

Colleges in Crisis

By E. Lander Medlin

Economics . . . there's a reason it's called the dismal science . . . all doom and gloom! There's a lot of that today given the reports and statistics. Just take Moody's report, which downgraded higher education and identified "muted" revenue growth as the major factor. Their focus was in such areas as:

- Price sensitivity
- Decline in state appropriations
- Reduced federal support for research
- Waning public perception over cost, and
- Unsteady or low endowment returns.

IRON TRIANGLE

So no surprise that there is a stated two-fold need: garner alternative revenue sources, and change the business model. A tough pill to swallow for any industry especially given the historic and unprecedented rate and pace of change occurring in today's world. Certainly, this will be no simple task. Let's consider the problem from the vantage point of the "Iron Triangle" of affordability, accessibility, and accountability:

- **Affordability** meaning a student's ability and willingness to pay. In a 25-year study: a) net appropriations per student dropped from \$8,500 to \$5,900; b) net tuition per student increased dramatically from \$2,600 to \$5,200; and, c) the percentage of total education revenue from tuition jumped from 23 percent to 47.6 percent. And, in the past two decades, on average, tuition jumped 24 percent with the percentage of Household income having risen from



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23 percent to 38 percent.

- **Accessibility** is dramatically affected by increases in tuition...need I say more given the above statistics? Plus, the ease of transferring credit hours from institution to institution has become an increasingly critical factor in lengthening student's time-to-graduation.
- **Accountability**, where public opinion of higher education (as well as of federal and state legislators) is waning. All are pushing increased performance measures and outcomes.
- Then add the "**Arms Race**," driving all kinds of costs (faculty, program proliferation, student amenities, buildings/facilities, etc.) even though in some cases these are necessary expenditures in the competition for students and faculty. A real conundrum!

OUR BUSINESS

All this leads to the daunting question: "is college worth it?" Measured in employability and salaries, we're not faring much better since employment for degreed graduates is down and student debt has surpassed a trillion dollars. The ultimate question is how we as an academy can really help our students be successful.

Consider higher education like the railroad industry in the 1940s and '50s when those who failed viewed themselves as being in the "railroad" business versus those who succeeded viewed themselves in the "Transportation" business. We need to be in the "Student Success" business and, therefore, abandon the old rails of traditional instruction and delivery, in whatever form.

So when it comes to the economic "recovery," we should not expect the

pendulum to swing back to the good times of adequate state funding nor continue to consider tuition as a major source of new revenue. Those days are gone. The business cycle just can't produce that expected traditional yield any longer. This would explain Moody's reporting of a "failed business model" if we stay on this same path.

Other factors have thrown colleges into crisis as we look toward a prognosis for 2020.

- Student Demographics – centered on price, population (e.g., high school graduates in decline in most geographic areas of the U.S.), and preferences are like shifting sand as the student makeup or mix will be quite different quite soon, and expectations change.
- Competition – not only with providers internally/nationally in the existing academic community, but internationally given globalization of the marketplace.
- Regulation, Compliance, and Sustainability – in a world of increasing unfunded mandates and the need, the imperative, to sustain the environment we all live and work. And then there's . . .
- Technology – challenging traditional delivery systems such as MOOCs (massive open online courses), pedagogical shifts, student demands and expectations, access, structure and cost, where content is ubiquitous. We are living in exponential times but continuing to deliver in linear, albeit incremental, steps.

In an essay, "An Avalanche is Coming: Higher Education and the Revolution Ahead" written for the Institute for Public Policy Research in March 2013, the authors posit whether a university education will continue to be seen as good value. This was further elucidated by David Puttnam in a speech at MIT, June 2012, stating, "It's tragic because, by my reading, should we fail to radically change our approach to education, the same cohort we're attempting to "protect" could find that their entire future is scuttled by our timidity."

TRANSFORMATION

Clearly the forces of technology and globalization are transforming our industry sector. We are seeing the unbundling of various functions previously served by the traditional university being increasingly supplied by other providers (MOOCs, EORs, for-profit institutions, think tanks, etc.). We must calculate the risks of doing nothing versus just the risks of action.

The certainties of the past are no longer certainties. We must ponder anew. And, if one considers the analogy of an avalanche coming? Standing still is not an option!

Don't just hope it will get better or deny your role in helping to solve these problems. Hope is not a strategy and denial is not a plan. APPA can help. In the latest 2013 Thought Leaders Symposium monograph, *The Rising Cost of Higher Education*, the challenges leading to/driving increased costs were discussed in detail. Briefly, they are:

- Academic productivity – workload, credit hours, time-to-degree;
- Unexamined assumptions and decision-making process – traditional budgeting, quality, spending competition, etc.;
- Financial model – looking more and more like it's broken;
- Pedagogical changes – rapid in nature and requiring a blended technological/physical space approach;
- Space management – inventory, utilization (occupied/utilized rates), considered "free" yet expensive, poor functionality and design;
- Labor costs – aging workforce, increasing retirements, human resource policies and practices, skill levels for advanced building systems;
- Regulatory requirements and compliance – increased regulatory environment and unfunded mandates driving up costs.

Some strategies identified by the TLS participants for addressing these challenges were:

- Focus – priorities and program alignment with the institution's vision and mission (avoiding mission creep)

- Collaboration – across, between institutions, and the private sector
- Technology – to further increase quality, improve delivery, and contain costs
- Space Management – effective and efficient utilization
- Revenue Enhancements – to reach new markets (a mix of student demographic targets, focus on institutional brand and niche, etc.)

PROMOTING DIALOG

Not only were these challenges and strategies distilled in the most recent Thought Leaders monograph, the critical facilities issues were identified with key questions to promote dialogue at your institution. Again, all of these points and more are discussed in much greater detail in this year's issue of the Thought Leaders report. Of course, Part 2 highlighting the top facilities issues is printed in this issue of the magazine, with Part 1 previously published in the September/October issue. As always, the entire monograph, along with all prior monographs published since 2006, are available as free PDF downloadable files via the new APPA website to help you focus on these important issues.

Ultimately, goring such "sacred cows" as capacity utilization (faculty and facilities); one-time donor money for new building construction only, "arms" race spending; and the financial and political costs of attrition, will be critical if we are to tackle today's dilemmas and ensure tomorrow's future.

Yogi Berra was right, "The future ain't what it used to be!" Yet these challenges can be transformed into opportunities to reinvent and rebundle our industry. Will we collaborate with our institutional colleagues and counterparts to tackle these critical issues? Will we ensure focus is on student success? Otherwise, what world are we preparing students for? ... Their future or our past? ☹

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