Report and Suggestions from IPEDS Technical Review Panel 46: Improvements to the Finance Survey

Based on a review of the current Finance component, the Technical Review Panel considered a number of potential changes to the survey forms and materials. This summary provides feedback and suggestions on how changes would impact data quality and reporting burden for institutions. Comments from interested parties are due to Janice Kelly-Reid, IPEDS Project Director at RTI International, at ipedsTRPcomment@rti.org by June 12, 2015.

On March 24 and 25, 2015, 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 solicit expert discussion and suggestions on a broad range of issues related to postsecondary education and the conduct of IPEDS. The TRP is designed to allow the public to advise and work with RTI to improve IPEDS data collection and products, data quality, and user-friendliness. The TRP does not report to or advise the Department of Education.

RTI's specific purpose for TRP 46 was to discuss strategies to increase the accuracy and utility of the financial information collected through different IPEDS Finance forms, and to assess how changes would impact institutions, researchers, and the Department of Education. The panel consisted of 48 individuals representing institutions, researchers and other data users, state governments, the federal government, higher education associations, and others. A number of panelists came from a finance background and had specific knowledge of college and university accounting policies and practices.

Background

NCES is authorized by law under Section 153 of the *Education Sciences Reform Act of 2002* (ESRA; P.L. 107-279)[1] to collect and disseminate data at all levels of education on "the financing and management of education, including data on revenues and expenditures." Each year, IPEDS collects institutional data on the financial resources and costs involved in the provision of postsecondary education. Data collected in the IPEDS Finance component include institutional revenues by source, expenditures by category, assets and liabilities, and other information reported on institutions' audited financial statements.

Generally accepted accounting principles (GAAP) guide and standardize accounting practices and are necessary so that financial statements fairly and consistently describe financial performance. IPEDS collects finance data conforming to the accounting standards that govern public and private institutions. The Financial Accounting Standards Board (FASB) and Governmental Accounting Standards Board (GASB) are the two bodies that set accounting standards for private and public institutions. Generally, private institutions use standards established by FASB and public institutions use standards established by GASB.

Changes to the IPEDS Finance component closely follow changes to GAAP set by the accounting standards boards. Although some changes have occurred to both the FASB and GASB versions of the forms, such as changes that were implemented from 2008 to 2010 in an attempt to increase comparability between the forms, IPEDS financial reporting is primarily guided by the standards set by the standards boards. The changes in accounting standards affect institutions' reporting of

[1] ESRA established the National Center for Education Statistics (NCES) within the Institute of Education Sciences (20 U.S.C. 9541) and gives NCES a broad set of collection powers to fulfill the Congressional mandate to report full and complete statistics on the condition of postsecondary education in the United States.

revenues, expenditures, and scholarships and fellowships. Since the boards have different missions—FASB's to help investors and creditors make decisions and GASB's to provide accountability for government entities—IPEDS forms will inevitably contain some irreconcilable differences.

While most of the data collected in IPEDS are mandated through regulation and legislation, the broad scope of the federal mandate for the collection of financial data under ESRA has given NCES latitude to manage the collection and burden[2] as appropriate. NCES evaluates the introduction or retention of data items based on their burden to data providers and utility to data users, including Congress; federal, state, and local governments; education providers; and consumers. RTI convened this TRP to engage the community in discussion on how to increase the accuracy and utility of financial information collected. To this end, panelists were asked to explore desirable outcomes for the Finance component, data elements to add or remove, and methods for streamlining the forms.

Purpose of the Finance Component

The first part of the TRP explored desirable outcomes for financial reporting to IPEDS. Panelists considered the targeted audiences and many uses of the data. IPEDS Finance data serve multiple purposes for various stakeholders for benchmarking, decision-making, and research, such as the Delta Cost Project. Although previous TRPs (e.g., TRP 18 and TRP 39[3]) suggested increasing the amount of data collected to improve comparability and utility of the data, it is debatable whether this purpose was achieved, since data users have indicated that differences in accounting standards and institutional operations make it difficult to accurately compare financial data across institutions. Panelists were asked how they wanted the IPEDS Finance data to be used, but a consensus could not be reached. The panel recognized that the needs of the user community, while important for determining the purpose of the Finance component, is extensive and unclear. They agreed that IPEDS Finance information is useful for broad comparisons within and across sectors, but that granular comparisons are not appropriate, given not only the differences in accounting standards but also differences in how institutions group and report items for IPEDS that are not on their financial statements or other reports.

As such, the panel suggested that NCES provide additional guidance and clarifications to encourage more consistent, informed, and appropriate uses of IPEDS Finance data. For example, additional guidance could be provided on the types of research questions that can be answered, known issues with comparing the data across different groups, how to construct metrics, and how to develop models and standards for benchmarking.

In its review of the Finance component, the panel also considered how the component could fill a need unmet by other financial data collections. In addition to IPEDS reporting requirements, institutions also submit financial reports to the Federal Deposit Insurance Commission, SEC filings, and financial schedules that are part of the Internal Revenue Service (IRS) Forms 990 and 990T, all of which rely on audited financial statements as the basis for reporting. Institutions that participate in Title IV federal student aid programs are required to submit financial statements and compliance

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[2] The Paperwork Reduction Act (44 U.S.C. §§3501–3520) requires federal agencies to "justify any collection of information from the public by establishing the need and intended use of the information, estimating the burden that the collection will impose on respondents, and showing that the collection is the least burdensome way to gather the information."

[3] Summaries of these meetings are available at the following links:
https://edsurveys.rti.org/IPEDS_TRP/documents/trp_Technical_Review_08222007_18.pdf
https://edsurveys.rti.org/IPEDS_TRP/documents/Report%20and%20Suggestions%20from%20IPEDS%20TRP%2039_final.pdf

audits to the Office of Federal Student Aid (FSA) through eZ-Audit. Although TRP 18 discussed the possibility of consolidating the Finance component and the eZ-audit data collection as a way to reduce overall reporting burden, TRP 46 identified several barriers to linking data across the two systems. These barriers included the non-alignment of reporting units between FSA and IPEDS and differences in reporting periods for the two collections. In addition to federal collections, other sources of financial data exist, such state systems and the State Higher Education Finance report published by the State Higher Education Executive Officers Association (SHEEO). The panel suggested exploring other sources of postsecondary finance data, such as the IRS Form 990, that could supplement the IPEDS Finance data.

Adding Data Elements for Enhanced Utility

The panel was asked to consider the purpose of the Finance component and the desired outcome when discussing which data elements, if any, should be added to the forms to increase utility. Additions under discussion included collecting financial data at the program and student level, collecting more expense categories, and capturing missing financial activities.

Finance Data at the Program/Student Level

While data reporters and users alike expressed a desire for more detail, particularly at the program and student level, collecting information by program increases the complexity of the data collection and would be overly burdensome for both reporters and users. In many cases, the financial statements require a different level of detail or report amounts in categories that are slightly differently than the IPEDS Finance forms. Some items required by IPEDS must instead be pulled from underlying records or estimated where exact data do not exist in the financial statements. Given that the financial statements serve as a basis for IPEDS reporting and reporting methods vary, panelists had concerns about potentially unreliable data and did not see the value gained by collecting more detail, particular at the program and student level. Instead, they suggested maintaining the same level of detail, or further collapsing the functional expense categories to reduce the variation due to institutional discretion involved in reporting finance data to IPEDS.

Add More Expense Categories

The panel also considered the utility of adding other expense categories, such as marketing expenses for for-profit institutions, pension expenses for public institutions, and instructional non-credit expenses. The panel struggled to find a balance between the need for more granular detail with the reliability of the data collected. They questioned the value of including additional expense categories in some versions of the forms but not others, given the recent efforts to increase comparability across reporting standards by aligning the forms. Panelists agreed that there should be a demonstrated need and explicit justification for collecting additional information. If line items are added, they should be added universally to all forms.

Additionally, although the aligned forms collect conceptually similar information on revenues and expenses, panelists pointed out that there is a misconception that the individual line items can be reconciled to provide comparable data across institutions adopting differing financial accounting standards. FASB and GASB have the authority to prescribe the accounting practices to be employed by the institutions under their purview, but these standards differ in their treatment of functional expenses. Even within a single set of accounting standards, institutions experience difficulties splitting out line items that cross several functional expense categories, such as IT and marketing. Given the broad and various missions of institutions and the fact that different institutions treat expense categories differently, panelists questioned the appropriateness of reporting detailed expense data, which may eventually be used in consumer-oriented tools.

The panel also questioned how comparable data on marketing expenses could be collected without a clear definition of what should be included. In some cases, marketing and recruiting activities are conducted by the parent corporation, and it is unclear how (or if) marketing expenses would be allocated across the affiliated campuses. Panelists were concerned that additional detail may not be comparable due to institutional reporting discretion, and suggested that IPEDS only ask institutions to report the level of detail that matches the level of credibility. Given these reporting challenges, panelists felt that the classification of expenses is largely subjective and the addition of other expense categories would not prove useful for comparison.

Missing Information

The panel was asked to consider if the forms insufficiently captured all financial activity. As of 2014-15, all institutions report their operating expenses in a matrix format that shows both the natural expenses (columns) and the functional expenses (rows) for each expense category, with the exception of a few rows that are excluded for non-degree-granting and lower-level institutions. Natural classifications provide information about the type of expenses, and functional categories provide information about the activity for which the expenses were incurred. The Finance forms include a natural classification for "other" expenses, which is calculated as the difference between the total expenses and the sum of expenses allocated across the following natural classifications: salaries and wages, benefits, depreciation, and interest. Given that "other" is the second largest spending category after salaries and wages for both FASB and GASB institutions, the panel agreed that this category should be investigated and potentially captured in more detail in IPEDS Finance. The panel agreed that when considering potential changes to the Finance forms, the data to be collected should be relevant and consistent with the needs of the intended audience and clear justification would be needed for any items to be added.

Removing Elements for Reduced Burden

The amount of time and the level of difficulty associated with preparing the Finance survey vary by institution. Some of the data requested on the current Finance forms may not be necessary, particularly if these data are not often used. Since data providers often cite the Expense section of the Finance forms as a challenge to complete, the panel was asked to review this section and consider removing or collapsing data elements to reduce the amount of data collected where possible. The panel was also asked to consider other details that can be collapsed to totals in other finance sections, especially for the high-burden sectors.

The beginning of this discussion circled back to the first part of the TRP discussion, which struggled to identify the purpose for the IPEDS Finance component. In order to move forward with recommendations for adding or removing data elements, panelists agreed that key questions about the purpose should be answered. For example, should IPEDS Finance be designed to give national-level estimates of postsecondary finance or to give more detailed estimates at subnational levels, such as cross-sector comparisons? To be more precise, should IPEDS Finance match FASB and GASB, or could it deviate from these accounting standards to more accurately summarize postsecondary education financing? The panel agreed that answering these questions would help guide recommendations for potential changes but did not find consensus on the answer.

Functional Expense Categories

The panel was asked to review the expenses matrix. The primary issue with the current format for reporting expenses is that the IPEDS expense section requires institutions to report data in a slightly different manner than they report the data on their audited financial statements. How and where to report functional or programmatic allocations is left to the discretion of the institution, making it difficult to compare expense line items, particularly if overhead is allocated to administrative and support functions. However, given the increased demands for transparency around institutional costs and spending, panelists acknowledged the importance and need for functional expense reporting in IPEDS Finance. Reducing the level of detail at which the categories are collected could improve the quality of the data, but simplifying the categories too far would reduce transparency.

Panelists proposed and discussed several approaches for reducing or removing detail but did not reach consensus on the level of detail at which such data should be collected. Ultimately, the panel provided three options for public consideration, as shown in Proposals 1, 2, and 3.

Proposal 1. Reduce the Level of Detail in Reporting Institutional Expenses by Natural and Functional Classification

Considering the level of effort that goes into reporting the current level of detail and the concerns about the reliability of the subtotals, panelists felt that the return on investment is unclear. Proposal 1 aggregates several of the natural and functional classifications into a simpler matrix that proponents argued could work for both FASB and GASB reporting models. Reducing the level of detail in the expense matrix would significantly lower the burden associated with allocating expenses to operation and maintenance of plant. Furthermore, removing this allocation requirement would improve comparability of the expense data given the variation in the current allocation methodologies. Consolidating a number of the existing functional categories into broad functional categories would collect expenses under a uniform reporting standard and give a more complete (and comparable) picture of what it costs to educate students.

Under Proposal 1, the existing six natural classifications would be collapsed to three: Personnel, Non-Personnel, and Depreciation expenses. The Personnel category would include the natural classification categories of salaries and wages and benefits. The Non-Personnel category would include the natural classification categories of operation and maintenance of plant and interest expenses. Functional categories would also be collapsed to three: Education and General, Auxiliaries, and Hospital.

	Personnel	Non-Personnel	Depreciation	Total
Education and General				
Auxiliaries				
Hospital				
Total expenses				

Opponents of the proposal raised concerns with losing the ability to conduct trend analyses across this change. For example, NCES issues the *Digest of Education Statistics*, a congressionally mandated report that provides information on the progress of education in the United States.[4] Streamlined categories would eliminate the detailed breakdown of expenditures by function in the

[4] The Digest reports statistics on a variety of higher education issues such as student enrollment, degrees conferred, and finances. NCES uses data from the IPEDS Finance component to present descriptive information expenditures of educational institutions, by level and control of institution.

Digest and could probably only be used to provide information on total core expenses. With fewer categories, the most granular detail would be lost.

However, proponents of this model noted that the level of detail collected should match the level of credibility. The inconsistencies in the detailed functional expense breakdowns in the current reporting model can skew cost comparisons. By including fewer categories, it shows potential users of the data that it would not be appropriate to compare particular functions at the detailed level.

Proposal 2. Slightly Reduce the Level of Detail in Reporting Institutional Expenses by Natural and Functional Classification

The second proposal is similar to the first proposal but provides additional detail. The proposed functional categories include a subdivision of Educational and General expenses and capture more detail on the Education and General function than the first proposal. Similar to the first proposal, the categories are collapsed where there appears to be the most confusion. However, under this approach, institutions would be required to report detailed information for salary and wage expenses for education-related activities and instruction in five broad subfunctional categories that align with definitions used in the IPEDS HR component.

	Salaries and wages	Employee fringe benefits	Operation and maintenance of plant	Interest	Depreciation
Instructional staff (instruction, research, public service)					
Research					
Public service					
Academic support and student services					
Institutional support (central admin)					
Educational and General Total	CV				
	Personnel		Non-Personnel		Depreciation
Auxiliary enterprise					
Athletics					
All others					
Hospital					
Total expenses					

CV=Calculated Value

Note: Unshaded cells are reported values. Cells in gray would be neither collected nor calculated. Employee fringe benefits, operation and maintenance of plant, interest, and depreciation expenses are not reported in detail for the Educational and General subfunctions. Instead, these items are to be reported as totals at the Education and General expense level.

The instructional staff category would include salary and wage expenses for all individuals whose primary responsibilities involve instruction at the institution or have instruction as part of their job. Salary and wage expenditures for staff whose primary responsibilities are for the purpose of conducting research or carrying out public service activities would be reported in separate subfunctional categories. Salary and wage expenses for academic support and student services would be reported together in one collapsed subfunctional category to prevent inconsistent expense classifications. These subfunctions, along with institutional support, make up the total salary and wage expenses for the Education and General function. In addition to salary expenses, totals for employee fringe benefits, operation and maintenance of plant, interest, and depreciation would be reported at the Education and General expense level.

As with the first proposal, institutions will report Personnel, Non-Personnel, and Depreciation expenses for auxiliary enterprises, with separate breakouts for athletics and all other, and hospital functions, if applicable. While the first proposal would include the costs associated with the operation and maintenance of plant in the Education and General function, this approach would collect the total separately, since operation and maintenance totals are needed for state funding formulas.

Proposal 3. Report Institutional Expenses Separately by Natural and Functional Classification

The third proposal presents the collection of expenses by natural and functional classification categories separately, and thus not allocated across the matrix. Under this approach, institutions would report expenses in the detailed functional categories that - panelists argued - are more consistent. For example, salaries are reported as a line item on most financial statements; at some institutions, splitting out research and instructional salary expenses may be difficult because instructional faculty may perform research, but their salaries would all be recorded under instructional expenses. Given that the allocation of salary expense is largely subjective and might not prove useful for comparison, the panel was asked to consider collapsing the functional categories and collect only the *total* salary and wages expense incurred. To minimize the reporting burden, panelists also suggested adding a screening question to determine applicability for reporting hospital expenses.

Table 1. Institutional Expenses by Natural Classification

	Total
Salaries and wages	
Employee fringe benefits	
Operation and maintenance of plant	
Depreciation	
Interest	

Table 2. Institutional Expenses by Functional Classification

	Total
Instruction	
Research	
Public service	
Academic support	
Student service	
Institutional support	
Operation and maintenance of plant	
Scholarships and fellowships	
Auxiliary enterprises	
Hospital services (if Y to SQ)	
Independent operations	
Other expenses and deductions	

In general, the panel struggled with eliminating categories in a way that would reduce burden but also maintain valuable information for comparison. A panelist noted that with the exception of mandatory and nonmandatory transfers, Education and General expense data fields have been collected since 1986–87, when the surveys were administered by Higher Education General Information Surveys (HEGIS). Much of the trend data on the expenses of postsecondary institutions would be lost if the categories were eliminated, and tables that have been compiled as far back as 1970 would no longer trend. This would also impact figures printed in the IPEDS Data Feedback Report (DFR) on core expenses per full-time equivalent (FTE) student by function. Several panelists suggested that the IPEDS Finance component maintain the appropriate trend data for the *Digest* tables while also taking into consideration the burden to respondents who don’t typically categorize expenditures using FASB’s functional classifications.

Streamlining Forms, Definitions, and Instructions

Streamlining the Finance component would include both reducing the amount of data collected where possible as well as ensuring there is as little variation between the forms as possible. Clarifying instructions and definitions for data users and providers who may or may not have an accounting background could also help reduce some of the challenges encountered with reporting and using IPEDS Finance data.

Collecting Pell Grants

Substantial differences exist between how GASB and FASB standards treat Pell grants, and these differences are not obvious to data users. GASB institutions treat Pell grants as federal nonoperating grants. FASB institutions may choose to treat Pell grants as pass-through transactions or as federal grant revenue. In pass-through transactions, also referred to as agency transactions, funds pass through the institution from the third party funder (for Pell, this would be the federal government) to the recipient (in this case, the student). In these cases, the institution has no input on the recipient, and no revenue or expense is recorded until the fund comes in as a payment from the student.

The differential treatment of Pell grants can have a substantial effect on the revenue line items. Institutions that treat Pell grants as a federal grant would have higher federal grant revenues than institutions that treat Pell as a pass-through. Similarly, institutions that treat Pell as a pass-though would include Pell in the net tuition revenue, rendering that line incomparable with institutions that treat Pell funding as a nonoperating federal revenue. This difference in treatment also makes it more difficult for data users to guess which portion of Pell is applied to tuition and fees and which portion is applied to auxiliary enterprise.

The panel agreed that additional guidance on the appropriate categorization for Pell would improve the overall quality of the data reported to IPEDS. However, given the differences in accounting standards, it was unclear whether Pell could be classified in a way that would be consistent across the forms. Panelists agreed that a similar approach to accounting Pell, the FASB approach of treating Pell as a pass-through transaction, would be desirable but understood that one group (e.g., GASB institutions) would then be deviating from their audited financial statements and would have to answer questions from stakeholders and researchers about the discrepancies.

As an alternative, one panelist recommended that IPEDS collect the necessary expense information from GASB institutions to estimate the amount of Pell that would have been treated as a pass-through transaction. This method would require GASB institutions to report the amount of Pell applied to discounts and allowances, which is comparable to FASB institutions’ Pell grants applied to tuition and fee revenues, and the amount of Pell refunded to the student (if Pell exceeded the discounts).

In determining how Pell grants should be collected by the IPEDS Finance component, the panel also discussed other sources of Pell data, including the IPEDS Student Financial Aid component and the Federal Student Aid agency’s data, including the National Student Loan Data System (NSLDS). However, due to differences in the reporting periods for each of the collections, the panel raised concerns about aligning Pell amounts reported elsewhere to IPEDS Finance.

Clarify Data Elements for Users and Providers

Since potential users of the data need a basic understanding of accounting standards and changes to the forms over time, panelists suggested providing additional guidance and expanded help text for using IPEDS Finance data.

Increase Accuracy of Parent/Child Percentages

Many jointly audited institutions face challenges with completing the Finance component because the individual institutions have difficulty reporting separate assets, liabilities, and equity (or net assets). For example, a state university system may be audited as a whole, maintaining a single set of financial records for the complete system; or several beauty schools may be owned by one entity and audited together as one company. IPEDS has traditionally allowed jointly audited institutions to report some or all of their finance data combined. This type of reporting is referred to as "parent/child" reporting. Allocation factors are used in full parent/child relationships to distribute reported data from the parent to each child to reflect the finances for each included institution. For those institutions with complex parent/child relationships, allocating among campuses and determining the correct allocation factors can be challenging. Since data providers have indicated that they generally estimate the percentage of activity happening by campus to calculate allocation factors, there were concerns that the resulting data may not accurately represent the finances of the included institutions. The panel was asked to consider if IPEDS should specify how institutions calculate parent/child percentages. Panelists discussed several approaches, such as standardizing a method for allocating in IPEDS or collecting additional information about the method used by the institution to provide allocation factors, but did not come to a conclusion on the most appropriate way to clarify allocations in parent/child relationships.

Eliminate or Reduce Detail for Eligible Institutions

Panelists pointed out that approximately 3,000 institutions do not have the benefit of having general accounting support when reporting data to IPEDS. From the statistical agency perspective, a survey such as IPEDS is not a sample survey. NCES can impose techniques to reduce burden, such as using a peer cutoff sample, an abbreviated form, and an abbreviated form with long-form administration. When considering a peer cutoff sample, it is important to note that approximately half of the schools in the IPEDS universe account for about 5% of the finances. Another method for reducing burden is an abbreviated form (not peer cutoff) that would use a smaller set of questions. There is precedent for using abbreviated forms; an abbreviated version of the Academic Libraries form is presented to institutions with library expenditures below a specified threshold. Eligibility is determined by the institution's response to a relevant screening question (level of expenditures determines reporting: if total library expenditures equal zero, there is no additional reporting; if total library expenditures are less than $100,000, there is partial reporting; if total library expenditures are $100,000 or more, there is full reporting). Eligible institutions would be required to either complete the short version of the form each year (and NCES would impute the data based on the broader group) or complete the abbreviated version of the form each year for 4 years and complete a long version of the form once every 5 years. This approach is similar to the Census Bureau's long-form administration. However, a panelist suggested deferring the discussion on a minimum threshold or peer cut-off and instead using the existing degree-granting and non-degree-granting cut points.

Next Steps and Reporting Implications

Once the TRP summary comment period has closed, RTI will review the comments and outline recommendations for NCES based on the outcome of the TRP meeting and subsequent public comment period. NCES will review the recommendations to determine next steps and any reporting implications for IPEDS. Proposed burden estimates will be submitted to OMB for information collection clearance. The current collection expires in December 2016.

Comments

RTI is committed to improving the quality and usefulness of IPEDS data as well as strategies that might be helpful in minimizing additional institutional reporting burden. 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 June 12, 2015.