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A Whirl of Change

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Economics in Motion

Public misconceptions and financial realities come together to propel the need to change the economic models for higher education institutions.

ECONOMICS IN MOTION

Funding Dynamics

Public misconceptions and financial realities come together to propel the need to change the economic models of higher education.

By Bob Shea and Jacalyn A. Askin

Is higher education, as an industry, required to deliver immediate return on tuition payer and taxpayer investment, or is the value of an education delivered over the entirety of one's lifetime or over multiple generations of family history? That's a question that *The New York Times* columnist Frank Bruni raises in a Feb. 11, 2015, opinion piece, "College's Priceless Value," in which he eloquently describes the challenges facing higher education.

Bruni adds nuanced reason to the current debate raging about the value and utility of education in an era defined by resource scarcity. He writes, "And it's dangerous to forget that in a democracy, college isn't just about making better engineers but about making better citizens, ones whose eyes have been opened to the sweep of history and the spectrum of civilizations." Thus, he asserts, higher education has to deliver on the wide ranging societal expectations that we produce not only capable engineers, scientists, doctors, and social workers ready to move into the workforce, but also educated citizens ready to take on the significant economic, cultural, and societal issues we face as a nation.

Advisory Committee

Following is the list of individuals who serve on the NACUBO Economic Models Project advisory committee:

Beth Akers
Brookings Institution

Bryan Alexander
Consultant/Futurist

Walter G. Bumphus
American Association of Community Colleges

Nimalan (Nim) Chinniah
Northwestern University

Kevin Corcoran
Lumina Foundation

Erin Currier
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Philip J. Hanlon
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Pamela Jackson
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Barbara Larson
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Devorah Lieberman
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Horace Mitchell
California State University, Bakersfield

James E. Nevels
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Morgan R. Olsen
Arizona State University

Eduardo J. Padrón
Miami Dade College

Scott D. Pattison
National Association of State Budget Officers

Elizabeth L. "Beth" Paul
Stetson University

Gary D. Rhoades
The University of Arizona

Penny Rue
Wake Forest University

Suzanne Walsh
Bill & Melinda Gates Foundation

Seismic Shifts in Higher Education Funding Sources

Bruni is one of the many voices expressing the view that a college education's purpose is to go beyond the practical to provide a lifetime of value to students and our society. However, in recent years, this broad vision of education's role has seemingly taken a back seat to the notion that the primary value of a college education is to land a good job and realize the economic benefits attached to higher levels of education.

While the public discourse and related perception (and skepticism) about the value of higher education have been shifting, the costs of providing that education continue to rise, with the burden of paying the bill increasingly shifting to individual students and families. Existing cost structures, coupled with increasingly constrained public resources to support higher education, have led many to the conclusion that the underlying economic models used by most colleges and universities may not be sustainable in the decades that lie ahead.

Persuasive Messaging, Sustainable Finances

In reflecting on NACUBO's strategic priorities relative to these critical issues, the board of directors agreed that two initiatives were of paramount importance. First, that NACUBO speaks more clearly

and forcefully about the broad value of higher education—both to students and society—as well as about the value of our institutions in their respective communities. Second, that NACUBO provides resources to its members, to guide them through the complex and difficult task of assessing their respective institution's economic model and considering changes that could place the institution on a stronger and longer lasting financial foundation.

Ways to build value and awareness. To address this first challenge, the board embarked on (1) an effort to identify the most effective messages to reinforce the overarching value of a higher education, and of a college or university to its community; and (2) a strategy for the association and its members to use these messages in their own efforts to convince constituents of higher education's value and ongoing benefits. This project is expected to be completed later this summer.

Strategy to increase economic stability. The second initiative—finding ways to help individual colleges and universities assess and strengthen their long-term economic health—gave rise to NACUBO's Economic Models Project.

Like any large-scale planning process, analyzing and making major adjustments to institutional processes and strategies require that important questions be asked and answered. For the Economic Models Project, the four questions are:

- Where are we?
- Where do we want to go?
- How do we get there?
- How do we know we're getting there?

Using these questions as a guide, this multiyear effort will study the current state of higher education economic models and how they have evolved to where they are today. Throughout the various stages of the project, NACUBO staff will be working closely with member institutions and various other stakeholders. Based on the responses to the questions and other data, the project will develop resources to facilitate a data-driven analysis of an institution's existing economic model and possible changes to that model.

In the final phase of the project, NACUBO will develop a toolkit for campus discussions about economic model change. Our goal is to design documents that boards, presidents, and their leadership teams can use to walk their institutions through the difficult structural and cultural challenges and innovations needed to propel campuses toward long-term financial sustainability. Focused on implementation, these documents will not offer a prescriptive solution. Our intent is to make them a valuable leadership and management resource that will help individual colleges and universities develop solutions that address the unique needs of their institutions.

In the article that follows, four university presidents, who serve on the Economic Models Project advisory committee, provide perspective on strategies for approaching higher education's challenges: self-investment in a candid look at issues and solutions; the importance of creating a culture that is passionate for educational achievement; adding entrepreneurship to the ways and means of academics; and the need for cost containment that does not sacrifice quality.

Also, in a collection of essays, two members, who also are part of the committee, describe the enduring power of the college degree; and the trends that will continue to challenge higher education. A faculty member discusses the importance of faculty support in sustaining the institution.

As is evident in the articles, taking the initiative to re-examine long-standing economic models will require strong leadership as well as compelling communications to our stakeholders. However, with this inspiration and knowledge, campus communities—empowered with data and a shared commitment to strengthen their institutions—can be our best hope of preserving these engines of the American economy, our society, and an interconnected world.

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ECONOMICS IN MOTION

Presidential Perspectives

Four presidents share their thoughts on why the current economic models at higher education institutions need a major change—now.

By Bob Shea

With very few exceptions, the economic condition of higher education institutions is under stress. For public institutions, state funding has seen such significant declines in the last decade that costs have shifted to students, who now must pay much higher tuition. And many of the small private institutions that are heavily dependent on tuition find they must offer deep discounts, just to get students in the door.

Clearly, conditions seem to call for a dramatic makeover of the economic models in use in today's higher education system. There is a great need to drive changes—both cultural and structural—that make institutions financially viable in the decades to come. So where do campus leaders begin, and how do they conduct conversations with stakeholders in their institutions and the higher education industry?

Business Officer interviewed four college presidents and asked each of the leaders to talk about his or her administrative and academic successes, institutional challenges, and steps being taken to be financially sustainable—all while they continue to provide the best academic experiences and opportunities for their students. The presidents also have agreed to serve on the advisory board of NACUBO's Economic Models Project.

Philip J. Hanlon, president of Dartmouth College, Hanover, N.H., since 2013, is an academic and administrative leader who held a succession of administrative leadership roles at the University of Michigan for more than a decade, most recently as provost and executive vice president for academic affairs. Hanlon also has been serving on the NACUBO Board of Directors since 2010.

Devorah Lieberman is the first female president in the 123-year history of the University of La Verne, La Verne, Calif. With more than 30 years of higher education experience, she was one of 13 national scholars invited to participate in the three-year Project on the Future of Higher Education, from 2002 through 2005.

Horace Mitchell became the fourth president of California State University, Bakersfield, in 2004. A psychology professor with research interests in the areas of identity construction, multicultural psychology, and psychological assessment, he continues to teach. Mitchell also has been serving on the NACUBO Board of Directors since 2012.

Eduardo J. Padrón has served as president of Miami Dade College, Miami, since 1995, where his work is hailed as a model of innovation. No fewer than six American presidents have selected Padrón, an economist by training, to serve on posts of national prominence.

ECONOMICS IN MOTION

Philip J. Hanlon on Self-Investment

Higher education institutions are on a financial path that's unsustainable. Although we haven't yet reached the breaking point, we may be getting close. For the last four decades, sticker price increases at institutions have been well above any rate of inflation—2 to 3 percent—on an annual growth rate.

Campus leaders need to get out in front of this issue with a sense of urgency. One of the problems that we face is: We presidents are a group of independent operators with no organizing group. We are 3,000 different players, each doing our own thing, which is why I tend to think that the change will have to come from outside the higher education system.

It might take a suitable shock from the outside before higher education leaders become—by necessity—inventive. If the next act of Congress, after the Affordable Care Act, is the Higher Education Affordability Act, institutions may face any number of requirements. Then leaders might say, "OK, we've got to be creative. We've got to do something different." But, I just can't see it coming from within the system, because presidents at higher education institutions have learned to be cautious.

It's All About the Rankings

Many college presidents fear making bold decisions. Just look at the phenomenon that's been going on in the last 40 years. I call it "the great homogenization of higher education." Everybody is trying to be the same, to offer the same facilities, programs, activities, and services. As I was leaving the University of Michigan, Ann Arbor, four regional universities were opening medical schools. Why? Because I think it's all about rankings. We're all chasing the same goal. No one wants to step out and say, "We're different."

At Dartmouth, our year-round calendar makes us a bit different and gives us an economic advantage. Without this kind of schedule, we would have to build more residence halls, expand our classrooms, and make adjustments on the facilities side. I believe that more colleges and universities can benefit financially by adopting year-round operations.

When we educate students, we provide them with two qualitatively different things. One is knowledge—the facts of the world and the intellectual frameworks so that this information makes sense to us. Second, we develop their skills for success in the world: the ability to communicate effectively, critical thinking skills, a well-developed creative mind, the confidence to innovate and take risks, the ability to work effectively with others, and leadership skills.

New technologies allow us to share knowledge in new, low-cost ways. This means that our key value-added will increasingly be the ability to develop skills to succeed in the world.

Obtaining these skills requires a different kind of instruction. Students don't develop the confidence to innovate and take risks by participating in a massive open online course (MOOC) or sitting in the lecture hall. They get these skills by failing, by being coached, and by trying again. They learn by doing, rather than listening. It's absolutely critical that we develop ways to measure growth in experiential learning. But one of the big challenges ahead of us is to find effective means to measure growth in these skills.

How Are We Doing It?

Part of our vision at Dartmouth is to self-invest by prioritizing all of our activities, which frees up resources for excellence and high-priority initiatives. Similar to many successful organizations, we require in the budget process that every department explicitly identify 1 1/2 percent of its spend that it is going to stop, and then describe how it is going to invest that money in innovation or excellence.

Initially, requiring that movement of funds was scary. Who wants to cut their budget? People were grumpy … until they invested in their new activities, which made them feel empowered. Of course, they eventually asked, "We aren't going to have to do this again next year, are we?"

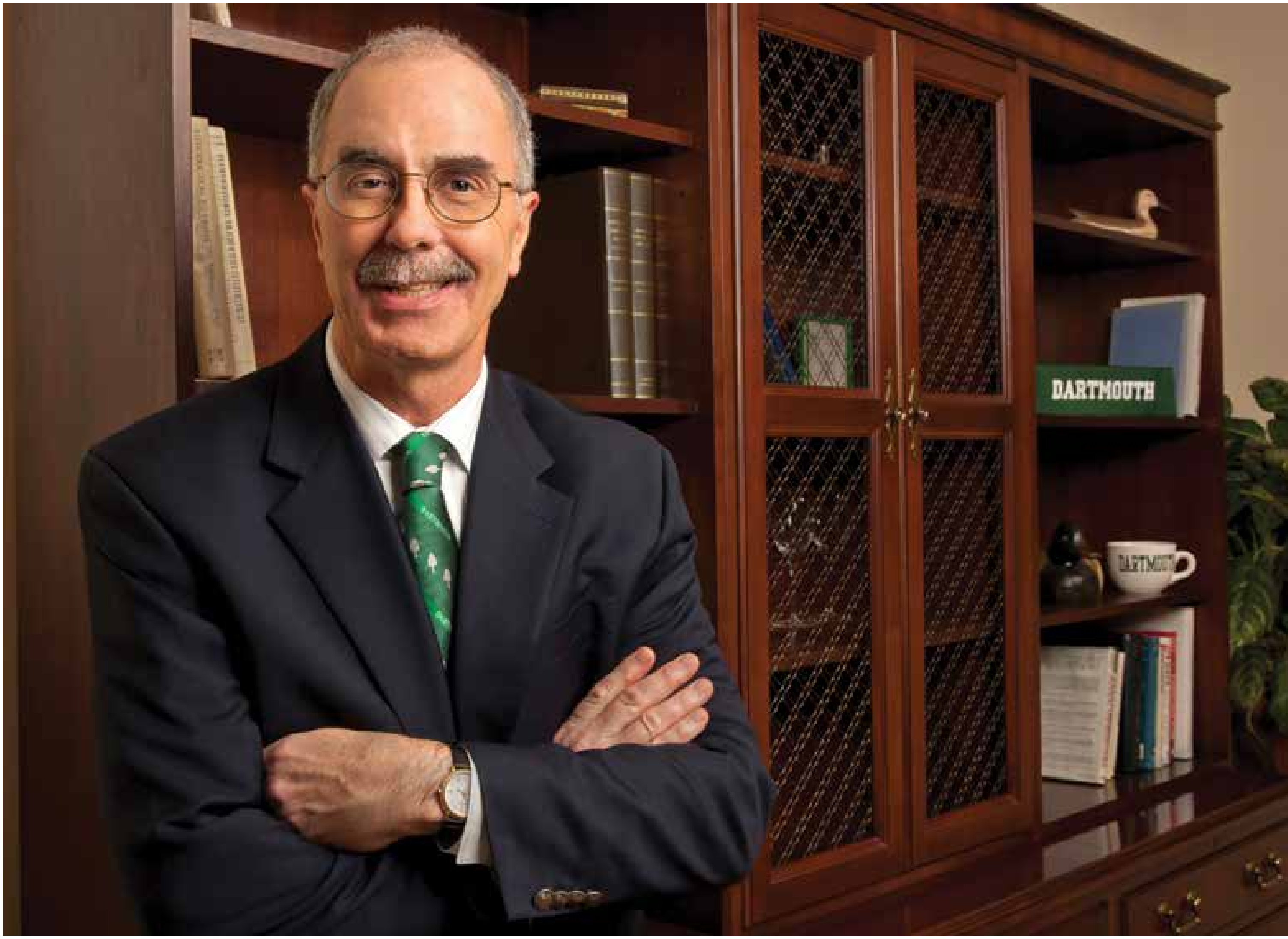
My answer: "Yes."

Structurally, universities are very stable organizations, partly because many key employees have lifetime contracts. And, our students are here for multiyear gigs, so we can't say, "I've decided to close the physics department until we have more customers."

Because institutions have so much stasis and stability, I believe that modest reallocations, repeated relentlessly over a period of years, are the right way to achieve reprioritization and efficiencies. If units can examine their budgets and ask, "What's my least effective spend? Can we improve this process so that two staff members accomplish what it takes three to do now?"—that drives efficiency.

Of course, the departments that are able to achieve this are the bigger ones, such as arts and sciences, engineering, and facilities and operations. They have to be big enough to move things around; the classics department with two employees

MARYANNE RUSSELL, DARTMOUTH COLLEGE



won't be able to do this. We also have placed restrictions on what classes can be offered; we now require classes to have at least five students enrolled in them.

The whole notion of institutionwide prioritization and reallocation can be alien to faculty members, some of whom have not taken kindly to the approach. We just keep emphasizing the positives that result: "You now have 1 1/2 percent of your budget with which to do great things." We continue to make the same argument over and over—that we're liberating dollars for important projects.

A few faculty members have told me, "Until you got here, we raised tuition 4 1/2 to 5 percent each year. Why don't we go back to those good old days? We won't have to do all this cutting and prioritization." As presidents, we need to continue changing that old mindset: "How much revenue can we get in the door and how should we spend it?"

The new mindset is, "What's the minimum we need to spend, and how do we get the revenue to do that?" Not surprisingly, the faculty members who best understand that are the ones who have children enrolled in colleges.

A National Obligation

Not too long ago, I had a meeting with *The Wall Street Journal* editorial board. We talked about higher education issues and what we are doing at Dartmouth to slow down the growth of the sticker price and get it under 3 percent. The board asked, "Why are you doing this? You've got more applicants than you can possibly admit. They are willing to pay almost anything to come to Dartmouth."

We're fortunate, but I understand that not all institutions have the same advantage. The economics are really bad for tuition-dependent small colleges that have to offer a discount just to get students in the door.

While there will always be the highly selective colleges and universities that, at least in the foreseeable future, are going to be highly sought after at any price point, we, as presidents, have a national obligation to control costs. It is the right thing to do. ■

Devorah Lieberman on Campus Culture

The NACUBO Economic Models Project has the potential to be bold, nimble, and groundbreaking. It is my goal to contribute to this effort by drawing from my experience working with various financial models, establishing and maintaining student learning outcomes, and preserving campus vitality, because it is time—perhaps overdue—for higher education to be bold, nimble, and groundbreaking.

I began my career as a professor at Portland State University, Ore., where I developed a deep commitment to student success, knowledge acquisition, and students' commitment to community engagement. When I shifted my primary responsibilities from the classroom into administration, Portland State was undergoing a significant transition: creating learning communities and implementing entirely new general education requirements that included interdisciplinary connections and community engagement. I was eager and honored to play a role in helping design the thoughtful models for general education, educational delivery, student learning, interdisciplinary approaches, and community engagement. Essentially, I was interested in helping to transform the campus culture.

A Culture of Joy, Passion

At one point I was asked to participate in a national conversation that was formed to answer the question: "How can higher education create models that reduce institutional cost while maintaining student learning?" I felt that the higher education environment was ripe for this question, but that an element was missing. Rather, I rephrased the original question to ask, "How can higher education create institutional models that reduce the cost of educational delivery; enhance student learning; and concurrently support faculty, staff, and administration vitality?" If our business models only focus on cost and student learning, we may be achieving these goals at the expense of the vitality and joy of the faculty, staff, and administration.

During my presidency at the University of La Verne, I aim to address the whole equation: enhancing student learning *and* containing cost *and* encouraging a culture that supports passion and joy. Each month, I ask two faculty members to choose 10 other faculty members and their respective spouses to spend an evening at my home. Throughout the evening, we have casual conversations while enjoying wine, cheese, and each other's company. We each share the source of what gives us joy, passion, and reasons for entering and staying in the higher education profession. This allows us to reflect on, and talk about, our own campus climate. These face-to-face conversations, in an intimate and comfortable setting, help us focus on the positive and keep us moving forward, together, in the same direction.

Additionally, I try to "walk the talk." When I assumed the presidency, one of the initiatives brought to the forefront included a focus on establishing employee compensation that was competitive with the market. To that end, we formed a compensation task force that would recommend a model to achieve this outcome. The task force has established employee salary ranges based on national data for four-year, private, nonprofit institutions, such as La Verne.

The board of trustees and executive cabinet agreed that everyone, irrespective of their position on campus, should be compensated at the median, plus a regional multiplier. This initiative, with the goal of bringing all employees' salaries to the median, may take several years to be achieved; however, there is a feeling of confidence on campus that compensation concerns are being addressed fairly and in a timely manner.

A Commitment to Institution Values

Further, there is intentionality in reinforcing the 124-year-old values of the University of La Verne: lifelong learning, ethical reasoning, civic and community engagement, and diversity and inclusivity. These four values are interwoven throughout all curricular and co-curricular programs, in all four colleges, and across all 11 campuses. They are also at the center of the university's *2020 Strategic Vision* and its campus master plan; they are at the core of everything we do.

By focusing on and reinforcing the institution's values, I firmly believe that when you attend the University of La Verne, you will achieve more than you ever imagined and you will exceed your expectations.

The university enrolls 8,700 students across graduate and undergraduate programs, many of whom never believed that college was an option. Fifty percent of our students are first generation, and more than 40 percent are Latino. Hence, we are federally designated as a Hispanic-serving institution. Because we're educating this country's future leaders, we seek to develop in our students skills that future employers are looking for—critical thinking, teamwork, and oral and written communication.

The Critical Need for a Knowledge Model

When I recently delivered my state of the university address, I spoke about what is taking place at the state and national levels in regards to the College Scorecard and what is being measured. Reductions in federal and state financial aid to students attending private independent colleges are being considered, forcing institutions such as the University of La Verne to think about alternative financial models.

This institution—and others like ours—must be more nimble, relevant, and distinctive in order to remain viable and successful in the future. In higher education, we should not be talking about an economic model. We should be talking about a knowledge model; a model focused on efficiently bringing knowledge to the students.

As leaders of a nonprofit independent institution of higher education, it is critical that we ensure financial stability. We must create financially stable models that allow us to provide distinctive, relevant, values-based education for our students, while also supporting the faculty and staff in their research, scholarship, and professional development.

In order to maintain costs without continuing to raise tuition, we must be more strategic with our educational delivery. We must examine our current model of education delivery and its cost, as well as different revenue streams that can help subsidize institutional needs. We cannot continue to believe it is as simple as cutting budgets and raising tuition. Instead, we must adapt our delivery model and evolve our funding sources to be more cost-effective without negatively affecting quality, student learning, and faculty/staff vitality. How we do that is a constant, ongoing discussion. ■

JEANINE HILL, JEANINE HILL PHOTOGRAPHY

ECONOMICS IN MOTION

Horace Mitchell on Entrepreneurial Academics

Before we move to the question of the sustainability of the higher education funding model, we should acknowledge the great diversity that exists among higher education institutions, and the perceived value of a higher education degree. Different sectors of higher education have different missions, funding models, needs, and constituents. In looking at the value of public universities, we must consider what institutions contribute to educational attainment; to the quality of life for individuals, their families, and communities; to workforce development; and to regional economic development.

All Student Debt Is Not Equal

There is always a discussion of whether higher education is a private good or a public good. Many people, particularly those who have not had much experience in higher education, see it as a private good and, therefore, believe that the individual should pay. Others view it as a public good that adds benefits to the entire state, so states should bear part of the costs.

Unfortunately, most people still believe that public universities are entirely funded by states, which is absolutely not the case. The significant investment that California made in public higher education in 1960 under the Master Plan for Higher Education has gone by the wayside. For public universities, it is not so much that the cost of education has gone up. Rather, states have withdrawn large percentages of their funding. We are seeing a cost shift, and students are now bearing a higher percentage of the load.

In the case of California State University (CSU), the state is funding about 50 percent of the cost of instruction. By the time we add in other funding sources, such as contracts and grants for research and student programs, fundraising, and various auxiliary enterprises, the state portion falls well below 38 percent of total revenue. This is very different from what it was in the past. So students must pay more—not because the universities are costing more—but because of the cost shifts from the state to individual students and their families.

Fortunately, student debt is not a significant issue in the CSU System, and, in particular, at CSU Bakersfield (CSUB). According to our data, about 50 percent of the students in our system, whose families have incomes of $70,000 or less, essentially pay nothing to attend CSU after receiving Pell Grants, Cal Grants, State University Grants, and other financial aid. They have no debt. For others, the total debt is approximately $18,000.

Although student debt is not an overwhelming problem here, that fact gets lost in the larger national discussion when the front page of *The New York Times, The Wall Street Journal,* or *The Chronicle of Higher Education* proclaims that the average amount of total debt for students is $29,000. For some state universities, that is an exceedingly high number.

Revamping to Meet Future Education Needs

The financial model of heavy dependence on state appropriations and student fees is no longer sustainable. In light of that fact, the California State University, with more than 430,000 students on 23 campuses, is exploring alternatives. CSU Chancellor Timothy White has formed a Task Force on a Sustainable Financial Model, which is charged with "proposing a sustainable plan for the future with respect to budget allocations, revenue generation, enrollment management, and institutional financial aid policies."

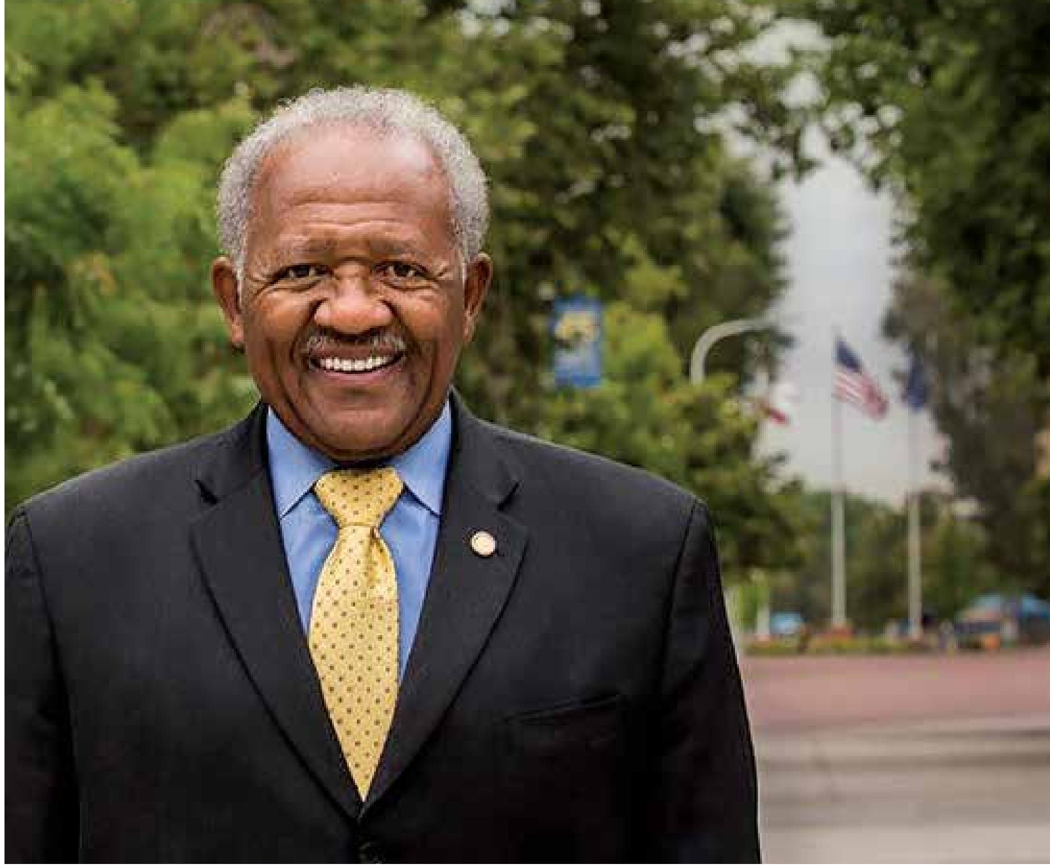
The group began its work last October and is expected to have a draft report within a few months. So how are we trying to meet the financial challenges that beset our campuses in the meantime?

When we developed the vision statement for CSU Bakersfield, we put a date on it, which is unusual. Vision statements are supposed to be aspirational. Well, our vision statement reads, "By 2014–15, CSU Bakersfield will be the leading campus in the CSU system in terms of faculty and academic excellence and diversity, quality of the student experience, and community engagement." It goes on to say that we will advance our vision "by hiring, development, and promotion of excellent and diverse staff within an organizational culture committed to excellence in all areas."

■ **Advance the vision.** In January, the Carnegie Foundation for the Advancement of Teaching classified CSU Bakersfield as an "engaged" university, after a very rigorous, evidence-based process. We see this voluntary classification as being a validation of our commitment to strengthening our community engagement, as stated in our vision.

We currently are in the process of changing our academic calendar from quarters to semesters, and, even more importantly, completing curricular transformations in 70 percent of our academic programs. Rather than simply converting courses that have been on the books for two or three decades, faculty members are

GREGORY COOK



reconceptualizing their curricula in anticipating future student and community needs. In addition, our academic senate has worked with our faculty to totally revise our general education requirements to make sure that they are in alignment with our set of universitywide student learning outcomes.

■ **Increasing efficiency.** We have taken steps to increase efficiency by collaborating with other campuses. For example, with our campus size, we cannot afford police dispatching all night long, so we worked out an arrangement with CSU San Bernardino, a larger campus, to handle our after-hours dispatch. In another example, we decided to contract with California State University, Fullerton, to borrow one of its project managers to manage our new student housing project, which has 500 beds.

■ **Offsetting financial obstacles.** Enduring fiscal hardship has forced us to be entrepreneurial. For example, we wanted to start academic programs that relate to the two largest industries—oil and agriculture—in our community. Of course, we did not find any state funding.

During a meeting with executives in both areas, I asked how we could be helpful to their respective industries. I learned that the farms in Bakersfield and its surrounding areas are not "mom-and-pop" farms. They're major agricultural companies with worldwide exports and operations. They have been growing so large that they could not keep the management talent. New hires from other communities would get one or two years of experience and then leave.

To meet that need, we initially developed a concentration in agribusiness within our bachelor of business administration degree. Beginning next year, the concentration is expanding to a full major, so that students will earn a bachelor of science in agribusiness. We have an advisory board made up of agriculture industry executives, and they're picking up our students as fast as they can be produced—not only the graduates, but also students in internships.

We had a similar discussion with the major oil companies with operations in the Bakersfield area. Nowadays, the oil fields are managed through computer centers. An operator in a control center examines the efficiency of every single well and pinpoints any problems that come up. This technology required computer engineers, electrical engineers, and petroleum engineers. With no state funding, we worked with our faculty in the school of natural science and mathematics to write grants, cobbling together about $10 to $12 million. With that, we started these engineering programs, including the construction of two engineering laboratories.

We have implemented a stand-alone doctoral program in educational leadership to address an identified need for better-prepared K–12 and community college administrators. In 2011, we entered into a collaboration with Fresno State University, Calif., to offer its Doctorate in Educational Leadership, on the CSUB campus. The program is geared to provide advanced education for K–12 and community college leaders, with specific goals of preparing administrators to meet the educational challenges of today and the future, and improving teacher preparation.

The advantage of partnering with Fresno State University is that it allows us to have in Bakersfield a program to meet the needs of the community ahead of the time when we could offer a program independently. Two Bakersfield cohorts of the Fresno State program have now graduated, providing our community with almost 40 additional educational leaders with earned doctorates. The fourth and fifth cohorts will earn joint degrees.

In addition, we are developing public-private partnerships whereby private entities will be constructing buildings on open campus land. The CSU Board of Trustees has given its final approval for an office park, which will benefit the university in two ways. First, there will be annual ground lease income of several hundred thousand dollars per year. Secondly, all tenants in the office park must have programmatic relationships with one or more academic units. Examples include joint research projects, student internships, and collaborative programs to serve students and the community.

As I look around at public universities, I would say that there is no sense of urgency—and I'm not talking about just California—in addressing their financial models. I hear my colleagues around the country say, "I understand that 'X' and 'Y' colleges are having problems, but my institution is fine—for now."

It's the "for now" that has me worried. ■

ECONOMICS IN MOTION

Eduardo J. Padrón on Containing Costs

A college education is still critical for upward economic mobility. A growing number of the new jobs created in this innovation- and knowledge-based economy require post-secondary education and skills. However, to take advantage of the new economic system, the higher education system must move into the 21st century. We have been lagging behind; to catch up, we need perseverance, patience, and courage. Our primary challenge as an open-access institution is that despite dwindling state support, we must strive to keep tuition low to offer everyone in the community that we serve the opportunity to attend college.

Public institutions, such as Miami Dade College, have become more private than public in terms of funding. Our state funding today is about 13 percent less than what it was in 2007. When you look at our sources of income, more than 50 percent of our revenue now comes from student tuition and fees, the generosity of donors, and grants. Twenty years ago, most of Florida's state budget was allocated to education, but the portion continues to decrease as health care, Medicaid, transportation, and the justice system become state priorities.

Ironically, while people talk a good game about the need to educate our communities to be competitive in the 21st century economy, the disinvestment in higher education continues across the nation. A large number of college presidents do not seem to be prepared to deal with today's realities. This is not meant to be a criticism—the requirements of and demands on presidents have become very complex. But, somehow, we need to find it within ourselves to adopt a proactive model and to act on the courage of our convictions.

We, as college presidents, need to defend our decisions and processes based on data, not anecdotes. We need to strengthen our institutional research programs so that we can demonstrate the effectiveness and efficiency of our operations. For example, many institutions have not yet defined the learning outcomes necessary for graduates to possess to not only compete, but also succeed in the workforce and in life. If we cannot assess our expectations, how can we defend our institutions? To gain more support, we need to move from anecdotal- to evidence-based decisions.

To be blunt, we must continue to change. We need to find a way for our institutions to be relevant and more transparent. And we definitely need to make a convincing case for public and state support of our institutions by mobilizing our respective communities and alumni. Miami Dade College has touched every household in Miami. In order to secure the resources we need to serve our growing student body, we need to make maximum use of the positive relationships we have established with our community and translate our community's support into an ongoing political advocacy campaign that resonates with the state government.

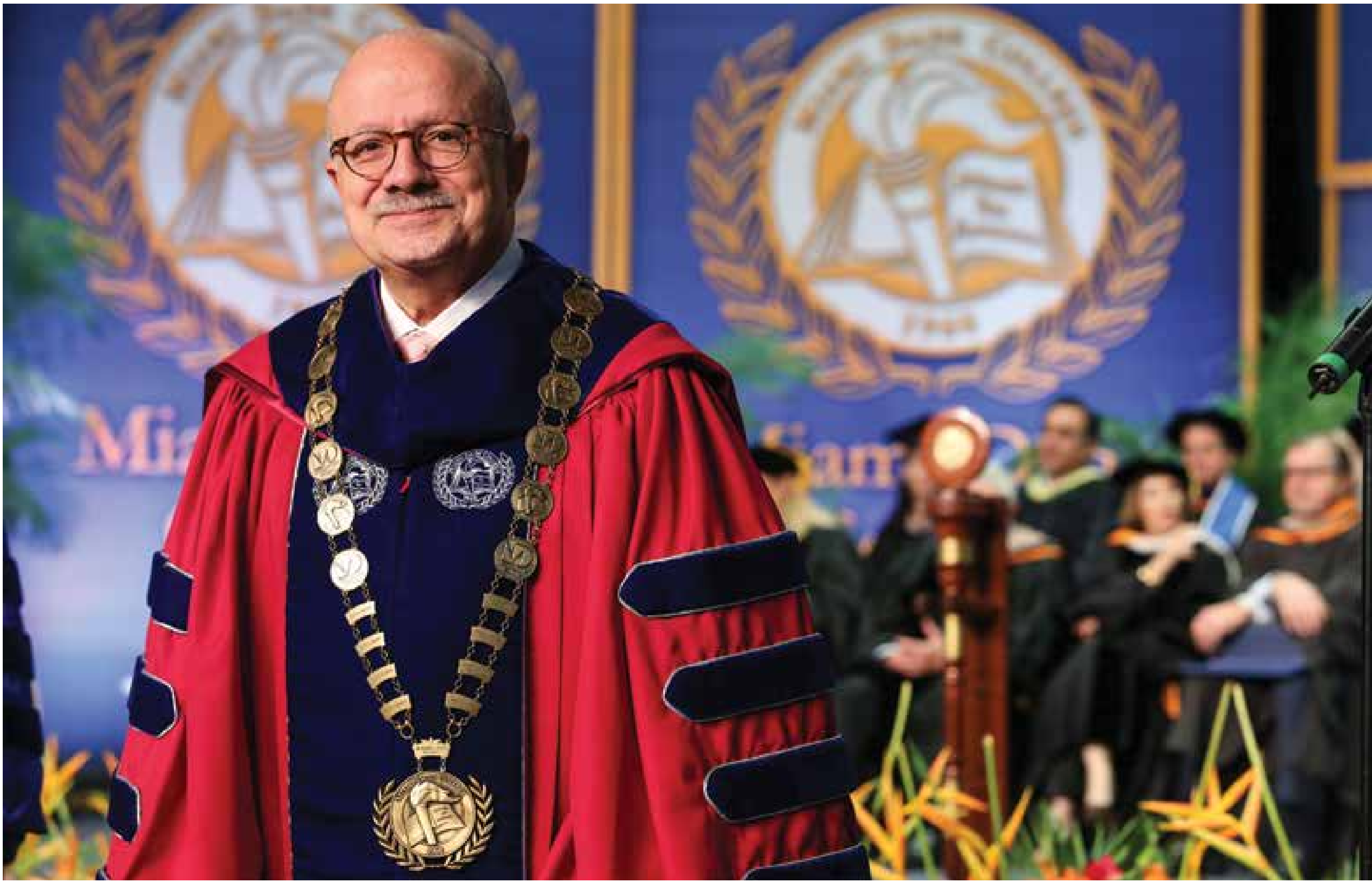
Change Is Difficult

The type of transformation required to take higher education funding to the next level during these challenging economic times is not easy. I know this because about 20 years ago, when I became president, I instituted a number of very difficult changes that created some conflict on campus. I inherited challenges, and I had to make bold moves to get the college above water. The college was in the red; our fund balance was lower than the state-required minimum. Employees did not receive salary increases for three or four years, and our faculty unionized because of the situation. But, today, even faculty leaders recognize that those changes were necessary to bring stability to the institution and to our students.

When speaking about some of the institutional changes I had to make for the betterment of the college, top of mind is related to faculty schedules. Our professors used to teach classes whenever it was convenient for them. I instituted a schedule-by-demand system based on student need. This meant that faculty members could not line up their classes one right after the other in a block, and from 9 a.m. to noon. After all, we needed to serve weekend, evening, and afternoon students, too. That system made us much more efficient and allowed us to grow. But, most importantly, it allowed us to serve more students.

I also revised student participation in athletics, which I learned is a difficult subject for any president to touch. I reduced our 32 sports teams to five because, while we were spending millions of dollars on those teams, most of our students, who are commuters, did not even attend the games. I had to make unpopular decisions so that we could reallocate the funds we were spending on athletics into laboratories, student aid, and new technologies—areas that allowed us to make the greatest difference on behalf of our students.

I instituted a very rigid system of cost containment. Every budget decision and



request had to be justified in terms of how it helped students. We also became more efficient by outsourcing services, creating partnerships, and retrofitting electrical systems. During the first two years of my presidency, we carried out an endless list of activities that have helped us better deal with the constant underfunding of the past 10 to 12 years.

Make the Board a Priority

When I was offered the job of college president, I informed the board about all the changes that needed to be made. I also said, "If you're not willing to stand by me, you need to find somebody else." To its credit, the board stood by me throughout every single plan that I proposed and all of the changes that we made to transform this institution. I have to say that my greatest asset has been my seven-member board.

The board has to be every president's priority. Sometimes, we forget that. If things go wrong at the institution, but the president has the board's support, then he or she can fix the issues and advance the institution to the next level. I communicate almost daily with my board members to ensure that they understand what we are trying to accomplish as an institution. Before every board meeting, I hold individual meetings with each board member. We discuss the agenda and the issues, which helps make for effective and efficient meetings. The more we prepare and educate our board members, the better support they are going to provide to our institutions.

One of my goals as college president is to make sure that people—students, staff, faculty, and board members—are well informed, have a sense of belonging, and take ownership of the good and the bad.

When I became president, I tried to decentralize the organization because I believe that if institutions don't take risks, they will not advance. Given a set of standards, people at all levels can feel empowered and be held accountable. They can have the freedom to experiment and to create and work with new ideas.

Leaders of higher education institutions should constantly innovate, whether this innovation takes place in the classroom or in the business affairs office. Innovation has made the higher education system in America the envy of the world. People from every single country still dream of coming to the United States for an education. We need to keep those dreams alive. ■

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ECONOMICS IN MOTION

The Power of a College Degree

While postsecondary education strongly increases upward economic mobility, a four-year college degree protects against downward mobility.

By Erin Currier

The United States was built on the promise of equality of opportunity and on the belief that each generation could do better than the one that came before. Despite the Great Recession, public opinion polling shows that nearly seven in 10 Americans remain convinced of the existence of the American Dream and their ability to achieve it, according to a 2011 Pew Charitable Trusts study, *Economic Mobility and the American Dream: Where Do We Stand in the Wake of the Great Recession.*

Americans are also fairly united in their definition of that dream and consider access to a high-quality education, especially college, to be one of its most important elements. And the data suggest they are right: Although a variety of factors across a person's lifetime promote movement up and down the income and wealth ladders, educational attainment, especially postsecondary education, is a key driver of economic mobility.

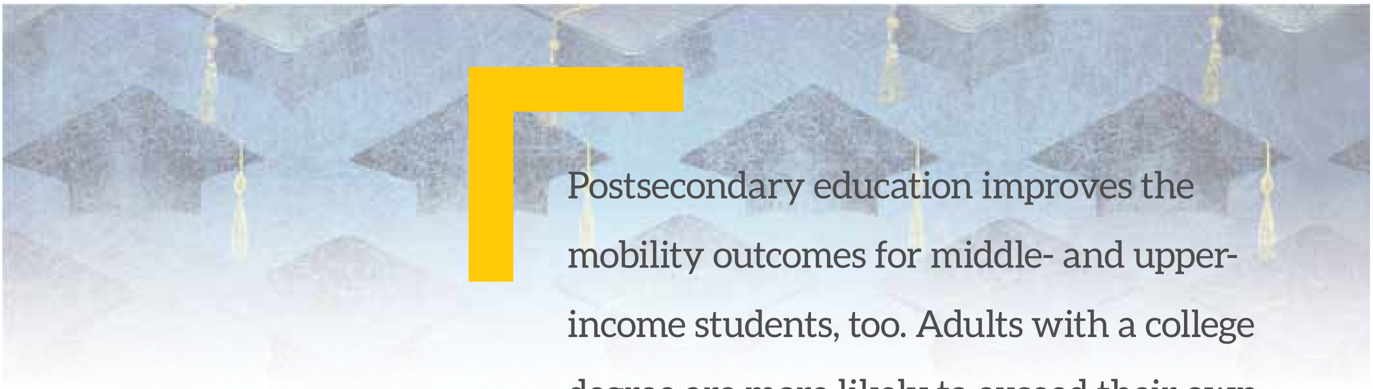
For much of the last decade, The Pew Charitable Trusts has studied the health and status of the American Dream, and the findings have been mixed. On the one hand, most (84 percent) working-age adults have higher family incomes than their parents did at the same age. On the other hand, those raised at the top and bottom of the income spectrum are highly likely to remain there as adults, and only 4 percent of those who start at the bottom make it all the way to the top. In other words, the American rags-to-riches story is found more often in Hollywood than in reality.

Mobility for All?

One factor that strongly increases upward mobility is postsecondary education. Ninety percent of people raised in the lowest income quintile who earn a college degree leave the bottom, compared with just half of their peers who have only a high school diploma, and 57 percent overall. In fact, having a four-year college degree more than triples a person's likelihood of moving from the bottom rung of the family income ladder to the top, and more than quadruples his or her chances of rising to a similar level of the wealth ladder, notes a College Board study, *Education Pays 2013: The Benefits of Higher Education for Individuals and Society*.

Postsecondary education improves the mobility outcomes for middle- and upper-income students, too. Adults with a college degree are more likely to exceed their own parents' income and wealth across all levels of the income ladder. And at the same time, a four-year college degree *protects against downward mobility*. Of those raised at the top of the income ladder who have a college degree, more than half remain at the top as adults, compared with only a quarter of their peers without a college degree, the College Board study notes.

Education matters for mobility, in particular, because it affects financial security; the wages of college-educated workers have been growing, and doing so at a much faster rate than those of



> Postsecondary education improves the mobility outcomes for middle- and upper-income students, too. Adults with a college degree are more likely to exceed their own parents' income and wealth across all levels of the income ladder. And at the same time, a four-year college degree *protects against downward mobility.*

workers with only a high school diploma. In 1971, young men with college or graduate degrees earned 25 percent more and young women earned 43 percent more at the median than their peers with high school diplomas, according to the College Board study. By 2012, those figures had jumped to 70 and 82 percent, respectively, and the median earnings gap between workers with a high school diploma and those with a college degree was more than $21,000 annually, according to an Urban Institute study, *Higher Education Earnings Premium: Value, Variation, and Trends*. Further, those with college degrees are more likely to have certain employer-sponsored benefits, including pension plans and health insurance, which boost economic security, says the College Board study.

Furthermore, despite repeated speculation over the past few years that, in the wake of the Great Recession, earning a degree was no longer a good investment, the data show that a college education remained beneficial during the economic downturn. Even those who graduated from college during the recession had lower unemployment rates and higher earnings, and were working more hours each week than their peers without a four-year degree.

Challenges Remain

Still, although higher education remains a good investment, today's education-related challenges have become increasingly complex. Lifelong opportunity is not only the result of getting young people, especially those with the fewest resources, to college, but also getting them through to earn their degrees. Children raised at the bottom and the middle of the income ladder are less likely to go to college than those raised on the upper rungs, and less likely to graduate when they do enroll. Nearly 80 percent of children in the top income quintile go to college, and 53 percent eventually graduate. By contrast, just 34 percent of children at lower income levels enroll, and just 11 percent graduate.

And even among those who *do* graduate, mobility requires being able to build financially secure lives and families, which can be undermined by the cost of the same college degree that imparts so much opportunity in the first place. Unlike Americans generally, those in Generation X—born between 1965 and 1980—who have exceeded their parents' income and have college degrees are less likely than those without degrees to surpass their parents' wealth, mostly due to student loan debt, according to a Pew study, *A New Financial Reality: The Balance Sheets and Economic Mobility of Generation X*. And today, 49 percent of all Americans who say they worried about their finances in the past year—and have student loan debt—reported that their concerns included paying those loans.

Despite these challenges, college attainment supports financial security and remains a key element of the American Dream. Although many scholars have correctly noted that a four-year degree is not a necessity for engaging in meaningful work and earning family-supporting wages, it remains a critical goal in reducing the barriers to enrolling in, and completing college, and having a successful start to life. For many, achieving the American Dream depends on it.

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ECONOMICS IN MOTION

It's Not Us Versus Them

Instead of viewing each other as opposing sides, *both* faculty and business officers must come together to participate in budget discussions and help ensure that institutions are operating in ways that are financially sustainable.

By Audrey Bilger

In a recent *Chronicle of Higher Education* article on budget issues, Allison M. Vaillancourt, vice president of human resources and institutional effectiveness at the University of Arizona, Tucson, expressed frustration with faculty members who seemed oblivious to the financial challenges facing the higher education system today.

In the article, 'You're Saying We Have a Money Problem?,' Vaillancourt describes an encounter with a faculty senator that took place at the height of the recession in the midst of drastic budget cuts. The senate had just been briefed on the university's dire economic situation, and the faculty member, baffled by this news, said, "It sounds like we have a serious money problem."

Vaillancourt was shocked by his apparent cluelessness, and when she asked another administrator at her college why faculty were not better informed, she was told, "We don't want to distract them from their teaching and research."

As an English professor at a highly selective liberal arts college, I can certainly appreciate the impulse to respect faculty time as a valuable resource and preserve our peace of mind; however, it is becoming increasingly clear that in order to survive the financial storms that currently buffet the academy, faculty cannot be sheltered. Instead, we must participate in discussions about our institutions' budgets and help ensure that our schools are operating in ways that are financially sustainable.

On the Same Side

Given the level of anxiety expressed in the 2013 *Inside Higher Ed* and Gallup survey of campus CFOs—with only 13 percent of respondents saying that they had confidence in the viability of their economic models over the next 10 years—the stakes could not be higher. This same survey found that only 4 percent of business officers considered faculty to be "realistic" about the challenges facing their institutions, and only 5 percent indicated that "faculty have been supportive of efforts to address the budget problems."

Unfortunately, when battle lines get drawn—bean counters versus lofty thinkers, us versus them—there is little room for productive discussion. I recall getting quite testy a few years ago when a college trustee began quizzing me about how much time I spent on each class. I talked about course prep, office hours, advising, and grading; I brought up my scholarship and the intrinsic role it plays in my teaching. "But how long are you actually in the classroom?" he kept asking, the implication being that if my labor was dispersed among multiple sites and asynchronous activities, I did not have a *real* job.

As a 2014–15 American Council on Education Fellow, I have had the opportunity to study institutional budget models and strategic planning, and what I've learned has made me think differently about that conversation. When I filter out the skepticism of the interlocutor—a private sector businessperson—and

> I encourage interested faculty to set up meetings with their CFOs, and to take a look at current and projected budgets. Ask about areas of risk and potential shortfalls, and confer with colleagues about possible changes that could improve the forecasts.

consider the basic reality that institutions need to make choices about how to allocate resources, I can see that he and I might not be on opposite sides of some moral continuum after all. We *both* want our college to thrive and we *both* believe in the value of higher education.

Back in the last century, professors did not have to worry much about deferred maintenance, tuition discounts, revenue generation, or the myriad elements that keep colleges and universities in business. We had the luxury of teaching our classes, writing books and articles, and conducting research—without having to worry about how the bills were getting paid. The job market in fields such as mine was certainly challenging—with hundreds of applicants for each place. We began to see adjunct faculty replace and supplement permanent positions, but those of us who made it through to tenure were, in general, not required to scrutinize the bigger financial picture.

Serious Consequences

The 21st century has not been kind to higher education. State and federal funding continue to shrink, politicians question the value of intellectual pursuits, and many institutions face the very real possibility of having to close their doors. Take, for example, Sweet Briar College, Va., which announced that it would shut down at the end of the 2014–15 school year. The college's faculty were well aware that their school was in financial trouble and were even involved in generating ideas to help. But, according to "The Unfortunate Fate of Sweet Briar's Professors," an article in *The Atlantic*, they did not expect the school to close.

Difficult Decisions

At press time, Virginia's attorney general had announced Sweet Briar's survival due to serious efforts by its alumnae. Nevertheless, dramatic changes must take place at the 3,250-acre campus that boasts an indoor equestrian center, an 8:1 student-faculty ratio, and an average class size of 11 students.

Many faculty members dislike thinking of higher education in business terms. As William F. Massey remarks in the book, *Honoring the Trust: Quality and Cost Containment in Higher Education,* "Nonprofit universities exist to produce value rather than money, but the enterprise must face marketplace realities every day." In order for institutions to fulfill the mission of higher learning, they need to survive within a competitive landscape. Massey lays out the situation:

"In an ideal world a university's ability to create value would be unbounded. Unfortunately for academic ideals, however, the pursuit of value confronts some serious constraints. First among them comes the need to obtain revenue."

Faculty members need to sit down with business officers and other executive leaders to consider the best paths forward for their institutions. Rather than operating on the older model that pits professors against administrators, who are viewed as being on the "dark side," all hands need to be on deck to develop strategies for survival.

Cutting costs need not be synonymous with layoffs or the elimination of programs. If faculty can see how the money gets spent, they are more likely to come up with creative solutions.

I know there are faculty members who want to be better informed and who would be willing to engage in productive discussions about the economic future of their schools. I encourage interested faculty to set up meetings with their CFOs, and to take a look at current and projected budgets. Ask about areas of risk and potential shortfalls, and confer with colleagues about possible changes that could improve the forecasts.

To business officers, I would say this: Don't give up on the faculty. The past is not necessarily a model for what happens next. Higher education can adapt and maintain the ideals that distinguish it from for-profit businesses. We can and should keep talking. ■

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ECONOMICS IN MOTION

Three Trends That Will Challenge Colleges

Entrepreneurs outside the higher education system are finding opportunities to deliver some of the same benefits that institutions offer—but at lower costs—and could eventually cut into colleges' market share.

By Andrew P. Kelly

Colleges and universities are under immense pressure to prove their value proposition. And for good reason: Tuition prices have grown much faster than the rate of inflation or family incomes, pushing more students to take on debt to finance their education. Many of those borrowers have graduated into a soft labor market. The Federal Reserve Bank of New York found that in 2012, nearly 45 percent of recent graduates were working at jobs that did not require a college degree. Those who don't graduate have it even worse, as the earnings for those with "some college, no degree" now look a lot like those of high school graduates. The effective delinquency rate on student loans is now as high as it was on subprime mortgages during the housing crisis.

Some of this is out of colleges' control. State legislatures, buffeted by economic crises and competing demands, have cut funding to public institutions, leading to tuition increases. But colleges and universities can—and must—do more to enhance the value of their product. For a long time, institutions have used the robust wage premium attached to a college degree to paper over these troubling trends. In reality, though, the wage premium reflects worsening labor market prospects for high school graduates. The absolute return of a college degree—the quantity that determines whether students can pay back their loans and live comfortable lives—has not kept pace with increases in tuition.

What existing institutions need to realize is that the gap between college tuition prices and the absolute return of a college degree has created space for entrepreneurs to challenge the traditional higher education business model. Entrepreneurs who can deliver some of the same benefits (a signal to the labor market and connection to potential employers) for lower cost can cut into colleges' market share. As the gap grows, so do these opportunities.

I know what you're thinking: "Not another tale about how online education is going to disrupt higher education!" The spread of low-cost digital content and online education is certainly one of the important trends that existing institutions must confront. But other innovations on the horizon arguably pose an even greater threat to colleges' value proposition. New models of credentialing and immersive career training—currently on the periphery—are working to provide learners with a clearer signal to the labor market of what they know and can do. Whether they will challenge the college degree as the signal of choice remains to be seen, but colleges would be foolish to ignore them.

What's Next?

So, what trends should colleges be watching?

- **Digital content, instruction, and assessment are cheap, so colleges should look elsewhere for their comparative advantage.** The Internet has made abundant what was once scarce: college-level content, instruction, and assessment are now widely available for free or very low cost. What started with Massachusetts Institute of Technology's static OpenCourseWare has now transformed into the interactive massive open online courses (MOOCs) offered by Coursera, edX, and Udacity. Despite dire predictions that this digital onslaught would mean "the end of college," it hasn't yet.

But the surplus of digital content almost certainly spells trouble for parts of the college business model. Many colleges have responded to the rise of online learning by "making" their own digital content and instruction, and trying to sell it to consumers. Hence the proliferation of homegrown online courses and degree programs that are carbon copies of traditional, in-person degrees in terms of their structure and tuition prices.

Rather than making their own digital content, colleges could use what is now abundant to rethink the way they deliver lower division courses, thereby freeing up resources to enhance the services that are most valuable.

Colleges should think more strategically about where to invest scarce resources. In a chapter for my 2013 book, *Stretching the Higher Education Dollar: How Innovation Can Improve Access, Equity, and Affordability,* entrepreneur Michael Staton laid out the components of a college degree, in order, from those that are most readily replaced by technology to those that are nearly impossible to replicate online. Not surprisingly, "the content loop"—the authoring and delivery of academic content—is the most readily replicated by competitors. Staton argues that colleges' comparative advantage lies in the intangible components of what they provide, such as the opportunity for students to build a network, work closely with a mentor, and transition into adulthood.

Despite this, many traditional colleges seem preoccupied with creating their own online courses when they should be doubling down on their most valuable products. Rather than making their own digital content, colleges could use what is now abundant to rethink the way they deliver lower division courses, thereby freeing up resources to enhance the services that are most valuable.

■ **The degree is an informative signal … until a more informative one comes along.** At the moment, hiring managers use the bachelor's or associate degree as a shorthand screening mechanism. Finishing a degree tells employers something about a prospective hire's attributes, and transcripts may even give them some broad sense of the applicant's skills.

But the diploma/transcript combo is a very noisy indicator, and employers routinely report dissatisfaction with the skill levels of recent graduates. Bachelor's degrees are not all created equal, nor are all degree programs. In response, organizations within and outside of higher education have begun to organize assessment and credentialing around a much smaller unit of learning—the competency.

Competency-based models of education are on the rise in higher education. Schools such as Western Governors University, Excelsior College, and College for America allow students to accumulate credits based on what they can prove they've learned rather than how long they've sat in class. In theory, competency-based programs benefit learners by allowing them to not only earn credit more quickly and economically, they also furnish a clear map of graduates' competencies that employers can use to identify those who have the skills they need.

The focus on bite-size competencies and credentials is spreading more aggressively outside higher education. The Mozilla Open Badges project has created an entirely new set of microcredentials that allow students to collect proof of their competencies (the badges) plus additional data that allow observers to see who issued the badge and what tasks students completed to earn it. MOOC providers Udacity and edX now offer short sequences of related courses that result in formal credentials: the Nanodegree (Udacity) and the XSeries certificate (edX). And startups like Degreed and Accredible allow learners to collect and summarize all this learning in one place.

These approaches to credentialing are still very new, and are not yet challenging the degree. But existing colleges should recognize and plan for the possibility that employers may well come to consider alternative signals as being equally informative (if not more so) to a traditional degree. At that point, incumbents may find that they're selling a product that is both far more expensive and inferior to what their competitors offer. Forward-thinking colleges could work to integrate competencies, badges, and other credentials into their traditional degree programs.

■ **Taking on the skills gap.** Most students go to college to improve their labor market prospects. According to the 2014 *Survey of the American Freshman*, a study by the University of California, Los Angeles, nearly 90 percent of incoming students report that they are attending college "to be able to get a better job." Yet plenty of evidence suggests that employers are not satisfied with the skill levels of recent college graduates. Indeed, nary a month goes by that we don't hear about the purported "skills gap" between what colleges teach and what employers need. Yes, employers seek higher-order concepts like problem solving, critical thinking, and communication skills in addition to technical ones. Still, though, they report being unable to find qualified graduates to fill positions.

The skills gap has created an opportunity for new educational organizations. One set—nicknamed learning accelerators—offers an array of short-term, immersive training programs designed to prepare students for jobs that require tech skills (Web development, data science, design, and others). Organizations such as Dev Bootcamp, Flatiron School, General Assembly, App Academy, Galvanize, and others have created a new genre of career training, and students shell out $10,000 to $15,000 to attend a 10- to 15-week program. Many of them are selective, and most are high-touch affairs; students work closely with fellow classmates and instructors for up to 60 hours a week.

For now, these organizations act as a complement to traditional programs. But that dynamic could change quickly. It may be only a matter of time before they work backward and begin offering more of what traditional colleges provide: general education courses, access to an affinity network, perhaps even a chance to live and work with other learners.

When or if that happens is truly anybody's guess, but it would make life a lot more challenging for expensive, tuition-dependent colleges.

Looking Forward

The futurists think traditional colleges are doomed. I think that many institutions can adapt to these new challenges, but only if they're willing to question the structures and routines that too often go unquestioned. Why does a course have to be 15 weeks long? Who says credentials have to be either 60 or 120 credits? Why should we sell high-priced general education credits when we could focus on the immersive seminars and student-life programs that make our graduates successful? Why can't my college offer a battery of exams that certify learners as meeting our standard for engineers, economists, or art historians? No diplomas or credits need be involved, just a signal that this person learned enough to master the material.

These are the kinds of questions that entrepreneurs outside the system are asking. Those within existing colleges would be wise to follow suit. ■

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