

Memorandum

To: U.S. Department of Education
From: Carolyn Fast
Date: February 25, 2022
Re: The Department's Proposal to add a Supplemental Performance Measure for Non-Educational Expenditures

We support the Department's proposal to add supplemental performance measures, including a measure of expenditures not related to the education of students (proposed § 668.409(a)(4)). While information on institution's functional expenditures are currently reported to the Integrated Postsecondary Education Data System ("IPEDS"), the functional expenditure data in IPEDS does not allow for a good comparison of non-educational expenditures across schools because certain categories of expenses, including advertising and recruiting expenses, are included in other categories (in particular, the "student services" category). To address this information gap, we propose modifying the Department's proposal as set forth below.

We also suggest that the performance measure of expenditures be applied to schools' divisions, in addition to the entire institution. Current expenditure reporting considers expenditures at only the institution level. However, at some universities, the spending patterns are very different depending on the division. For example, at some universities, spending patterns are different for online programs that are separate from the core educational programs at the school. To address this issue, we recommend that measures of non-educational expenditures be reported on a division basis, in comparison to tuition revenue in those divisions. These measures would be good-faith estimates not required to be included in the institution's audited financial statement.

We submit the following proposed language, which was drafted by Robert Shireman at The Century Foundation:

§ 668.409 Supplementary performance measures.

(a) General. The Secretary assesses and analyzes the following information prior to issuing an institution a new Program Participation Agreement, and may consider the information in determining whether to certify, or condition the participation of, an institution under §668.13 and 668.14—

* * *

(4) Educational spending ~~Instructional, advertising, and administrative expenses~~. The amounts the institution spent on instruction/instructional activities; advertising or recruiting activities; academic support; and support services, not including recruiting activities, advertising, and other

~~pre-enrollment expenditures: administrative activities, which include the salaries and compensation of the owners and principal officers,;~~

~~(i) for the institution, as provided through a disclosure in the audited financial statements required under §668.23(d); and,~~

~~(ii) in relation to the tuition revenue generated from each division of the institution (a division is a set of instructional programs, grouped by a method determined by the Secretary).~~