTRPcomment@rti.org by December 7, 2012. As noted above, RTI is specifically interested in the implications on reporting burden as well as on the quality and usefulness of the data elements based on the proposed revisions.