
THE COST OF DEVELOPMENTAL EDUCATION IN TEXAS

According to the Texas Higher Education Coordinating Board (THECB), approximately 50 percent of community college freshman and 22 percent of university freshman enroll in at least one developmental education course. Approximately 20 percent of those students complete developmental programs and earn a bachelor's degree within six years. For the 2006–07 biennium, the Texas Legislature appropriated approximately \$206 million in General Revenue Funds for the instructional cost of developmental education at all public higher education institutions according to THECB. The price that public universities, community colleges, students and their families, and taxpayers pay to get under-prepared students prepared for a postsecondary education consists of a number of components and actual costs.

This report represents a collaborative effort of staff from the Legislative Budget Board (LBB), THECB, and The Charles A. Dana Center at The University of Texas at Austin to lay the foundation for the fiscal analysis of developmental education cost. In particular, this report draws from the January 2007 LBB report on *State Formula Funding for Developmental Education and College Readiness and Texas Success Initiatives*.

As Texas developmental education programs are enhanced to support student success, finance mechanisms for these programs must be structured to promote greater efficiency and effectiveness. The purpose of this report is to gain a better understanding of the allocation of funds (state, federal, local, direct/indirect funding) for these programs in Texas higher education institutions. This report explores the current funding architecture for developmental education by comparing resource allocation across institutions using a sample of data obtained through a statewide online survey.

The findings are based on 53 Texas public institutions of higher education that provided complete survey information, representing a response rate of 52 percent. The survey results provide a basis for determining the average cost per semester credit hour of developmental education at both two-year institutions and universities. Different patterns of direct and indirect costs for those institutions are also identified, and the relationship between total cost and state appropriations is explored. In addition, issues for further study are proposed to

gain a better understanding of the link between funding and program effectiveness.

FACTS AND FINDINGS

FINDING 1: THE STATEWIDE AVERAGE COST PER SEMESTER CREDIT HOUR OF DEVELOPMENTAL EDUCATION WAS \$164.

For the institutions participating in this survey, the average total cost per semester credit hour (SCH) of developmental education for fiscal year 2005 was \$164 statewide, \$256 at Texas public universities, \$152 at Texas public community colleges, and \$189 at Texas State Technical Colleges (TSTC). The total cost per SCH of developmental education at universities was 68 percent higher than at community colleges and 35 percent higher than at TSTC. Ninety percent of all SCH of developmental education were delivered by community colleges in fiscal year 2005.

The *THECB University Cost Study for FY 2005* determined that total cost per SCH of developmental education was \$252, or 2 percent lower than the survey results for universities. For community colleges and TSTC the *THECB Report of Fundable Operating Expenses for FY 2004* (most recent edition) determined that the total cost per SCH was \$128 for math (developmental education and college level courses combined), and approximately \$133 per SCH for both reading and writing courses, or roughly 15 percent lower than the survey results.

FINDING 2: THE AVERAGE DIRECT COST PER SEMESTER CREDIT HOUR OF DEVELOPMENTAL EDUCATION WAS HIGHEST AT TSTC, LOWER AT UNIVERSITIES, AND LOWEST AT COMMUNITY COLLEGES.

For the purposes of this survey, “direct costs” are those costs directly related to delivery of instruction, including faculty salaries, benefits and operational expenses. As shown in **Figure 1**, direct cost per SCH of developmental education was \$50 statewide. By sector, direct cost was \$61 at Texas public universities, \$46 at Texas public community colleges, and \$90 at TSTC. Direct cost per SCH at TSTC was 96 percent higher than at community colleges and 48 percent higher than at universities. Direct cost per SCH at universities was 33 percent higher than at community colleges.

**FIGURE 1
DEVELOPMENTAL EDUCATION TOTAL, DIRECT, AND INDIRECT COSTS PER SEMESTER CREDIT HOUR BY SECTOR, FISCAL 2005**

| | STATEWIDE N=53 | | UNIVERSITY N=18 | | COMMUNITY COLLEGE N=31 | | TSTC N=4 | |
|---------------------|-------------------|------|--------------------|------|------------------------------|------|-------------|------|
| Direct Cost | \$50 | 30% | \$61 | 24% | \$46 | 30% | \$90 | 48% |
| Indirect Costs | | | | | | | | |
| Academic Support | 16 | 10 | 32 | 12 | 15 | 10 | 16 | 8 |
| Student Services | 16 | 10 | 19 | 7 | 15 | 10 | 17 | 9 |
| Non-Operating | 53 | 32 | 89 | 35 | 49 | 32 | 46 | 25 |
| Inst. Support | 25 | 15 | 47 | 18 | 23 | 15 | 18 | 10 |
| Other | 5 | 3 | 8 | 3 | 5 | 3 | 2 | 1 |
| Indirect Cost Total | 115 | 70 | 195 | 76 | 106 | 70 | 99 | 52 |
| Total | \$164 | 100% | \$256 | 100% | \$152 | 100% | \$189 | 100% |

Note: Average weighted using semester credit hours; community college and TSTC contact hours converted to semester credit hours at 16:1 rate.

Note: May not sum due to rounding.

FINDING 3: THE AVERAGE INDIRECT COST PER SEMESTER CREDIT HOUR OF DEVELOPMENTAL EDUCATION WAS HIGHEST AT UNIVERSITIES, LOWER AT COMMUNITY COLLEGES, AND LOWEST AT TSTC.

For the purposes of this survey, “indirect” costs are those costs not directly related to instruction including academic support, student services and non-operating expenses. Survey respondents were asked to calculate indirect costs using a “straight allocation methodology” based upon developmental education SCH as a percentage of total SCH at the institution.

As shown in **Figure 1**, using a straight allocation methodology, indirect cost per SCH of developmental education was \$115 statewide. By sector, indirect cost was \$195 at Texas public universities, \$106 at Texas public community colleges, and \$99 at TSTC. Indirect cost per SCH at universities was 84 percent higher than at community colleges and 97 percent higher than at TSTC. Indirect cost per SCH at community colleges was 7 percent higher than at TSTC. Of the \$89 difference between universities and community colleges, 72 percent was non-operating and institutional support cost.

In the survey, institutions were also allowed to report indirect cost using a different assumption than the straight allocation methodology and asked to explain the rationale for the alternative methodology. Responses to this question varied widely and the calculation methodology used by the institutions was not always provided. Thirty-one institutions

reported that their alternative indirect cost was less than that calculated with the straight allocation methodology, whereas four institutions noted no difference. Eighteen institutions reported that their alternative indirect cost was greater than that calculated by the straight allocation methodology.

FINDING 4: THIRTY-ONE PERCENT OF AVERAGE COST PER SEMESTER CREDIT HOUR OF DEVELOPMENTAL EDUCATION IS MET BY STATE APPROPRIATIONS AT COMMUNITY COLLEGES, COMPARED TO 43 PERCENT AT TSTC.

Twenty-seven Texas public two-year institutions, (24 community colleges and 3 TSTC) reported data on cost, state appropriations, and tuition and fees during fiscal year 2005. For these community colleges, the average total cost per SCH of developmental education was \$158; state appropriations met approximately 31 percent of cost, while tuition and fees met approximately 27 percent of cost. For these TSTC components, the average total cost per SCH of developmental education was \$191, state appropriations met approximately 43 percent of cost, while tuition and fees met approximately 31 percent of cost.

Institutions reported using a variety of methods for covering the remaining cost. Several community colleges reported using local district taxes as a source of funds. Two-year institutions reported using a variety of other sources of funds, including federal and other grants, institutional funds from interest, auxiliary services, operating funds, operating

reserves, gifts, and contributions. Insufficient appropriation data was reported to allow a similar analysis for universities.

ISSUES FOR FUTURE CONSIDERATION

REVIEW EFFICIENCY AND EFFECTIVENESS OF DEVELOPMENTAL EDUCATION PROVIDERS

Additional analysis is necessary to determine whether the lower cost per SCH at community colleges is related to economies of scale at larger developmental education programs or to some other factor. Also, this report did not determine whether community colleges, TSTC, or universities are more effective developmental education providers (e.g. how many students succeed per dollar of cost). Research is needed to determine the performance of developmental education programs by linking the cost described in this study to student outcomes. Detailed cost and evaluation of outcomes should be included as a component of all developmental education initiatives.

Several institutions are currently monitoring the success of developmental education students and evaluating programs with funding from the Lumina Foundation's *Achieving the Dream Initiative*. Case studies of developmental education at institutions conducting a Lumina project could include analyses of promising practices worthy of attention.

REVIEW COST STUDY FOR TWO-YEAR INSTITUTIONS

Based upon survey data, it is estimated that approximately 15 percent of the total cost of developmental education may be obscured by the methodology of the *THECB Report of Fundable Operating Expenses*. It is not clear how much of this amount may be due to (1) a difference between the costs of developmental and college-level SCH, (2) the exclusion of facilities cost at community colleges, or (3) inflation. The THECB Community College Formula Advisory Committee could recommend modification of the cost study to disaggregate developmental education and college-level courses in the areas of math, reading, and writing. If the cost differs as estimated, then the formula funding rates could be adjusted accordingly to allocate state appropriations to two-year institutions more accurately.

Because of the complexity of allocating indirect cost, institutions may reasonably categorize such cost differently. The extent to which indirect cost of developmental education may differ from indirect cost for college-level courses is likely to be the largest component of any difference in total cost. Consensus on the method of allocating indirect cost would be required for any adjustment of formula funding rates.