

Crawford, C.B., Gould, L.V., King, D. & Parker, C. (2010). Quality and Growth Implications of Incremental Costing Models for Distance Education Units. *Online Journal of Distance Learning Administration*, 13(1). Retrieved from <http://www.westga.edu/~distance/ojdla/spring131/crawford131.html>

The authors note that “more robust models” for estimating costs for distance education (DE) programs are needed. Three costing models are examined: the simple costing model, the unit costing model, and the marginal costing model.

The simple costing model is a reflection of how campus-based programs have been funded by looking at direct instructional costs such as faculty salary/benefits and operating expenses in terms of student credit hours produced. The challenge of using the simple costing model for DE programs, according to the authors, is that the increased direct expenses required for distance education, such as the technological infrastructure needed, and other fixed costs ranging from the support of instructional design for a course to library access and marketing charges are not reflected accurately in this model. The authors indicate that the use of this model can make the case for adding support resources more difficult, because few expenses “are attributable.”

The unit costing model, which considers (a) a percentage of institutional fixed costs, such as academic support and library access, (b) indirect costs, such as advising, instructional designing and marketing, and (c) direct instructional costs such as faculty salaries/benefits and operating expenses in terms of student credit hours produced. While including the resources allocated for DE development that are left out of the simple model, the authors indicate that a challenge of this model is that it can make “distance education credits look more expensive than production of traditional” instruction. The authors describe this as the more conservative costing model that can add and absorb additional expenses for quality improvement with minimal impact due to the “comprehensive costing nature of the model.”

The authors recommend using a marginal costing model, which assumes that “the traditional brick and mortar operations of the enterprise are sunken costs and necessary whether the distance education unit operates or not.” Thus, in this model, only additional expenses that are added as a result of the production of additional DE credit hours are counted, and direct instructional costs (e.g. faculty salary/benefits, operating), added indirect costs (e.g. advising, instructional design), and added institutional fixed costs (e.g. academic support, library access) are included. Unlike the unit costing model, which looks at the campus resources that are used by DE and may simply estimate a percentage of usage that may be higher than what is actually used, the marginal costing model looks expressly at added costs that are incurred as a result of distance education. The authors indicate that quality implications for this model are “easier to gauge since only those additional quality-related expenses are charged against the additional tuition and fees generated.”

