Higher Education Issues and Challenges.

2017 CACUBO Higher Education Accounting Workshop
What is this?
What happened?
The New Reality

High School Population
Cybersecurity
Federal Funding
Donor Support
Title IX
Student Loans
Bricks and Mortar
MOOC’s
Retention
Regulation
Graduation Rates
Information Literacy
Activist Athletes
Safety Net
Sanctuary Campus
Cultural Divide
Defending Diversity
Past History
Harassment Vigilance
Higher Education – Historical Perspective

• End of WWII - Significant change in response to a flood of new students
• Federal research – big expansion and dollars to university researchers
• Rapid growth meant rapid infrastructure and expansion into the complex structures of today
• Higher Education Act created in 1965 started the regulation which has only grown since
• Higher Education has been relatively static since – more is better!
• Higher Education – provides equal opportunity for all
• Equal access = equal chance of succeeding
• Must deliver value – high quality, affordable and access – AND be able to measure it!
• Current business model is under challenge!
  • Need to get past “fine-tuning”
  • Need to see radical change
  • Revenue sources are challenged and will decrease more than increase in future years
Since the beginning of the 21st century, higher education enrollment has grown faster than any decade since the 1960’s – from 2000-2010, enrollment grew by 37.2% and declined 4.2% from 2011-2014!
The Great Lakes area has:

- Declining graduation and enrollment data
- Creates more competition for the same students
- Noel Levitz study
  - “..more than 50% of first-year students choose a college within 100 miles from home…”
- Enrollment strategy is most important for the future
National Trends in State Funding for Higher Education

DISTRIBUTION OF FUNDING SOURCES, FISCAL 2005-2014

Source: State Higher Education Executive Officers
Higher Education Support

State appropriations in 2014 were 13.3% below 2009 levels
National Trends in Revenue

**NET TUITION AS A PERCENT OF PUBLIC HIGHER EDUCATION TOTAL EDUCATIONAL REVENUE, U.S., FISCAL 1989-2014**

NOTE: Net tuition revenue used for capital debt service is included in net tuition revenue, but excluded from total educational revenue in calculating the above figures.

SOURCE: State Higher Education Executive Officers
National Trends in Tuition and Fees

Ten-Year Dollar Change and Ten-Year Percentage Change in Inflation-Adjusted Tuition and Fees, 2006-07 to 2016-17

<table>
<thead>
<tr>
<th>Region</th>
<th>Public Two-Year In-District</th>
<th>Public Four-Year In-State</th>
<th>Private Nonprofit Four-Year</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Ten-Year $ Change</td>
<td>Ten-Year % Change</td>
<td>Ten-Year $ Change</td>
</tr>
<tr>
<td>Middle States</td>
<td>$900</td>
<td>22%</td>
<td>$2,220</td>
</tr>
<tr>
<td>Midwest</td>
<td>$730</td>
<td>22%</td>
<td>$1,970</td>
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<tr>
<td>New England</td>
<td>$1,270</td>
<td>32%</td>
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<tr>
<td>South</td>
<td>$1,130</td>
<td>44%</td>
<td>$3,400</td>
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<tr>
<td>Southwest</td>
<td>$580</td>
<td>29%</td>
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<tr>
<td>West</td>
<td>$950</td>
<td>61%</td>
<td>$3,640</td>
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</tbody>
</table>

Source – CollegeBoard, Trends in College Pricing 2016
Higher Education Issues and Challenges
Average Published and Net Prices in 2016 Dollars, Full-Time In-State Undergraduate Students at Public Four-Year Institutions, 1996-97 to 2016-17

SOURCE: The College Board, Trends in College Pricing 2016, Figure 10
Private 4 Yr Institutions – Published vs. Net Price

Average Published and Net Prices in 2016 Dollars, Full-Time Undergraduate Students at Private Nonprofit Four-Year Institutions, 1996-97 to 2016-17

Published Tuition and Fees and Room and Board (TFRB)
Published Tuition and Fees
Net TFRB
Net Tuition and Fees

SOURCE: The College Board, Trends in College Pricing 2016, Figure 11
The “New Normal” in Higher Education

• State revenues will either decrease or be stagnant over the next 8-10 years.
• Retirement + health care costs will continue to drive up the cost of higher education and compete with education for limited public resources.
• Students and their families make increasingly greater financial sacrifices in order to complete a postsecondary education
• Have to find new ways of increasing productivity and absorb reductions in state support while increasing degree production without compromising quality.
• Millennials learn differently – need more learning tools and an environment of extras – sports, gyms, better food service, better housing, etc.
The Present Environment for American Higher Education is in a State of Flux

- Two back to back recessions in this century
- Slowed economy + technology advances have left many graduates unemployed or underemployed
- The number of people that need to be educated for the jobs of the future exceed the capacity of current system
- Higher Education around the world is developing rapidly providing more competition including some that is “free”
- Private institutions have discounts of close to 50% which evens the playing field for privates and publics more than in the past
- Perception or reality that “rich” kids pay full price and the bulk of students get discounts/scholarships that may or may not be funded
- In 1962, 1 cent of every $1 went to higher education, today that has tripled BUT the U.S. has the 15th largest proportion of young people with a college education – cost has tripled, results have not!
“Thirty years from now the big university campuses will be relics. Universities won’t survive. It is as large a change as when we first got the printed book.”

- Peter Drucker

“If you believe that an institution that has survived for a millennium cannot disappear in just a few decades, just ask yourself what has happened to the family farm.”

- William Wulf
American Association of Universities (AAU) -

<table>
<thead>
<tr>
<th>Type of Institution</th>
<th>Count</th>
</tr>
</thead>
<tbody>
<tr>
<td>Class Research Universities</td>
<td>60</td>
</tr>
<tr>
<td>Research Universities</td>
<td>115</td>
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<tr>
<td>Doctoral Universities</td>
<td>111</td>
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<tr>
<td>Comprehensive Universities</td>
<td>529</td>
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<tr>
<td>Baccalaureate Colleges</td>
<td>637</td>
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<tr>
<td>Two-Year Colleges</td>
<td>1,471</td>
</tr>
<tr>
<td><strong>Total U.S. Colleges and Universities</strong></td>
<td><strong>3,595</strong></td>
</tr>
</tbody>
</table>
Other Characteristics of the Current System

• 65% of High School Graduates attend College/University
• **Only 50% will receive degrees**
• Of the 15 million + enrolled in College/University, only 520,000 are international
• 80% of Students are enrolled in “Public” universities
• **$200 billion/year spend in U.S. Higher Education**
  - $50 billion/year in federal SFA
  - $20 billion/year in federal research grants
  - $60 billion/year in state (regional) appropriations
  - $70 billion/year in tuition, gifts, business activities, etc.
The Evolving U.S. Education System

- For profit U
- Cyber U
- Open U
- Corporate U
- Niche U
- New learning lifeforms

AAU Res U
Res U I, II
Doc U I, II
Comp U I, II
Lib Arts Colleges
Community Colleges
K-12

Competition from a Global Perspective

Higher Education Issues and Challenges
1. Completion is the most powerful lever.
2. Bachelor’s degree “addiction” is hurting students.
3. College need to do much more to help graduates get great jobs.
4. Employers bear much of the blame.
5. Accountability shouldn’t start and end with for-profit colleges.
6. Outcomes should be about “distance traveled”.
7. Technology is key to improved learning.
8. Assessments are needed to save the liberal arts.
9. Follow the money.
10. Colleges are worth saving (especially the ones you attended!).
The Future....
Challenges to Change

• The Complexity of the current institution
• The unrelenting pace of change (can’t keep up)
• Resistance to change (from within and without)
• Mission creep
• Antiquated governance of institutions (little has changed over time)
• GOOD NEWS – Baby boomers are retiring and there are a lot of jobs available – though they are primarily in the STEM areas with the top 20 careers in the engineering field!
Trends to Transform the Future of Higher Education

Cost vs. Access

Learning Outcomes

Technology

Collaboration
Are we pricing students out of an education?

- Institutions have to
  - Cut costs **but** by reducing expenditures and focusing on where to spend for effectiveness and efficiency

And

- **Grow and Diversify Revenue**
  - Critical to building a sustainable model
Learning Outcomes

The employee of the future needs to have:

- Reading
- Writing
- Mathematics
- Communication Skills
- Innovative
- Agile

Sounds like Liberal arts!

Automation is growing, it’s the brains behind that we need to grow as well!
Technology

• Technology needs to be in every classroom
• Global initiative and partnerships with other institutions and corporations
  • Competition will force

• Big Data classes and within programs
• Western Michigan University Data Analytics minor
  • DA built into accounting curriculum in each class
• Michigan State University – MS in Business Analytics
Collaboration

• The New Market
  • Students are not necessarily buying the “whole college” experience
  • Certificates, credentials and job-related curricula are becoming important or are still very important
    • Welding
    • Electrical
    • Mechanic
  • 3 out of 4 students will attend 2 or more colleges during their education
    • High School – Traditional
    • Adult Learner on 2\textsuperscript{nd}, 3\textsuperscript{rd}, or 4\textsuperscript{th} career path
Collaboration

• I could get a degree in accounting at every state university in Michigan, Ohio, Illinois and Indiana and elsewhere
• I could attend a welding program at close to every community college in the country
• I could attend medical school at 6 public universities in Michigan
• There is a tremendous amount of overlap between what each institution, public or private or 2 year, can offer or will offer as we have switched from primary market to a global market
University of Georgia system – merged 8 universities into 4 over last two years

Andrew W. Mellon Foundation providing grants to private colleges to study ways to consolidate

Moody’s predicts 15 institutions closing per year

Recent College closures and sale of assets or mergers have occurred or are occurring:

- Franklin University and Urbana University University merger
- Shimer College and North Central College – sale of assets
- Antioch College – rebirth
- Sweet Briar – saved by alumni
- St. Josephs – suspend operations
Collaboration

• Relook at academic programs
  • If everyone is offering it and no one is attending – do you still offer?
  • Does every institution still offer?
  • How is participation at your institution for certain programs?
  • Do you know the cost to maintain versus investing in new programs?
“The Survivors in the near future of Higher Education will be institutions that are looking for innovative ways to partner with other colleges and offer a buffet of choices for obtaining a degree....” from the Colleges are Cracked Mirror Images of One Another
Conclusion

Your path to the future...

• Challenge the status quo
• Be open to change – our business model is transforming – don’t be the musicians on the Titanic!
Conclusion

Be the next Big Ship!
Vicki is a partner at Plante & Moran PLLC and leads their Higher Education Practice and almost 30 years of experience in accounting, audit, tax and business consulting for colleges and universities. She also works with not-for-profit corporations, governmental entities, healthcare organizations, and employee benefit plans. She is the current engagement partner on several state universities, community colleges and private colleges.

Vicki is a frequent presenter on higher education specific topics to associations, institutions, and training sessions and webinars.

Vicki has a Bachelor of Business Administration from Western Michigan University.

vicki.vandenberg@plantemoran.com
269.567.4618
Thank you