The Future of Higher Education
FOCUS

May 16, 2012

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President, Campus Strategies, LLC
Agenda

• State of the industry
  – Demand / demographics
  – Revenues
  – Competition
  – Increasing calls for accountability

• Institutional response
  – Focus
  – Better understanding of costs / revenues
  – Prioritization
# Employment / Education Linkage

<table>
<thead>
<tr>
<th>Seasonally Adjusted Unemployment Rate</th>
<th>July 2010</th>
<th>July 2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than a high school diploma</td>
<td>13.9 %</td>
<td>15.0 %</td>
</tr>
<tr>
<td>High school graduate</td>
<td>10.1 %</td>
<td>9.3 %</td>
</tr>
<tr>
<td><strong>NATIONAL AVERAGE</strong></td>
<td>9.5 %</td>
<td>9.1 %</td>
</tr>
<tr>
<td>Some college or associate’s degree</td>
<td>8.4 %</td>
<td>8.3 %</td>
</tr>
<tr>
<td>Bachelor’s degree</td>
<td>4.5 %</td>
<td>4.3 %</td>
</tr>
</tbody>
</table>

*Source: Bureau of Labor Statistics*
Lifetime Earnings (in millions)

<table>
<thead>
<tr>
<th>Degree</th>
<th>Earnings (in millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>High school diploma</td>
<td>$1.304</td>
</tr>
<tr>
<td>Associate's degree</td>
<td>$1.727</td>
</tr>
<tr>
<td>Bachelor's degree</td>
<td>$2.268</td>
</tr>
<tr>
<td>Master's degree</td>
<td>$2.671</td>
</tr>
<tr>
<td>Doctoral degree</td>
<td>$3.252</td>
</tr>
</tbody>
</table>

Source: Georgetown University Center on Education and the Workforce
Projected Job Demand Shifts

Source: Georgetown University Center on Education and the Workforce
Shifting Student Demographics

Source: Western Interstate Commission for Higher Education
South’s Public High School Enrollment as a Percentage of Total US Enrollment

Source: Western Interstate Commission for Higher Education
Virginia FTE Enrollment

- 2005—261,000
- 2009—294,000
- 2010—312,600
- One-year change in Virginia 6.2 percent; nationally 6.3 percent
- Five-year change in Virginia 19.9 percent; nationally 14.9 percent

Source: State Higher Education Executive Officers
Impact of the Great Recession

• Dramatic endowment erosion
  – Nearly recovered when national debt ceiling debacle occurred
• Slashed state appropriations
• Backlash against tuition increases
  – Ongoing concern about ability to pay, but also willingness to pay
• Negative effect on liquidity
• Bond rating downgrades
State Appropriated Funds
(in billions)

Source: Grapevine—Illinois State University
Impact of Federal Stimulus
*(in billions)*

<table>
<thead>
<tr>
<th>Year</th>
<th>Impact (in billions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006</td>
<td>$70.3</td>
</tr>
<tr>
<td>2007</td>
<td>$75.7</td>
</tr>
<tr>
<td>2008</td>
<td>$80.9</td>
</tr>
<tr>
<td>2009</td>
<td>$80.6</td>
</tr>
<tr>
<td>2010</td>
<td>$79.5</td>
</tr>
<tr>
<td>2011</td>
<td>$78.9</td>
</tr>
</tbody>
</table>

*Source: Grapevine—Illinois State University*
Projected State Budget Gaps

Budget Shortfall (in billions)

Source: National Conference of State Legislatures
Dwindling Higher Education Support from the Commonwealth

1992-1993

- Higher Education: 14%
- Other Agencies: 86%

2009-2010

- Higher Education: 11%
- Other Agencies: 89%

Source: SCHEV
Virginia Appropriation per FTE Student

• 2005—$5,600*
• 2009—$5,800
• 2010—$5,100
• One-year change in Virginia -11.8 percent; nationally -7.2 percent
• Five-year change in Virginia -8.9 percent; nationally -3.2 percent

* Constant 2010 dollars

Source: State Higher Education Executive Officers
Economic Outlook

• Weakened prospects for net tuition growth
  – Market preference for low-cost or high-reputation competitors

• Pressure on non-tuition revenue sources
  – Philanthropy, research funding, etc.

• Need for stronger management of operating costs, balance sheet risks, and capital investments

Source: Moody’s Investors Service
Four-Year Institution
Undergraduate Enrollment Growth

Source: National Center for Education Statistics
Criticisms of HE Performance

• *What Will They Learn* by American Council of Trustees and Alumni
  – Sharply critical of the lack of rigor in core educational requirements—diffusion of the curriculum

• *Academically Adrift: Limited Learning on College Campuses* by Arum & Roksa
  – More than a third of college seniors’ writing skills had not improved since their first semester of college
Accountability / Performance

• Multiple federal commissions addressing tuition pricing and expectations regarding improved educational results
• Most recent HEA reauthorization resulted in increased scrutiny and reporting requirements
• Increased pressure on and from accreditors
• Call to double the number of college graduates to meet increased international competition
Current Institutional Realities

• Academic programs drive institutional costs
• HE adds programs but rarely subtracts them
• Too many “try to be all things to all people”
• Insufficient resources to do everything well
• Across-the-board cuts lead to mediocrity
• Unrealistic to expect increased resources
  – Redistribution of existing resources is best option
Institutions’ Response

• Improved management focus
  – Integration of comprehensive planning, resource allocation, and assessment
  • Accompanied by deep understanding of revenues and costs
• Improved approaches to resource allocation
  • Responsibility center management...
Institutions’ Response (Contd.)

• Identify niche, exploit it, and achieve / maintain excellence within that area
• Academic / administrative program prioritization
  – Identify resources invested in activities not contributing to institutional success
  – Discontinue those activities and invest the resources in successful programs or those with potential for success
Future of Higher Education

Questions, Comments, and Reactions

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