Report and Suggestions from IPEDS Technical Review Panel #57: IPEDS Financial Metrics

SUMMARY: The Technical Review Panel discussed ways in which the IPEDS Finance survey meets existing needs and how it might be improved – both in terms of revising, eliminating, or adding data and developing new metrics. This summary provides feedback on how changes would affect 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 December 28, 2018.

On October 23 and 24, 2018, 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. IPEDS TRP meetings are conducted by RTI to solicit expert discussion and suggestions on a broad range of issues related to postsecondary education and the IPEDS collection. Each 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 U.S. Department of Education.

RTI's specific purpose for TRP 57 was to discuss opportunities to improve the utility of IPEDS data by collecting new finance and financial aid metrics that the postsecondary community and IPEDS stakeholders consider important, while also maintaining the quality (reliability and validity) of the data and balancing burden for data reporters. The panel consisted of 44 individuals representing institutions, researchers, state governments, the federal government, higher education associations, and other experts.

Background

IPEDS collects and makes publicly available information related to the financing and management of postsecondary education to help meet data collection and reporting requirements[1] outlined in federal statute.[2] The IPEDS Finance survey component collects summary data on each institution's financial status, including revenues by source, expenses by function, assets and liabilities, and amounts of scholarships and fellowships. Institutions report finance data conforming to the accounting standards3 that govern public and private institutions and by degree-granting status. Due to differences in the survey forms, some finance data elements are not uniformly collected or distributed, which limits comparisons across accounting standards and institution type. In addition, it

[1] The National Education Statistics Act of 1994 in the Improving America's Schools Act of 1994 (P.L. 103-382) included the requirement F-2 that the National Center for Education Statistics (NCES) collects and disseminates data at all levels of education on the financing and management of education, including data on revenues and expenditures (20 U.S.C. 9543(a)(1)(I)).

[2] The Education Sciences Reform Act (ESRA) of 2002 (P.L. 107-279) directs NCES to collect, report, analyze, and disseminate statistical data related to the condition and progress of postsecondary education, including the financing and management of education (including data on revenues).

[3] Generally, public institutions use standards established by the Governmental Accounting Standards Board (GASB) and private institutions (and a small number of public institutions) use standards established by the Financial Accounting Standards Board (FASB). Private for-profit institutions operate under FASB accounting standards but report finance data to IPEDS in forms adjusted to account for differences between private nonprofit and private for-profit institutions.

is unclear how extensively the data collected through the Finance survey component are used by various constituencies.

The National Postsecondary Education Cooperative (NPEC)[4] commissioned a research paper[5] to examine the usefulness of existing IPEDS finance data and financial indicators, and to explore opportunities for new metrics to provide useful and meaningful statistics that describe higher education financing in the United States. The authors conducted interviews with stakeholders in the higher education community and investigated available higher education finance data sources and existing metrics to identify and prioritize topics of interest to the higher education community.

One finding of this exploratory research indicates that IPEDS finance data offer wide coverage and comparability and are sufficient for answering basic, high-level finance questions; however, there is a disconnect between the priority questions being asked in the field and the data currently available in IPEDS. Further, IPEDS finance data are heavily grounded in the accounting-based conventions that govern how and what data are collected, which imposes further limitations on the utility of the data.

RTI convened the TRP to engage the postsecondary community in a discussion about how IPEDS could modify its current collection to provide more meaningful and useful data related to higher education finance. The TRP was asked to review the findings and recommendations from the NPEC paper and consider potential changes to streamline the current IPEDS Finance survey component and consider strategies for reducing burden for data reporters. The TRP was advised that suggestions for data collection changes should consider the institutional capacity and resources needed to implement the change as well as the potential burden placed on data reporters.

Discussion Item #1: Streamlining the Finance Survey Component

The panel reviewed the finance forms to look for ways to reduce burden while preserving data quality. One possible way to do so is to streamline the Finance survey component to better align the forms and facilitate comparisons across accounting standards and institution type.

For-profit Income Tax Expenses. Currently, only for-profit institutions report income tax expenses, of which very few are eligible to report (this section is only applicable to those for-profit institutions that have either a C Corporation or a Limited Liability Company (LLC) business structure). Moreover, the tax amounts reported have fluctuated widely from year to year.

Panelists agreed IPEDS should continue to collect income tax expenses from eligible for-profit institutions to maintain data continuity and transparency, at least until more research can be performed on how the data are used. They noted the data are appropriate for the sector and accurately represent the business functions of eligible institutions. Although only a small number of institutions are eligible to report, collecting income tax expense does not disproportionately burden the for-profit sector. Panelists also discussed the need to adapt the collection to address changing tax laws for not-for-profit institutions and suggested expanding the GASB and FASB forms to collect income tax expenses (as applicable).

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[4] NPEC was established by NCES in 1995 as a voluntary organization that encompasses all sectors of the postsecondary education community including federal agencies, postsecondary institutions, associations, and other organizations with a major interest in postsecondary education data collection.

[5] Kolbe, T., & Kelchen, R. *Identifying New Metrics Using IPEDS Finance Data.* (NPEC 2017). U.S. Department of Education. Washington, DC: National Postsecondary Education Cooperative. Retrieved November 28, 2018 from http://nces.ed.gov/pubsearch.

Revenues by Source Reporting. All institutions currently report revenues by source but do so in different ways depending on the institution type and the accounting standard used. Revenues reporting could be streamlined across accounting standards by asking institutions to report revenues by source only. For FASB not-for-profit institutions, this would mean eliminating the reporting of revenues by restriction, and thus reporting only on total revenues. For GASB institutions, this would mean eliminating revenues reporting by operating/nonoperating activities.

Private not-for-profit and public institutions using FASB standards. Recent changes to FASB accounting standards render the current restriction categories no longer applicable. As a result, the FASB form will need either to adopt the new restriction categories or to collect revenues by source only (ignoring any restrictions). The latter approach would have the advantage of increasing user accessibility, especially since most revenue sources reported do not have restrictions (with the exception of private gifts, grants, and contributions). However, this would reduce transparency, as restricted funds would no longer be clearly distinguished from unrestricted funds.

Panelists noted that the concept of restrictions is an important principle of not-for-profit accounting and reporting as it relates to an organization's stewardship responsibilities for its resources, some of which are not meant to be used in the current period. Panelists expressed the concern that eliminating the distinction of restrictions for not-for-profit FASB institutions could lead to the potential misuse of data and misinterpretation (for example, around the appearance of institutions' wealth and of how much not-for-profit institutions receive that can be spent each year). They also pointed out that if one of the goals is to enhance the usability of IPEDS data, eliminating the distinction of restricted from unrestricted revenues would have a negative effect on the transparency of data and its analysis potential. Consequently, for institutions using FASB standards, the panel suggested collecting revenues by source and by the availability of the funds for spending in the current year. They suggested modifying the categories of the columns to "Available" (e.g., available for current use) and "Not Available" (e.g., not available for current use).

Public institutions using GASB standards. Institutions using GASB standards report revenues by source with further breakdown into revenues generated from operating activities (providing goods or services, such as tuition/fees, sales and services) and revenues from nonoperating activities (non-exchange of goods or services, such as appropriations and gifts). Eliminating the collection of revenues by operating and nonoperating activities would enhance accessibility for users. This change would, however, reduce transparency, as data collected and reported with this approach would neither match institutions' audited financial statements nor the historical Digest of Education Statistics tables, which distinguish operating from nonoperating revenues.

Panelists generally agreed that eliminating the differentiation of revenues by operating and nonoperating activities for institutions using GASB standards would be an appropriate streamline to the survey, given that most data users are more interested in the government source of revenues than whether they come from operating or nonoperating activities. Panelists suggested continuing to collect revenues by source, eliminating the operating/nonoperating categories, and aligning the GASB form to be consistent with the proposed changes to the FASB form (i.e., report revenues by "Available" and "Not Available" categories) to improve comparability across accounting standards.

Discussion Item #2: Athletics, IT, and Endowments

The panel was asked to review data that are currently unavailable in IPEDS but are of particular interest to the field.

Athletics. The Finance survey component includes a checkbox asking institutions to indicate whether intercollegiate athletics expenses are reported as an auxiliary enterprise, a student service, in another functional category, or if the institution does not participate in intercollegiate athletics. The panel suggested adding a similar question to capture information about where athletics revenues are included. To make the information more useful for data users, responses to both the expense and revenue checkboxes should be included as separate variables (rather than response status flags) within the published data.

Although panelists generally agreed that collecting total athletics revenue and expenses (or athletics revenue and expenses as a percent of the total) would be useful, they noted possible duplication with an existing federal source of data that collects financial data on intercollegiate athletics at a more granular level than what is included on institutions' audited statements -- the Office of Postsecondary Education's (OPE) Equity in Athletics Disclosure Act (EADA) Survey collects financial data on operating (game day) expenses, recruiting expenses, and total revenues and expenses by sport and by gender of team (men/ women). Panelists noted the burden associated with having two federal sources of similar, but potentially inconsistent, data on athletics revenue and expenses. They suggested a more comprehensive review of this topic to better understand how to align the IPEDS and EADA collections, and, potentially, the need for structural changes (or definitional changes) to reconcile reporting differences.

Information Technology (IT) Expenses. IPEDS does not currently define or collect IT expenses but provides guidance on where to include IT expenses. Given that IT expenses are challenging to define and budgeted within multiple functional expense categories, the panel suggested further research is needed before implementing any changes. For example, disentangling which expenses are truly IT expenses would neither be straightforward nor likely to result in useful data, particularly for institutions with both a centralized IT infrastructure and distributed IT infrastructure, or for in-house versus contracted IT services (in which case, payments to vendors would not necessarily be clearly distinguished from IT expenses). Currently, the nature of IT expenses is changing so rapidly that accurately capturing detail related to IT expenses would be very difficult.

Endowments. IPEDS currently collects the value of institutions' endowment assets at the beginning and end of the fiscal year from applicable private not-for-profit FASB institutions and GASB institutions. The panel agreed to use "endowment net assets" instead of "endowment assets", where applicable, to clarify this section could include endowment liabilities and to add a field to calculate amount of the change in value of endowment net assets. The panel suggested including the following fields to collect more detail on the change in the value of endowment assets:

- Change in value of endowment net assets (*calculated value*: value of endowment net assets at the end of the fiscal year minus value of endowment net assets at the beginning of the fiscal year)
    - Net gifts and additions
    - Endowment and investment return
    - Spending distribution for current use
    - Other (*calculated value:* balance line)

Discussion Item #3: Scholarship/Fellowship Allowances and Discounts

Scholarships and fellowships may be used to pay tuition and fees and other institutional charges such as room and board or bookstore charges. Under GASB and FASB accounting standards, the amounts used to pay tuition and other institutional charges are considered discounts or allowances, reducing the amount the student actually pays to attend the institution. National Center for Education Statistics (NCES) currently collects the portion of revenues coming from financial aid sources and is interested in expanding the Scholarships and Fellowships screen to understand how financial aid sources contribute to the institutional revenues and scholarship discounts.

Panelists suggested adding new fields to collect additional detail on discounts and allowances by grant type (discounts from Pell, other federal sources, state government, local government, endowments and gifts, other institution sources).

This approach focuses on institutional resources and aligns with the current Finance survey component in terms of reporting period (fiscal year) and coverage (all students, credit and noncredit). Although the resulting data would provide more information on discount rates and student aid expense, panelists recognized that the proposed changes do not fully capture aid sources for student subgroups (e.g., graduate, noncredit students). Additionally, further consideration is needed to determine how to collect state grants, third party aid sources, and tuition waivers/exemptions, as there is variability in how these items are categorized on financial statements.

Discussion Item #4: Bursar Collection

Another way to increase transparency on how aid contributes to institutional revenues is by looking at how students pay their invoiced expenses. This can be accomplished by collecting the number of students and total aid amounts (disbursed*) by source of funding:

- grants (federal, state, local, institutional, other, and did not receive grants),
- loans (federal, state, local, institutional, other, and did not receive loans), and
- other contributions (out-of-pocket, third party payments (as known to the institution) and rebates)

**Note that work study payments do not generally flow through the bursar office and would not be included.*

In addition, this collection would capture data from student invoices: number of students and amount invoiced by category (tuition, room, board, required fees, other expenses, total invoice, total collected and total in arrears).

This approach focuses on student funding sources and aligns with the 12-month Enrollment survey, in terms of reporting period (July 1 through June 30), coverage (students enrolled for credit only), and breakouts by enrollment level (undergraduate students and graduate students). Panelists noted that decision rules would be needed to address reporting for students that move from undergraduate to graduate within the 12-month reporting period.

Panelists noted that collecting student invoice data would not be subject to the constraints imposed by specific accounting standards but would require IPEDS data providers to coordinate with their institution's bursar office to gather the data needed to report. RTI encourages additional comments on this topic, particularly with respect to burden and whether nondegree-granting institutions should be required to report.

Discussion Item #5: Financial Indicators

The financial health of higher education institutions is noted as an important issue for policymakers and consumers. Panelists noted the lack of metrics regarding financial health currently available in IPEDS and agreed that NCES should make available to the industry financial health indicators that expand on the revenue, expenditure, and balance sheet portions of the current Finance survey component. They suggested adding a new screen to the Finance survey component for institutions to report the underlying data for NCES to calculate the following ratios (based on NACUBO's Composite Financial Index calculations, which are published for NACUBO members for strategic planning analysis). The suggested ratios and underlying data (numerator and denominator) are summarized in Table 1.

Table 1 – Proposed Financial Health Indicator Ratios and Required Data Fields

Ratio	Description	GASB	FASB Not-for-profit	FASB For-profit
Net operating revenue/margin (aka Net income ratio)	Reflects the net loss or gain as a percentage of revenues, and over time can show whether institution's operations are sustainable.	Operating income (loss) plus net nonoperating revenues (expenses) plus FASB Component Units change in unrestricted net assets	Excess (deficiency) of unrestricted operating revenues over unrestricted operating expenses	Net income
		Operating revenues plus nonoperating revenues plus FASB CU total unrestricted revenue	Total unrestricted operating revenue	Total revenue
Return on Net Assets ratio	Measures whether asset performance and management support the strategic direction	Change in net assets plus FASB CU change in net assets	Change in net assets	Change in equity
		Total net assets plus FASB CU total net assets	Total net assets	Total equity
Viability ratio	Measures institution's ability to manage debt and indicates whether entire debt can be met with expendable assets	Expendable net assets + FASB component unit expendable net assets	Expendable net assets	Adjusted equity
		Plant-related debt plus FASB CU plant-related debt	PPE debt	PPE debt
Primary reserve ratio	Tells how long institution can continue to operate using readily available assets, a component of EZ Audit's composite score.	Expendable net assets + FASB component unit expendable net assets	Expendable net assets	Adjusted equity
		Total expense + FASB component unit expense	Total expense	Total expense

Panelists noted that the new fields for the financial health indicator calculations generally align with audited financial statements; however, further consideration is needed to determine how these proposed fields would be affected by the changes to GASB Statements 68 and 75.

Additionally, panelists reiterated that NCES should calculate the ratios based on the underlying data reported by institutions but stop short of creating actual indexes or ratings.

Discussion Item #6: Common Financial Fields for the IPEDS Data Center

The Data Center is structured in such a way that financial measures must be downloaded separately for each accounting standard and sometimes are not comparable across all institutions. The separation of Finance survey component data by accounting standard makes data use difficult for researchers and policy analysts. NCES is interested in adding financial measures to the Data Center that could be compared across all institutions, regardless of accounting standard.

Panelists suggested including the following fields:

- Common data fields from the new financial health indicators
- New bursar sourced values
- Fields from Data Feedback Reports
- Finance data adjusted for inflation
- Frequently used/derived variables from the Data Center – especially data variables from the Institutional Characteristics survey
- Commonly used variables such as Full-Time Equivalent (but only if consistent across sectors).

Next Steps

Once the TRP summary comment period has closed, RTI will review the comments and will 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 submit proposed burden estimates to the Office of Management and Budget for information collection clearance. The current collection expires in 2020.

Comments

RTI is committed to improving the quality and usefulness of IPEDS data as well as strategies that might be helpful in minimizing additional 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 December 28, 2018.