Report and Suggestions from IPEDS Technical Review Panel #66: Revisiting the Purpose of the Finance Survey Component

SUMMARY: The Technical Review Panel discussed the extent to which the IPEDS Finance survey component meets existing informational needs and how to improve it. This summary provides feedback on how discussed potential changes to the survey component would affect data quality and reporting burden for institutions. Comments from interested parties are due to Amy Barmer, IPEDS Technical Review Panel Task Leader at RTI International, at ipedsTRPcomment@rti.org by October 27, 2022.

On March 22 and 23, 2022, 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) using videoconference technology. RTI conducts IPEDS TRP meetings to solicit expert discussion and suggestions on a broad range of issues related to postsecondary education and IPEDS data collection. As the postsecondary education field evolves, IPEDS TRP meetings are increasingly critical in ensuring IPEDS data remain relevant, informative, and on the forefront of industry advancements and legislative needs. To this end, IPEDS TRP meetings are designed to foster public discourse and enhance IPEDS data collection, products, data quality, and system user-friendliness. The TRP does not report to or advise the U.S. Department of Education.

The purpose of this TRP was to critically examine the Finance survey component and solicit expert feedback to ensure the data collected are relevant to the higher education community, understandable for the broader public, and comparable across institutional types. Options for refining the Finance survey component considered the usefulness of the information for data consumers and maintaining consistency in data collected over time while minimizing reporting burden and dependence on ever-changing accounting standards. Fifty panelists representing institutions, researchers, higher education associations, state governments, the federal government, and other experts were in attendance.

Background

IPEDS Finance survey component collects basic financial information from all higher education institutions that participate in Title IV federal student aid programs. Finance data include institutional revenues by source, expenditures by category, and assets and liabilities. This information provides context for understanding the cost of delivering postsecondary education and is used to calculate the contribution of postsecondary education to the national economy.

The information that institutions report to IPEDS is based on the institution's General Purpose Financial Statements (GPFS) conforming to the accounting standards[1] that govern public and private institutions and varies based on the degree-granting status. Based on a research paper[2] that the National

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[1] Generally, public institutions use standards established by the Governmental Accounting Standards Board, and private institutions (and a small number of public institutions) use standards established by the Financial Accounting Standards Board. Private for-profit institutions operate under accounting standards of the latter but report Finance data to IPEDS in forms adjusted to account for differences between private not-for-profit and private for-profit institutions.

[2] Kolbe, Tammy, and Robert Kelchen. 2017. *Identifying New Metrics Using IPEDS Finance Data.* Washington, DC: National Postsecondary Education Cooperative, U.S. Department of Education. https://nces.ed.gov/ipeds/pdf/npec/data/NPEC_Paper_New_IPEDS_Finance_Metrics_2017.pdf.

Postsecondary Education Cooperative (NPEC)[3] commissioned in 2017, the higher education community attributed the value of the Finance survey component to it being the only publicly available source of finance data for most U.S. postsecondary institutions, its ability to support comparisons among U.S. postsecondary sectors and institutions, and the longitudinal nature of the collection. However, because the Finance survey component follows the format of institutions' GPFS, which conform to the Governmental Accounting Standards Board (GASB) or Financial Accounting Standards Board (FASB) accounting standards, the survey component's utility is limited and data users are concerned about data comparability across sectors or institutions, data quality, longitudinal data trends, data use, and reporting burden.

Because of the Finance survey component's alignment with GASB or FASB reporting standards, limitations persist when data users attempt to compare institutions across sectors and accounting standards. This is due to differences in how the standards account for financial transactions. Additional limitations in data comparability result from multicampus systems' combined reporting arrangements in which one reporting entity reports some or all of the finance data for the reporting campuses in the system, specifically when multicampus systems are audited collectively rather than separately and thus share a single consolidated Annual Financial Report.

It is vital that finance data reported to IPEDS are accurate and reliable, as they are the only publicly available finance data for most U.S. postsecondary institutions. However, when institutional reporters misinterpret instructions that are technical or they are unable to accurately disaggregate details of the data, the data quality can be jeopardized. Furthermore, the quality of data analyses could be undermined when definitions of items collected are overly broad (e.g., student services expenses) or are not applicable or representative of all institutions and their educational delivery models (e.g., instruction expenses). While the longitudinal nature of IPEDS finance data is valuable to the higher education community, its dependence on the accounting standards that periodically change undermines this value, as trend data can be disrupted when standards evolve and result in changes to the IPEDS collection.

The higher education community uses IPEDS finance data, despite their limitations, to examine questions about institutional spending, revenues, and resources. Also, reporting burden is an ongoing concern, with Finance survey component being the second most burdensome of the IPEDS survey components. The burden must be balanced with the value of the data to the community.

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. RTI advised the TRP 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: Statement of Financial Position

All degree-granting institutions are required to report some data relating to their financial position (i.e., balance sheet), however, the data collected are different depending on whether reporting institutions follow GASB or FASB accounting standards or whether they are for-profit. GASB-reporting institutions report current or noncurrent assets; current or noncurrent liabilities; deferred outflows and inflows of resources; net position; and plant, property, and equipment. FASB not-for-profit institutions report assets;

[3] NPEC was established by the National Center for Education Statistics 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.

liabilities; net assets; and plant, property, and equipment. For-profit institutions report the same financial position information as FASB not-for-profit institutions, except for net assets; instead, for-profit institutions report equity (total assets minus total liabilities).

Discontinuing collection of balance sheet data. Due to differences in the accounting standards institutions use, comparing balance sheet data between institutions is challenging because the data do not always allow for an "apples to apples" comparison. The panel considered options for addressing this limitation, including the possibility of discontinuing the collection of statement of financial position/balance sheet data altogether. This elimination could reduce the chances of poor comparisons and data misinterpretations, while also reducing reporting burden on institutions.

Overall, panelists agreed that the Statement of Financial Position/Balance Sheet section is straightforward and not overly burdensome. Balance sheet information is for calculating various financial health ratios and the need to preserve data that capture institutions' liquidity and change in net assets. Therefore, the panel did not recommend eliminating this portion of the survey component. Furthermore, panelists pointed out that one way to increase comparability could be to ask institutions to report data from their audited financial statements.

Simplifying collection of balance sheet data. Alignment with the accounting standards presents another comparison challenge related to line items under total assets and total liabilities, which differ between GASB and FASB institutions. A potential solution could be to simplify the balance sheet portion of the survey component and collect only total assets and total liabilities without additional detail. This would improve comparability, help maintain longitudinal consistency (changes to standards would have less impact), and reduce burden on institutions. The panel was in agreement that collecting only total assets and total liabilities would not be useful. Panelists reiterated the sentiment that the statement of financial position/balance sheet is not burdensome, and many noted that the details are just as important to understanding the financial health of the institution. Additionally, panelists expressed concern about data quality if only totals were collected, specifically that the data could appear misleading without the accompanying details broken out.

Discussion Item #2: Scholarships and Fellowships

Currently, all institutions report scholarships and fellowships and sources of discounts and allowances regardless of the accounting standards used. Institutions report the amount of resources they receive and use for scholarships and fellowships for the fiscal year from the following sources: Pell Grants, other federal grants, grants by state government, grants by local government, institutional grants from restricted resources, and institutional grants from unrestricted resources. Then, depending on how reporting institutions treat these scholarships and fellowships (grant revenue or pass-through transactions), they report the amount of discounts and allowances which they apply to tuition and fees and to sales and services of auxiliary enterprises. Further, the amount of the discounts and allowances applied (to tuition/fees and to auxiliary enterprises) are reported as coming from Pell Grants, other federal grants, grants by state government, grants by local government, endowments and gift, and other institutional sources.

Rethinking collection of scholarships and fellowships data. Because institutions treat federal Pell Grants differently according to accounting standards, comparability of the data across institutions or sectors as well as data quality and data use may be problematic. GASB-reporting institutions treat Pell Grants as federal grant revenue as it comes in to the institution, whereas FASB-reporting institutions can treat Pell Grants as either federal grant revenue or pass-through transactions. Additionally, institutions may treat grants from other sources (state or local) as appropriations or grant revenue, pass-through transactions, or neither. The panel discussed whether IPEDS should collect information from institutions about how they classify these revenues (e.g., as grants, pass-through, or neither) to improve comparability.

From a data-use perspective, panelists supported asking institutions to report whether they treat scholarships and fellowships as grant revenue, pass-through transactions, or neither, which would add helpful context to the data. Panelists representing data reporters also supported the idea, noting that reporting scholarships and fellowships in this way would be reasonable and not overly burdensome. During the discussion, some panelists indicated they would also like to see a breakout by undergraduate or graduate student level to provide data users with information regarding what level of students are awarded scholarships and fellowships by institutions. Some panelists questioned whether the Finance survey component is the most appropriate venue for a student-level breakout.

Rethinking collection of sources of discounts and allowances data. Some institutions are unable to accurately disaggregate sources of discounts and allowances when reporting IPEDS Finance data, which leads to data quality questions and the potential for misinterpretation of the data. To address this challenge, panelists considered whether IPEDS should continue the collection of sources of discounts and allowances data “as is” or add a new “unknown” option to the screen, which would allow institutions that cannot reliably disaggregate data to report them as such. Currently, some institutions must allocate discounts and allowances to the various sources in an attempt to disaggregate the discounts and allowances amounts. This introduces concern about the accuracy of the data and the burden on institutions. Panelists agreed that collecting data on discounts and allowances is important from a data-use and policy perspective but that knowing how and where institutions apply them is challenging. Some panelists expressed concern about creating an “unknown” source category as it could be used as a catchall and would not likely result in useful data from a research perspective since institutions could circumvent reporting sources of discounts and allowances by placing all the monies in the “unknown” category.

Discussion Item #3: Revenues and Other Additions

All institutions are required to report revenue data, however, there are nuanced differences in the specifics depending on whether institutions follow GASB or FASB accounting standards or whether they are for-profit. GASB-reporting degree-granting institutions report revenue data based on whether they are operating revenues, nonoperating revenues, or other revenues and additions. FASB-reporting institutions report revenues by whether the revenues are unrestricted, temporarily restricted, or permanently restricted. In addition, FASB-reporting institutions report the amount of net assets released from restriction during the fiscal year. For-profit institutions report revenues by source only. All institutions are required to report revenues by source such as tuition and fees federal, state, and local government appropriations; grants and contracts from federal, state, or local governments or private sources; and investment income. In addition, all degree-granting institutions report revenues from sales and services of auxiliary enterprises, hospitals, or educational activities and independent operations. Finally, GASB-reporting degree-granting institutions also report revenues from capital appropriations and grants and gifts; and additions to permanent endowments.

Streamlining collection of revenue data. Because these differences in how institutions report revenues based on accounting standards do not allow for accurate comparisons among institutions, panelists explored the potential solution of asking institutions to report revenue by source only, which would enable better comparisons and reduce the chance of disrupted trend comparisons resulting from changes in accounting standards. Some panelists proposed the idea of moving away from GASB or FASB accounting standards when reporting IPEDS Finance data and instead having IPEDS-defined revenue categories to increase comparability across public and private institutions and help maintain longitudinal data trend comparisons when accounting standards change. Panelists agreed on the need for additional conversations and research due to the complex nature of the topic before any changes should be made.

Discussion Item #4: Expenses and Other Deductions

All institutions report expenses by functional classification and natural classification. Functional classification expense categories include instruction, research, public service, academic support, student services, institutional support, scholarships and fellowships expenses or net grant aid to students (net of discounts and allowances), auxiliary enterprises (degree granting only), hospital services (degree granting only), and independent operations (GASB and FASB not-for-profit degree granting only). Natural classification expense categories include salaries and wages, benefits, operation and maintenance of plant, depreciation, and interest.

Clarifying collection of expenses data—instruction and academic support. IPEDS definitions and instructions for some functional expense classifications are unclear and sometimes misinterpreted by institutions when reporting data, resulting in difficulty making comparisons and understanding institutional spending priorities. The panel discussed possibilities for clarifying and revising instructions and definitions to increase data quality and usability.

One change the panel considered was to clarify definitions for instruction (i.e., removing "conducted by the teaching faculty for the institution's students" from the definition) and academic support (i.e., adding "and formally organized and/or separately budgeted" to the definition). Panelists overwhelmingly supported the proposed clarification to the instructions. Some panelists supported combining the instruction and academic support expense categories due to the similarities between them at many institutions. If categories are kept separate, panelists agreed that additional guidance and clarification of the categories in the instructions would be helpful. Panelists suggested a breakout of expenses by whether they were attributed to credit or noncredit students or classes, which would be of interest to the research community. However, other panelists representing data reporters noted that would be overly burdensome on institutions or possibly not feasible at all as these expense breakouts would be allocations rather than actual expenses.

Clarifying collection of expenses data—student services. Data reporters and data users have expressed concern that the definition and instructions of "student services" expenses are too broad. This broad definition allows institutions to report spending on activities such as recruiting and marketing under this category, which results in a lack of clarity regarding actual spending levels on activities designed to directly support currently enrolled students. Adding a new functional category for marketing and advertising expenses and specifying that institutions should exclude those expenses from the "student services" category is one possible solution.

Some panelists expressed concern that breaking out marketing and advertising expenses would be overly burdensome to data providers. Panelists encouraged further discussion and considerable forethought before separating marketing and advertising expenses into its own functional expense category. Specifically, there were questions on how functions that are outsourced to affiliated foundations would be treated. Some panelists recognized that these data are important from a policy and transparency perspective, which outweighs the increased burden on institutions that this change would incur. Other panelists questioned if IPEDS is the appropriate venue to collect these data. Additionally, panelists pointed out that if this change were to be implemented, it may be duplicative of another federal data collection.

The panel finally considered whether IPEDS should break down the student services expense category into pre-enrollment student services, post-enrollment student services, and post-graduation student services to provide additional detail for data users. There was consensus that this proposed change would be overly burdensome to institutions, particularly for institutions with short programs, and the panel suggested against such a change.

Discussion Item #5: Revenues and Expenses

Revenues and expenses data are heavily used, and they are the only sections of the Finance survey component which are federally mandated. Currently the Finance survey component collects data that address some broad questions on institutional revenues and expenses, scholarships and fellowships, changes in financial position, and endowments. However, these data do not allow users to address many field-generated questions on institutional resource allocation decisions, return on investment, productivity, and funding adequacy.

Panelists discussed ways to address the concern that collecting revenue data by source and by functional and natural expense classifications does not allow for understanding of institutional spending priorities. One such possibility is to link revenues by source, and expenses by function data, which could improve data use by addressing user questions on institutional resources allocation.

This idea is based on the source and use concept developed by the National Center for Higher Education Management Systems. Overall, panelists acknowledged the importance of better understanding how institutions allocate revenues and spend their funds. Panelists, however, questioned if this would be appropriate for the federal government to mandate. Panelists expressed that this proposed change would be overly burdensome and very costly for institutions to attempt to match revenue sources with functional expenses, particularly because unless there are specific use restrictions placed on funds recognized as revenue, then how institutions use those funds would be difficult to determine. Panelists expressed additional concern about data accuracy, primarily because institutions would need to use an allocation method to report the data rather than reporting actuals. Panelists suggested there should be a distinction between actual expenditures versus budgeted expenditures in the event this is implemented. However, a panelist questioned how meaningful budgeted data would be in extraordinary circumstances (e.g., during the COVID-19 pandemic) when institutions were forced to deviate entirely from their budgets. Ultimately, panelists agreed that the data would be important for research and policy implications; however, they indicated that the burden and cost outweighed the value of implementing this change.

Discussion Item #6: Financial Health

All degree-granting institutions report financial health data regardless of which accounting standards institutions use, though there are some distinctions in the data collected. GASB-reporting institutions report operating income (loss) plus net nonoperating revenues (expenses), operating revenues plus nonoperating revenues, net position, and change in net position, expendable net assets, plant-related debt, and total expenses. GASB-reporting institutions should include financial information from any of their component units, which is otherwise excluded from other sections of the survey component. In addition, any effects relating to pension and Other Post-Employment Benefits (OPEB) should be excluded from this section. FASB not-for-profit institutions report financial health data about change in unrestricted net assets, total unrestricted operating revenues, change in net assets, total net assets, expendable net assets, plant-related debt, and total expenses. FASB for-profit institutions report financial health data on pretax income, total revenues, total equity, total assets, adjusted equity, plant-related debt, and total expenses.

Currently, multiple fields in the Financial Health section for FASB not-for-profit and for-profit institutions are pulled forward from previous sections of the survey component since some of the line items are already reported earlier. No financial health line items are pulled forward for GASB-reporting institutions due to the inclusion of GASB and FASB component units and exclusion of pension and OPEB effects in the Financial Health section. These preloaded items do not add much utility to the data, tend to cause confusion, and only make sense to include if the National Center for Education Statistics (NCES) also derives the Composite Financial Index ratios (i.e., net operating revenue, return on net assets, viability, and primary reserve ratios).

To address this, panelists discussed whether IPEDS should remove the preloaded data items from the Financial Health section of the survey component or, alternatively, derive the financial health ratios. Another option would be to collect ratios used by the Office of Federal Student Aid (FSA) to create financial responsibility composite scores. This proposed change aims to address data utility concerns and reduce confusion of data reporters on why some fields are pulled forward and others are not. Overall, panelists agreed that this is a complex topic that should be explored. Panelists questioned how critical it is to have preloaded fields. In general panelists agreed that having preloaded items in one place is beneficial, although it can also increase burden to institutions that may feel compelled to check the preloaded numbers.

Panelists were concerned about how researchers and stakeholders would interpret financial health ratios, especially since agencies collecting the ratios calculate financial health ratios differently. One panelist mentioned that ratios can be calculated two ways for GASB-reporting institutions: with and without the inclusion of effects of GASB 68 and 75. In cases when there are two different results for the same ratio, there would be confusion from external parties and data users on which ratio is accurate. Panelists agreed that collecting and publishing data points that can be used to calculate ratios would be appropriate, but publishing actual ratios would not be beneficial until more research can be done to confirm and ensure the reliability and validity of the ratios. In addition, from a data-use perspective, panelists expressed that more education about the ratios, how they can be used by stakeholders, and how they should be interpreted by data users, is needed to determine the utility of NCES calculating ratios. Lastly, panelists expressed concern with NCES publishing derived ratios given its status as an independent statistical agency. Panelists reiterated that it would be critical to vet the reliability and validity of the ratios before publishing them because of the significant implications in the data.

Discussion Item #7: Establishing an IPEDS Finance Working Group

To further advance the discussion and ensure the IPEDS Finance survey component continues to meet the needs of users in the higher education community, NCES is considering assembling an IPEDS Finance working group. The purpose of this working group would be to promote the quality, comparability, and use of data collected in the Finance survey component. Its goals would be to incorporate changes into the Finance survey component to reflect changes in the field, share stakeholder perspectives on key considerations or proposed changes to the survey component, and maintain a focus on solutions to improve the Finance survey component that benefit the entire field. The aim for the makeup of the Finance working group is to ensure representation from a variety of sectors from the higher education community, including higher education institutions and associations. Members will bring their expertise and provide NCES with potential changes to improve the Finance survey component, reflecting considerations of various stakeholder goals, concerns, and changes in accounting standards and balancing competing interests (including interests from the research community on collecting additional data and burden of institutions reporting the data).

Panelists discussed the working group concept and its goals and mission and weighed potential options for the composition of the group and the overall nature of its work. Panelists were in support of the idea of a group to meet more frequently and conduct a detailed review with a research focus. Panelists noted that many of the concepts discussed in previous Finance TRP meetings are too complex and require more research and consideration than is sufficient for what the typical TRP meeting provides. Panelists generally agreed that the composition of the group should include representation from associations; the public; institutions, users, or reporters; institution systems; states; media; and accounting groups or experts. Panelists suggested the working group should have a clearly defined scope and specific goals. Panelists posed questions around who would be responsible for convening the working group and supported NCES or NPEC being the host. Panelists suggested that there should be two distinct aspects of the working group: a portion that addresses what changes are needed and why and another portion that addresses how those changes should be implemented. The panel suggested examining and prioritizing use cases to inform any proposed changes the working group recommends.

Next Steps

Once the TRP summary comment period has closed, RTI will review comments and outline recommendations for NCES based on the outcome of the TRP meeting and subsequent public comment period. NCES will review recommendations to determine next steps and submit proposal burden estimates to the Office of Management and Budget for information collection clearance. The current collection approval extends through the 2021–22 data collection.

Comments

RTI is committed to improving the quality and usefulness of IPEDS data and to strategies that might help minimize additional reporting burden. RTI encourages interested parties to send any comments or concerns about this topic to Amy Barmer, IPEDS Technical Review Panel Task Leader at ipedsTRPcomment@rti.org by October 27, 2022.