



ellucian.

Michigan Community Colleges Business Officers Association Conference

Fall 2012



ellucian.

Strategic Approaches to Higher Education's Challenges

Susan Anderson
Senior Strategic Consultant

Agenda

- About You
- Introduction to Higher Education's Challenges
- Strategies for meeting challenges
 - Increasing revenue
 - Decreasing expenses
- Closing



About You

MCCBOA's mission is to:

- provide for the discussion of mutual concerns
- exchange information on experiences, ideas and methods
- provide training in community college business operations
- represent the membership in all matters where such representation is useful and desirable
- operate exclusively for education as a non-profit organization in compliance with the laws of the state of Michigan
- cooperate with and assist the Michigan Community College Association in statewide concerns relating to community college business affairs

Sample Question – What is your favorite choice for dinner?

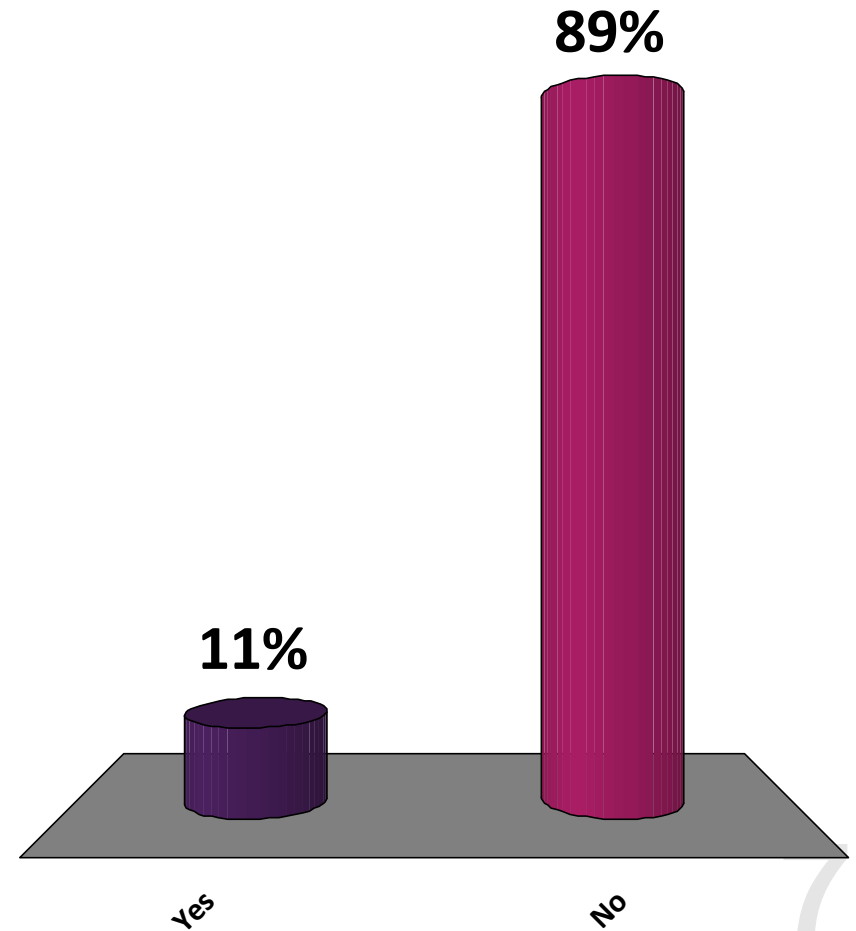
1. Steak
2. Chicken
3. Fish
4. Salad



Is this your first MCCBOA conference?

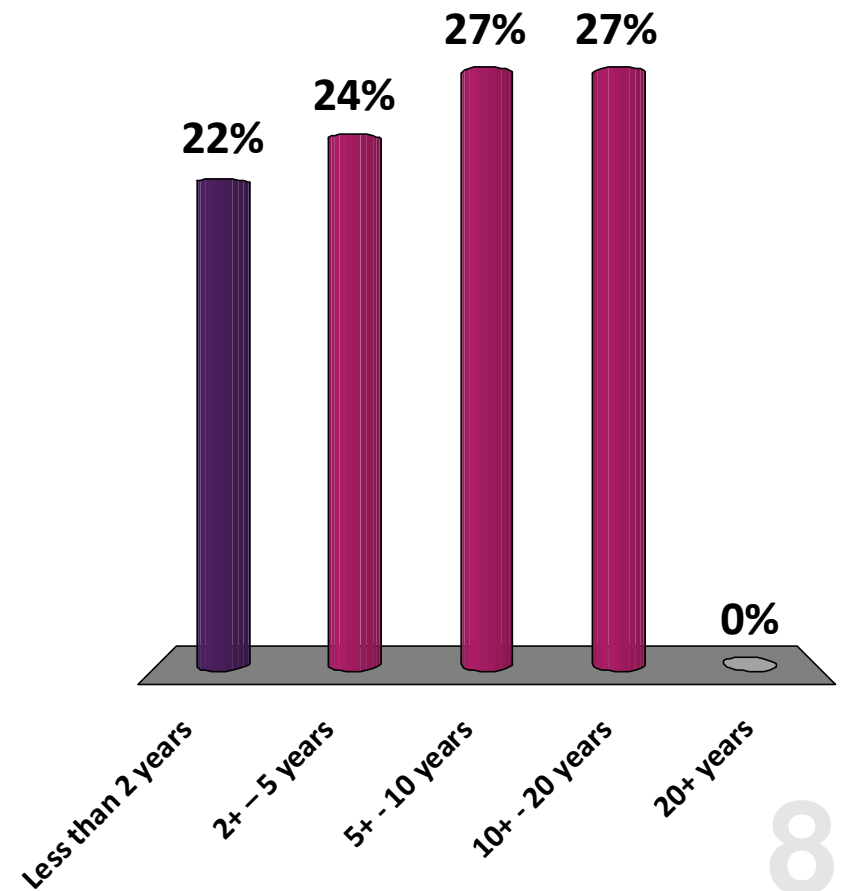
A. Yes

B. No



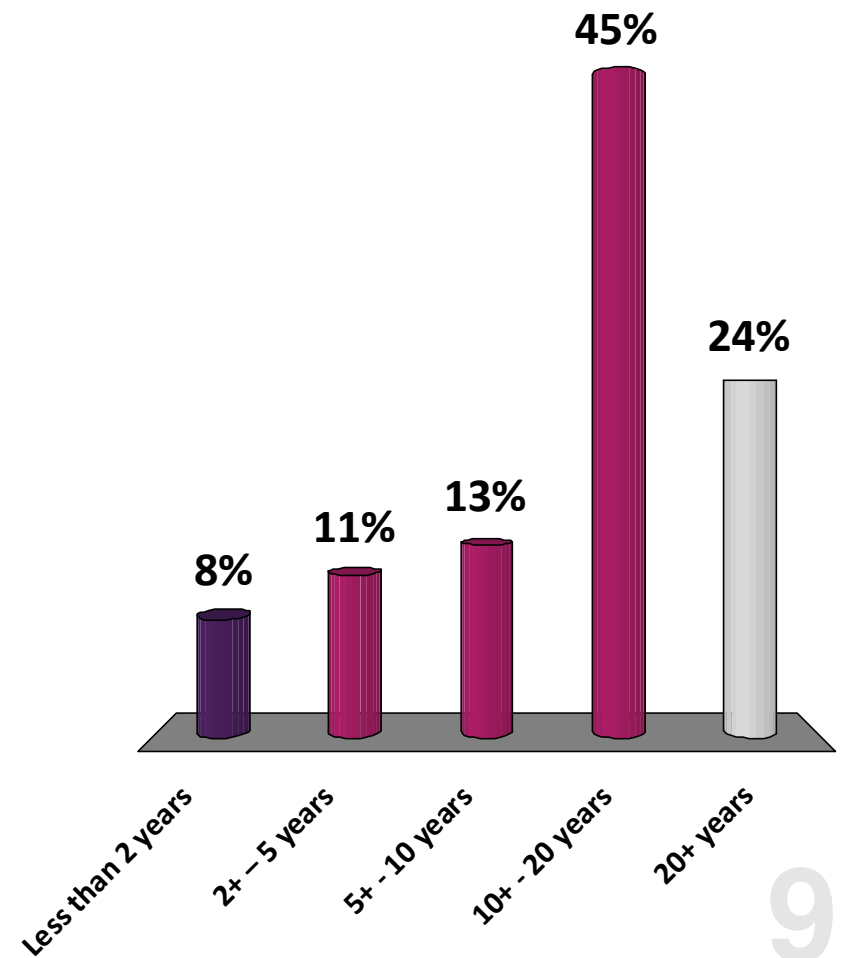
How long have you been in your current position?

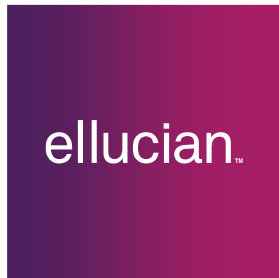
- A. Less than 2 years
- B. 2+ – 5 years
- C. 5+ - 10 years
- D. 10+ - 20 years
- E. 20+ years



How long have you been working in higher education?

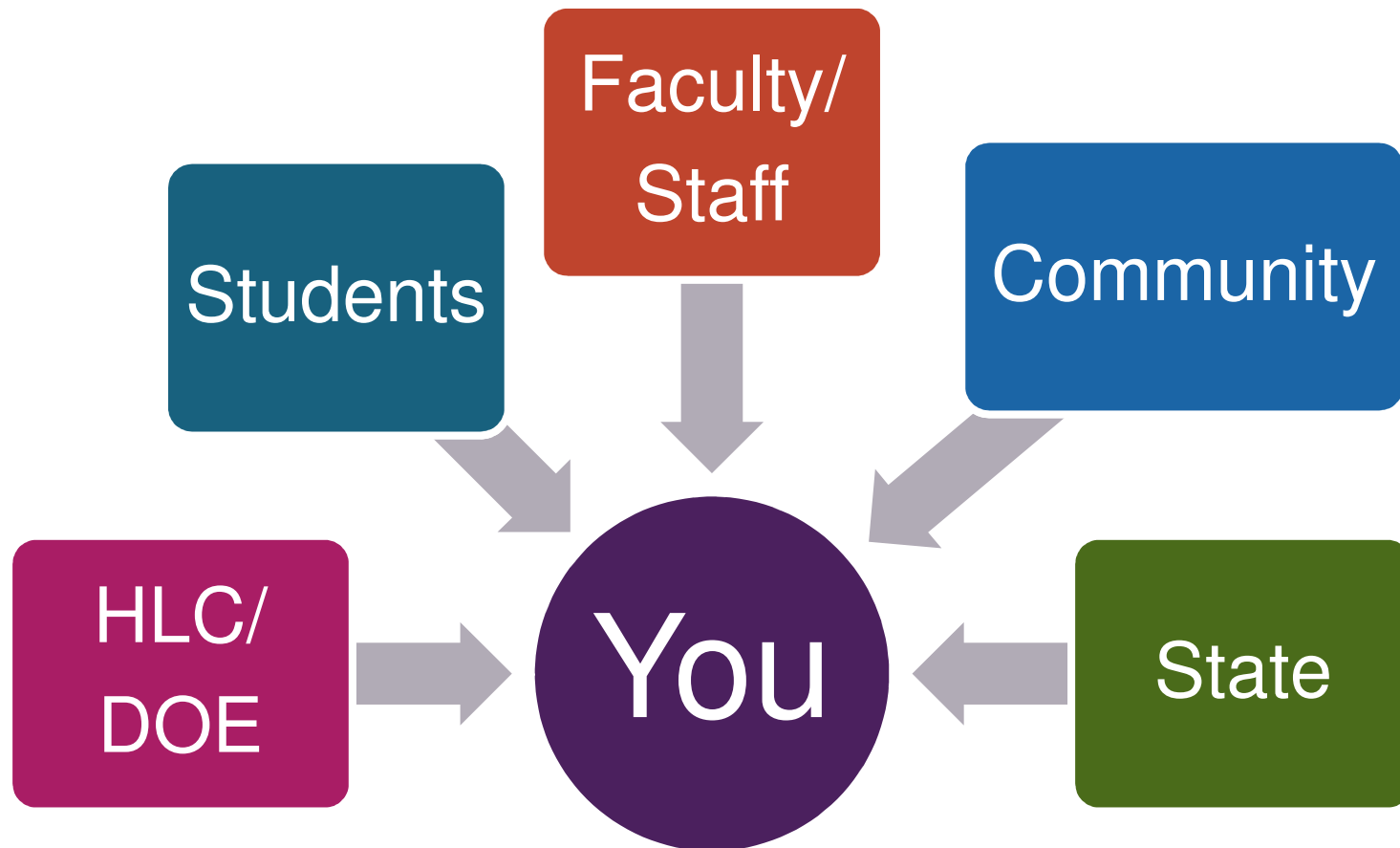
- A. Less than 2 years
- B. 2+ – 5 years
- C. 5+ - 10 years
- D. 10+ - 20 years
- E. 20+ years





Introduction to Higher Education's Challenges

Forces on You

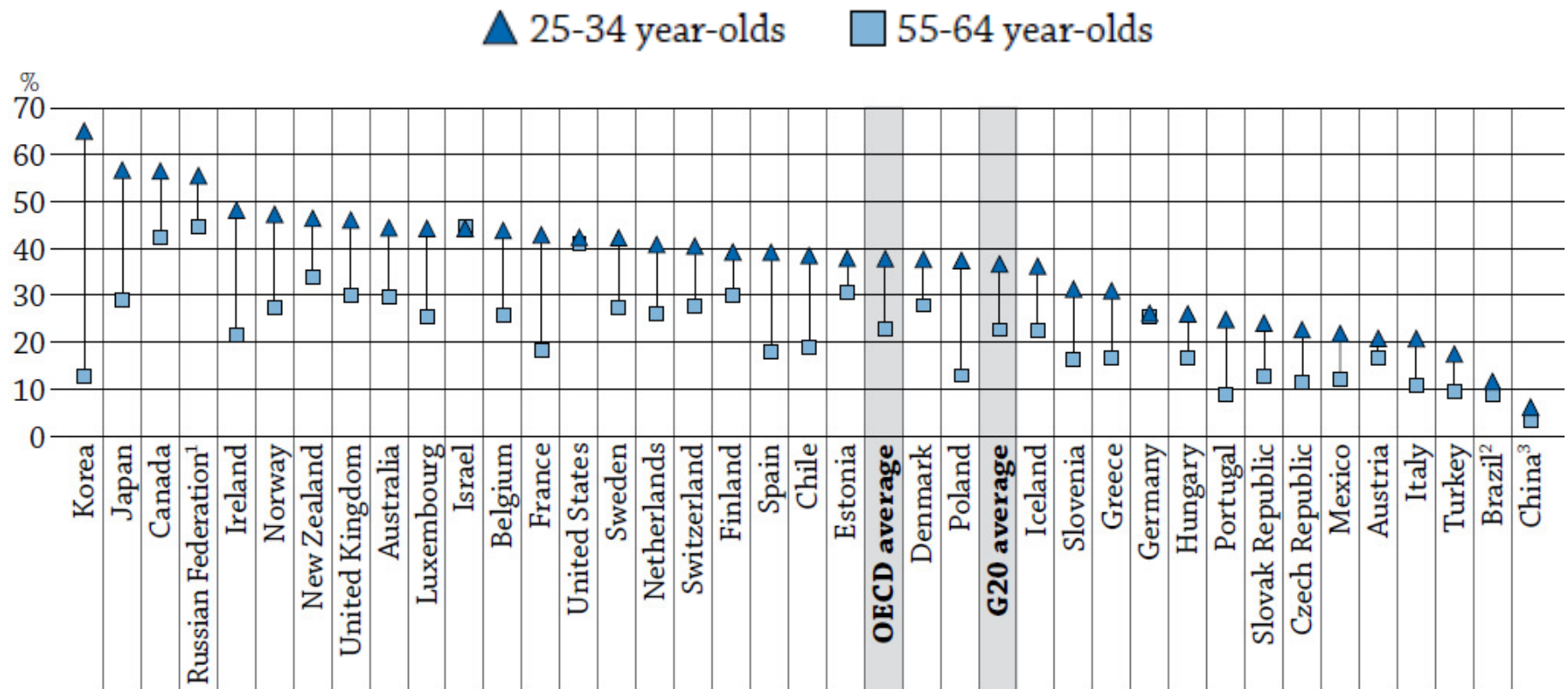




By 2020, this nation will
once again have the
highest proportion of
college graduates in the
world.

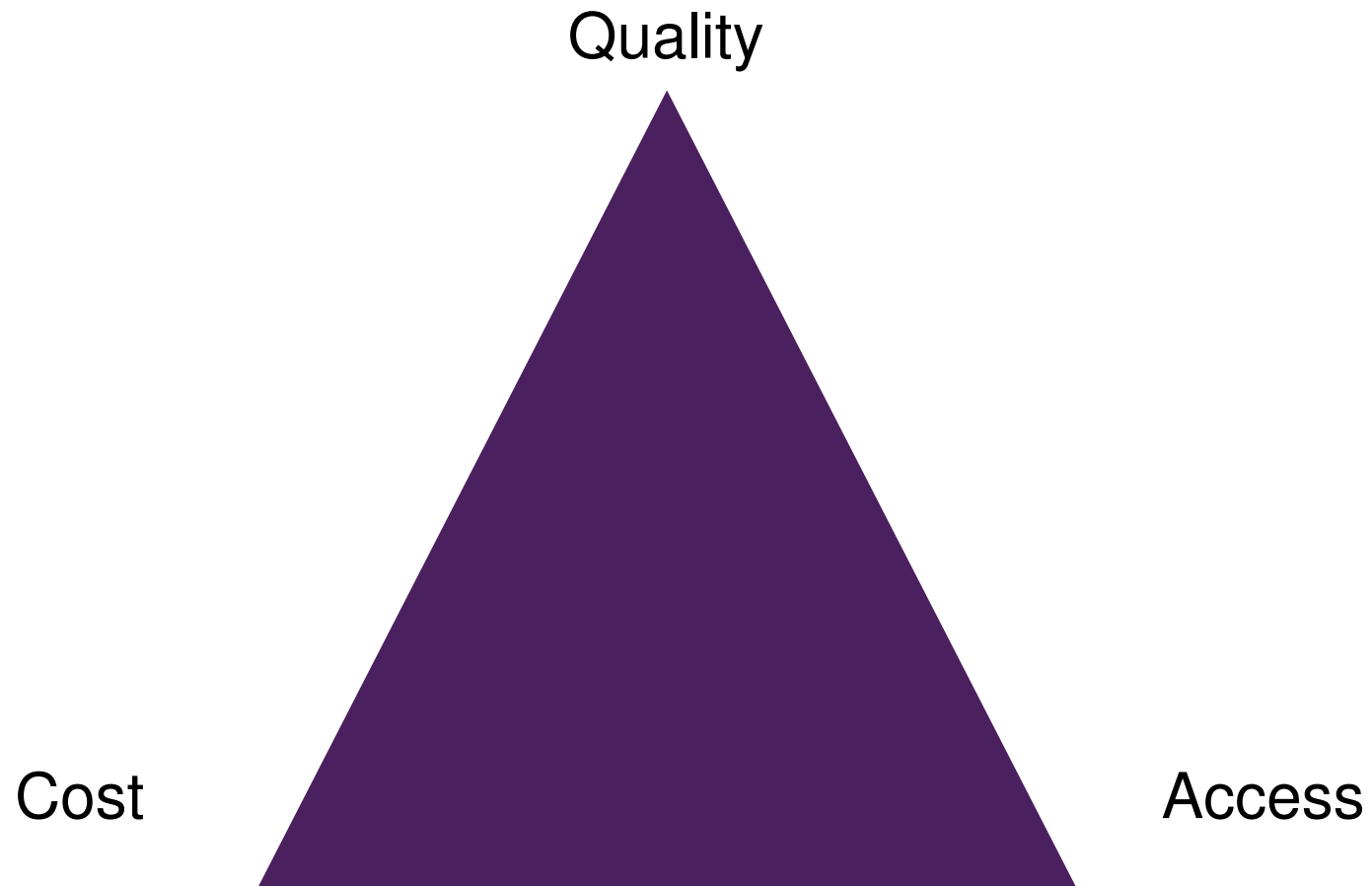
President Barack Obama's
American Graduation Initiative
2009

Population that has attained tertiary education (2010)



Source: OECD Education at a Glance 2012

Iron Triangle of Higher Ed



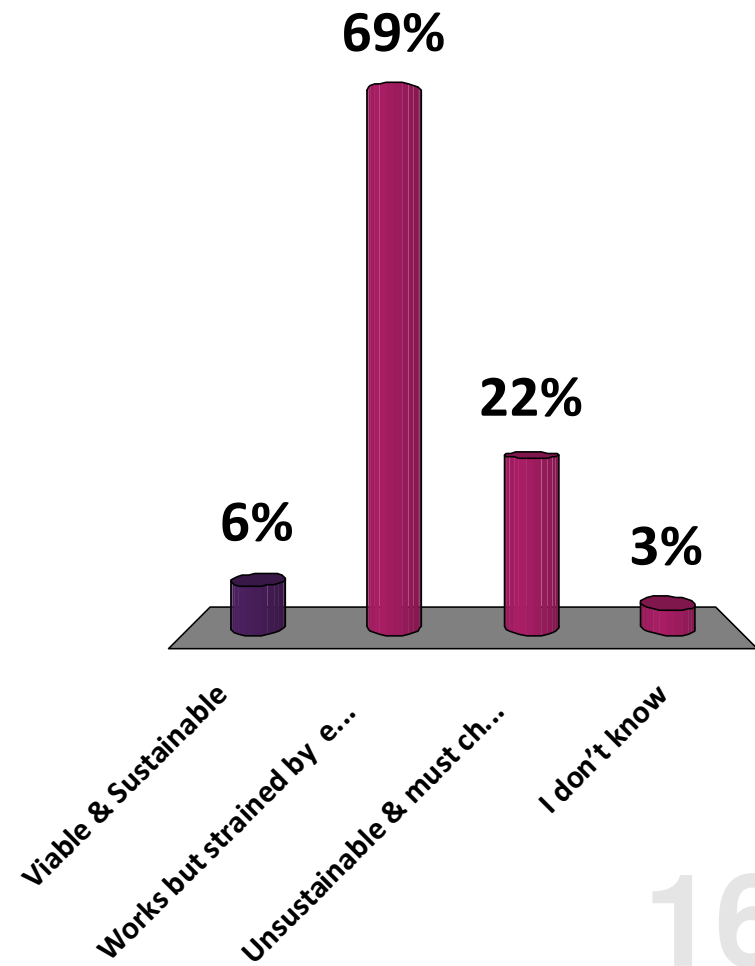
Two most important issues confronting my institution – Presidential Perspective

All Institutions (n=956)	Public Institutions (n=561)	Private Institutions (n=356)	For-Profit Institutions (n=39)
Budget shortfalls (48.8)	Budget shortfalls (62.0)	Rising tuition / affordability (42.2)	Potential cuts in federal student aid programs (48.7)
Rising tuition / affordability (26.9)	Changes in state support (42.6)	Increased competition for students (35.3)	Increased competition for students (28.2)
Changes in state support (26.5)	Remediation and student readiness for college (19.6)	Budget shortfalls (32.2)	TIE: Rising Tuition & Remediation and student readiness for college (25.6)
Increased competition for students (17.5)	Rising tuition / affordability (17.2)	Potential cuts in federal student aid programs (16.5)	Student assessment and institutional outcomes (17.9)
Remediation and student readiness for college (14.0)	Maintaining the quality of academic programs (15.2)	Financial support from alumni (15.1)	

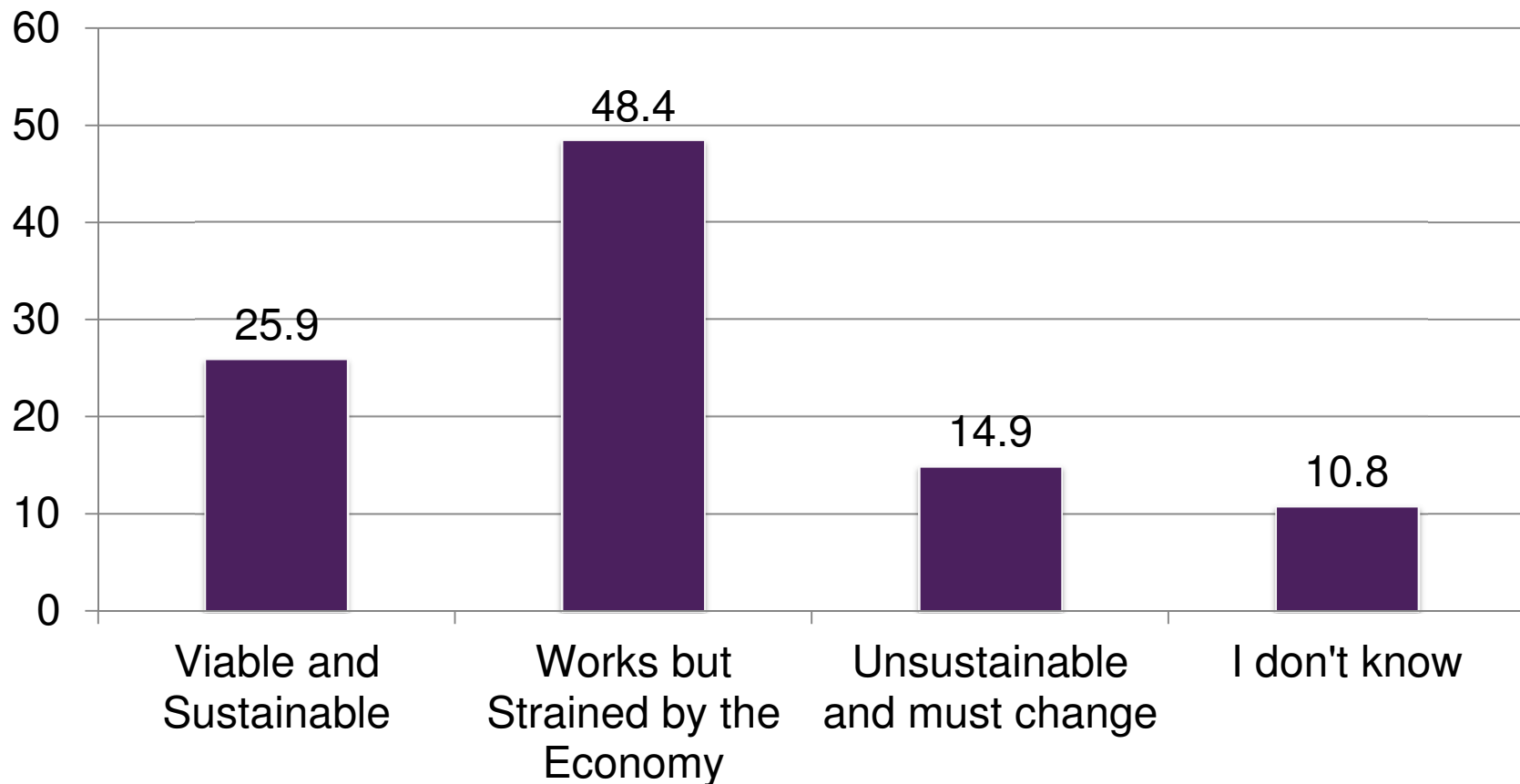
2012 Inside Higher Ed Survey of College & University Presidents

Is your business model still viable?

- A. Viable & Sustainable
- B. Works but strained by economy
- C. Unsustainable & must change
- D. I don't know



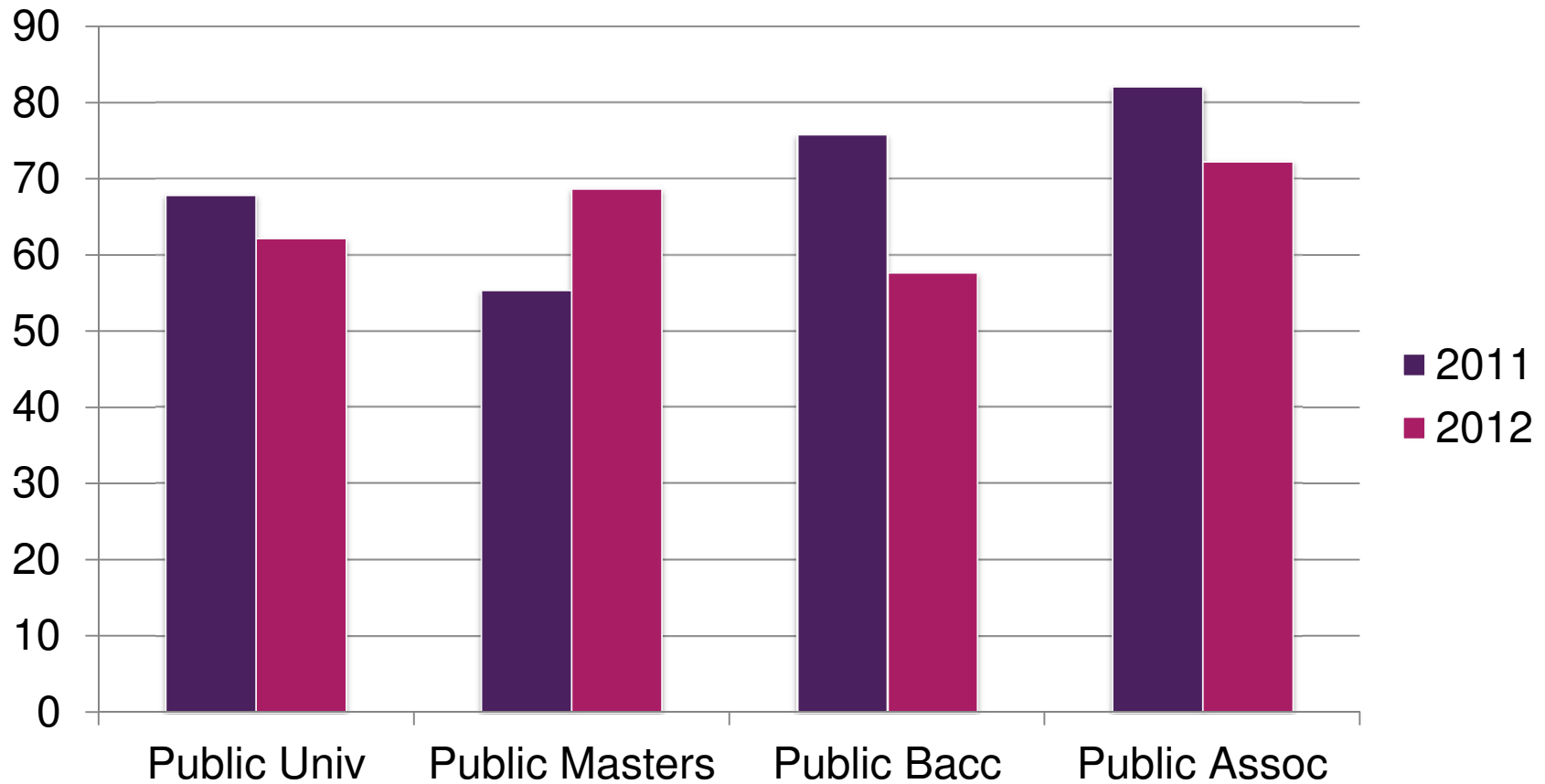
Is the business model still viable?



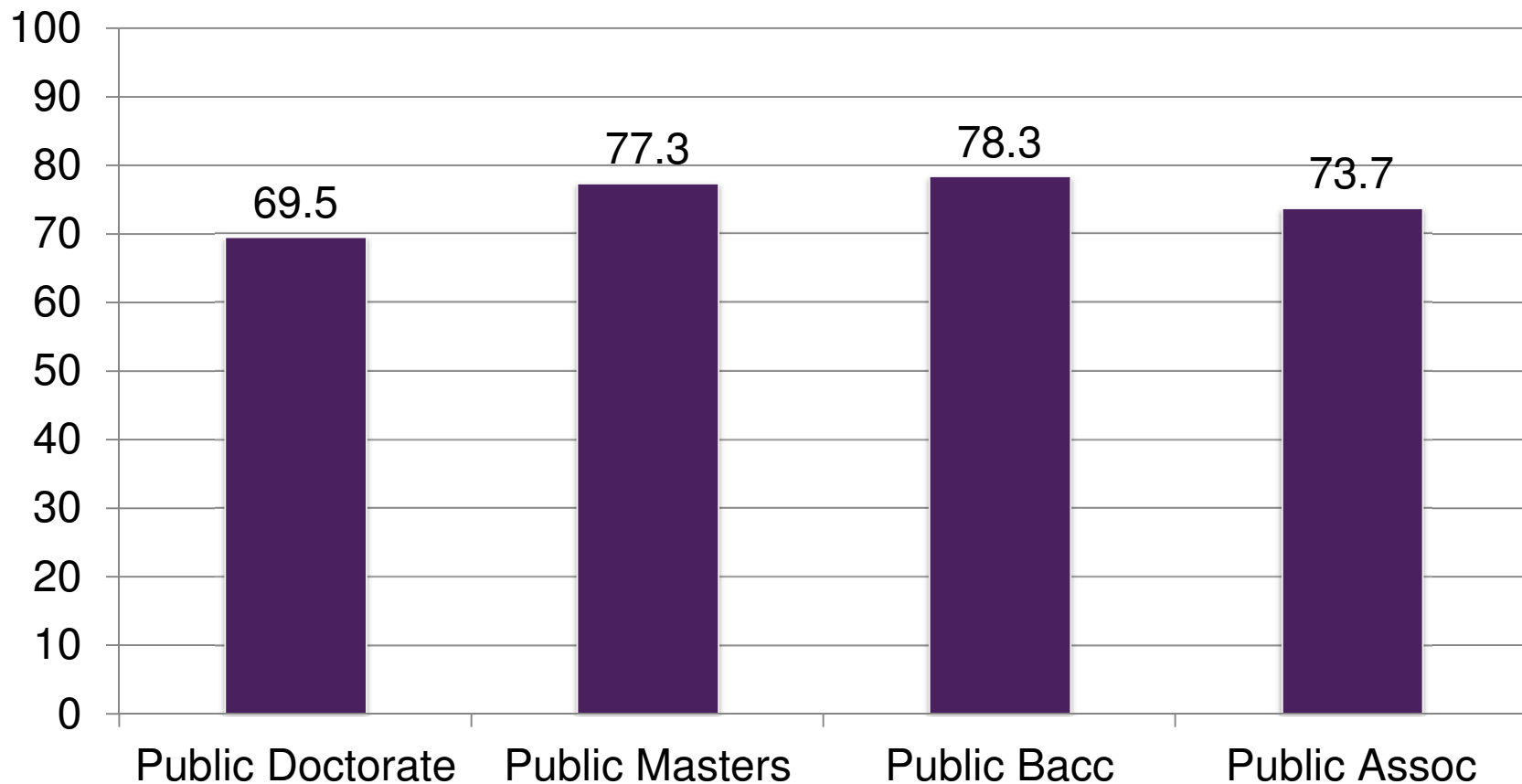
Source: Inside Higher Ed 2012 Survey of College and University Business Officers

Rating of Financial Health - 2011 vs 2012

(Percentage report 'good' or 'excellent')



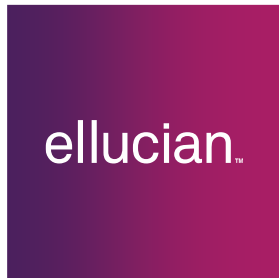
Presidents' Perspective - how effectively you manage financial resources in times of budget problems



Paying More Attention than you were 5 years ago

Percentage Rating the Issue as Important (6/7)

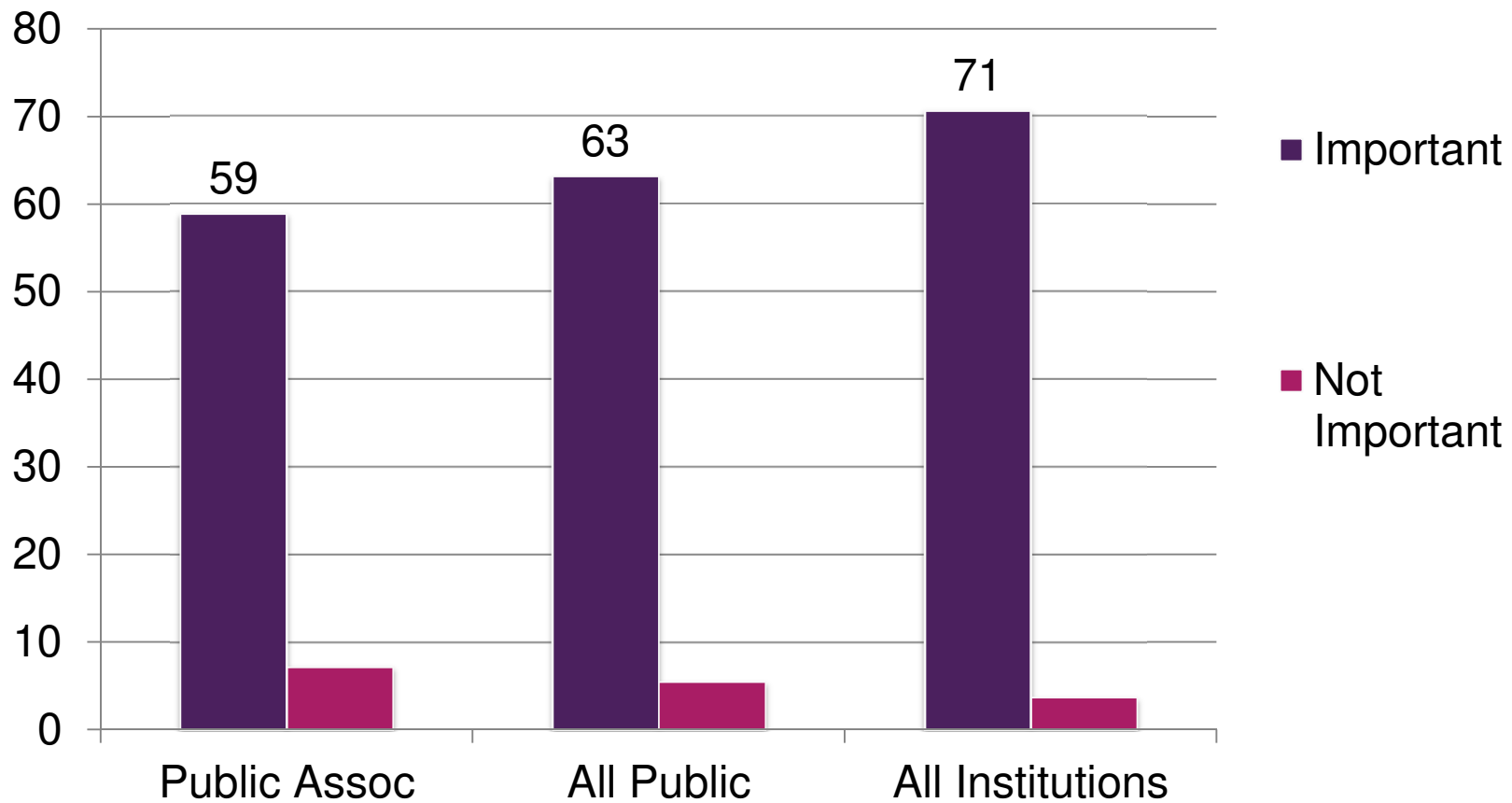
Deferred maintenance to our campus infrastructure	45.3
Health care liabilities	44.6
Retirement liabilities	43.4
Market limits on our ability to raise fees	42.7
Federal and state government mandates (general)	40.3



Responding to the Challenges

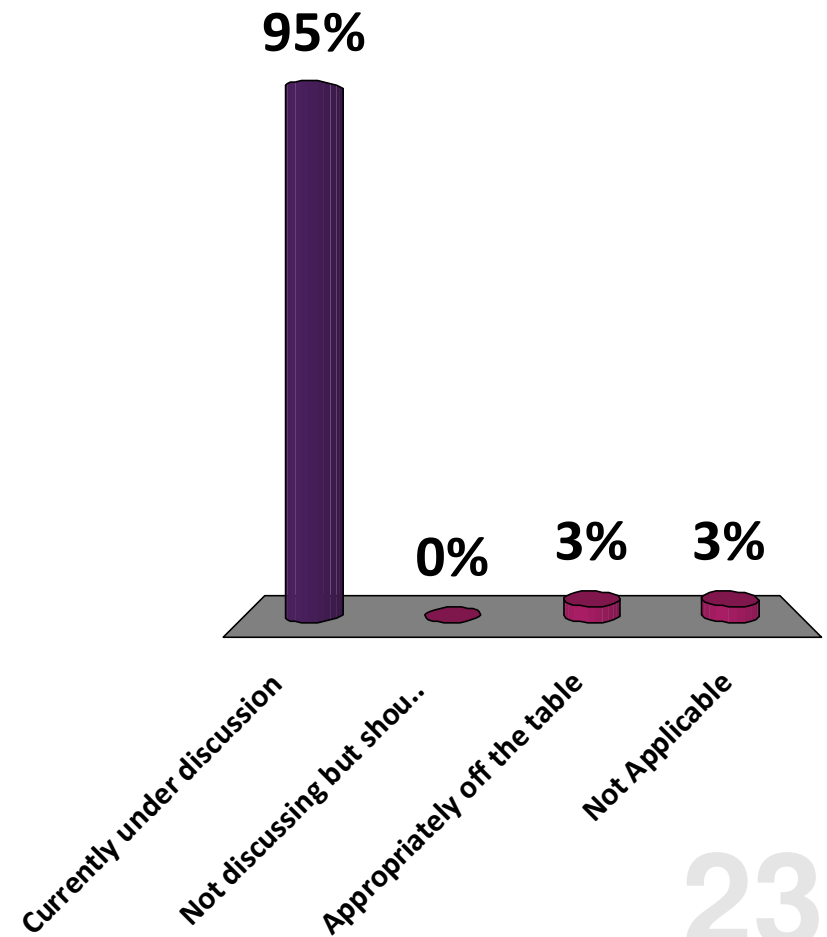
- Strategies to Increase Revenue

Increasing Tuition Revenue

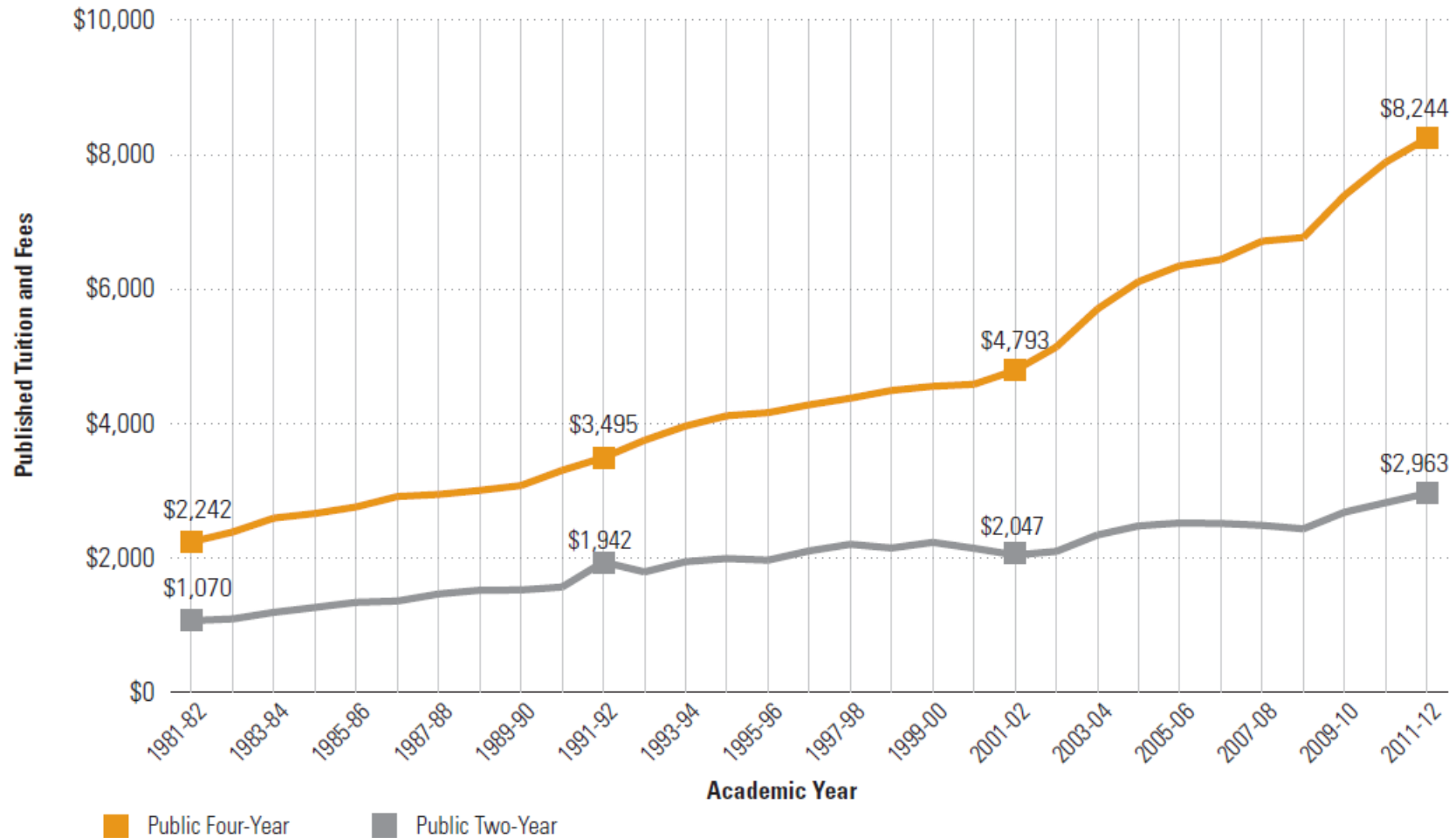


Increasing tuition?

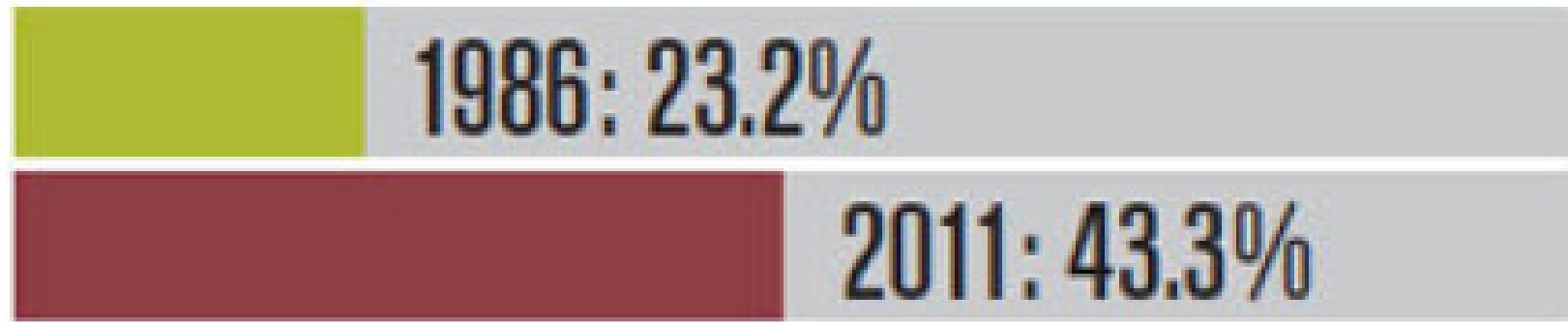
- A. Currently under discussion
- B. Not discussing but should be
- C. Appropriately off the table
- D. Not Applicable



In-State Tuition and Fees at Public Two-Year and Four-Year Institutions, in Constant 2011 Dollars, 1981-82 to 2011-12

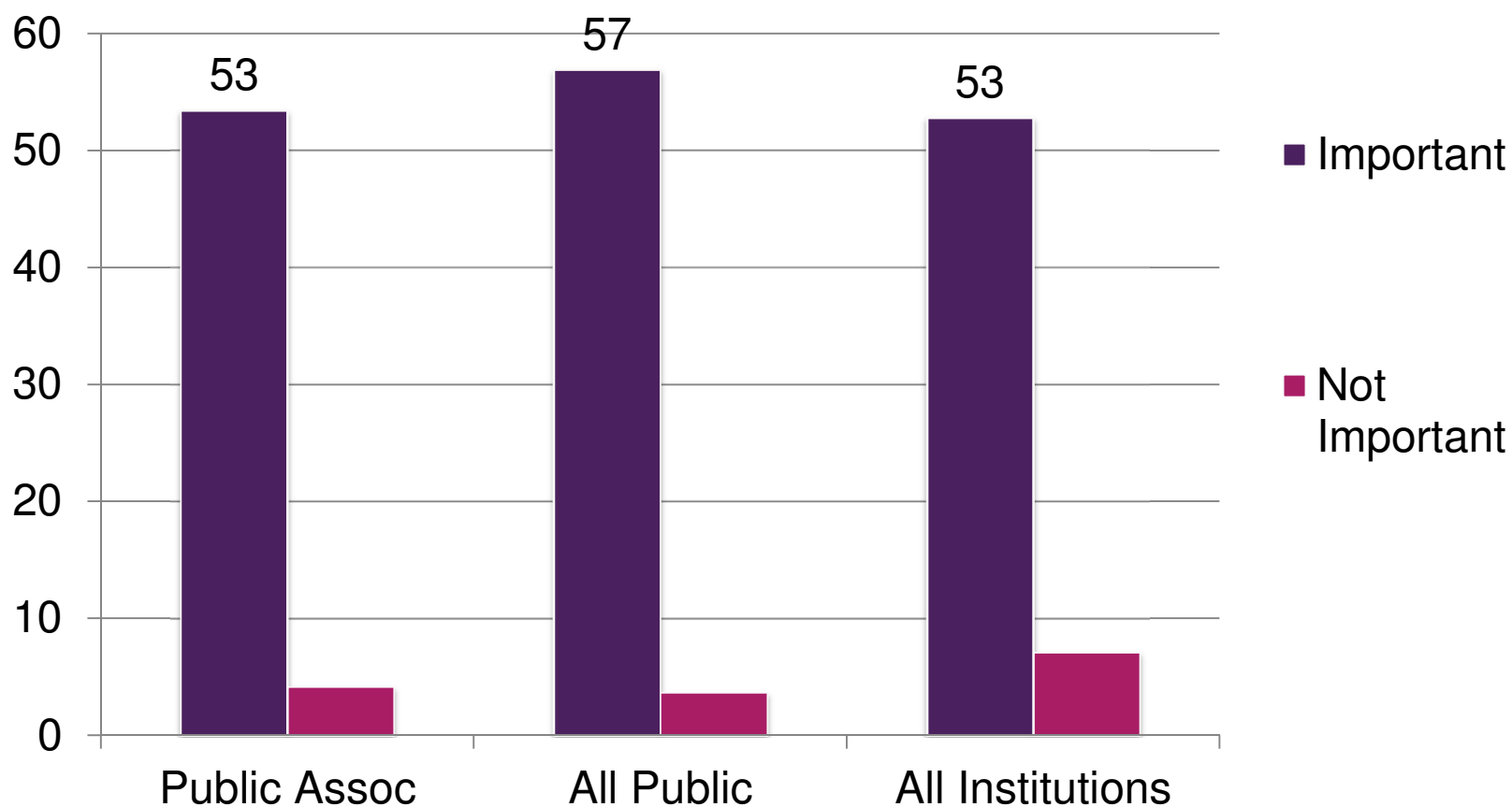


Percentage of Revenue for Public Colleges from Net Tuition and Fees



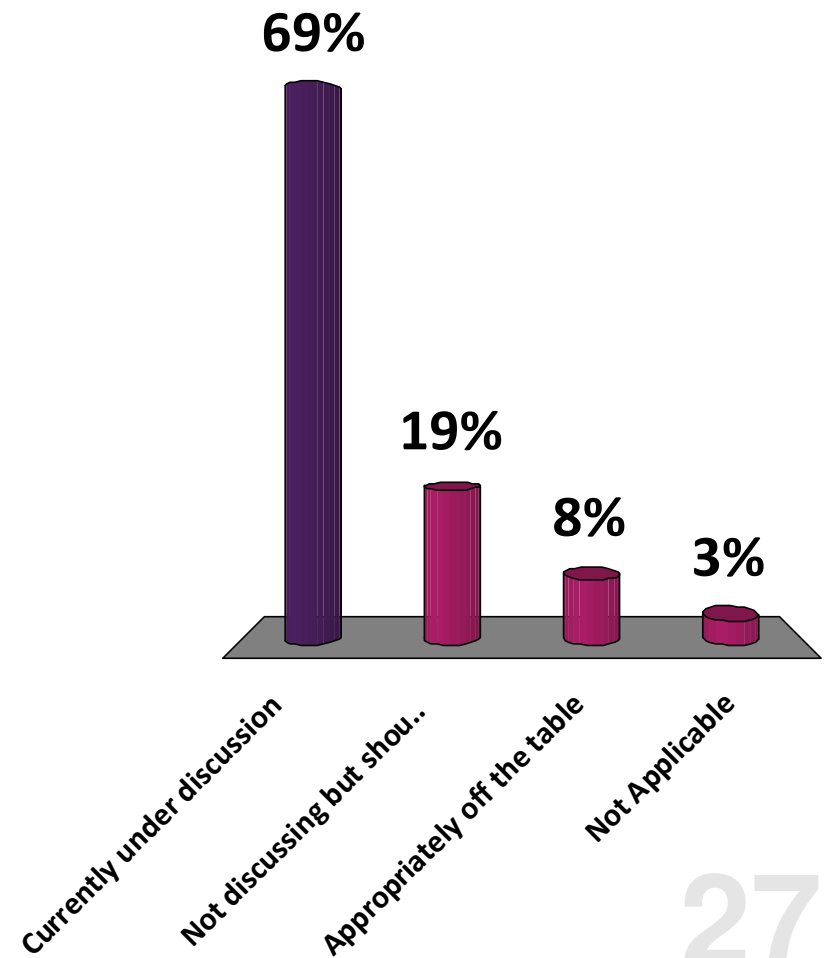
Source:
NACUBO Business Officer Magazine
By the Numbers: Higher Education Then and Now
July/August 2012

Developing/Expanding Online Programs

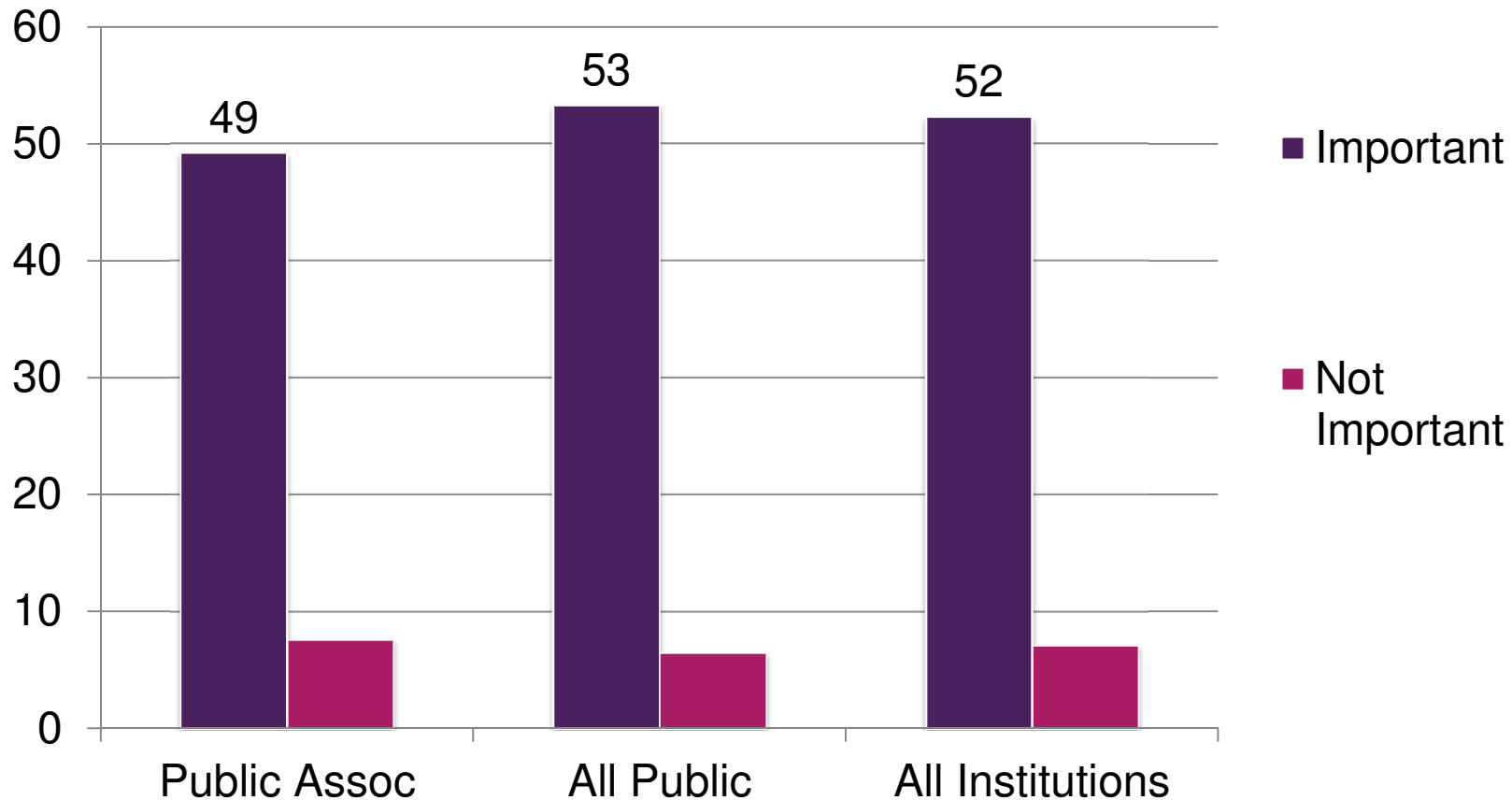


Securing More Corporate Support (Grants, Gifts, Contracts, etc.)

- A. Currently under discussion
- B. Not discussing but should be
- C. Appropriately off the table
- D. Not Applicable

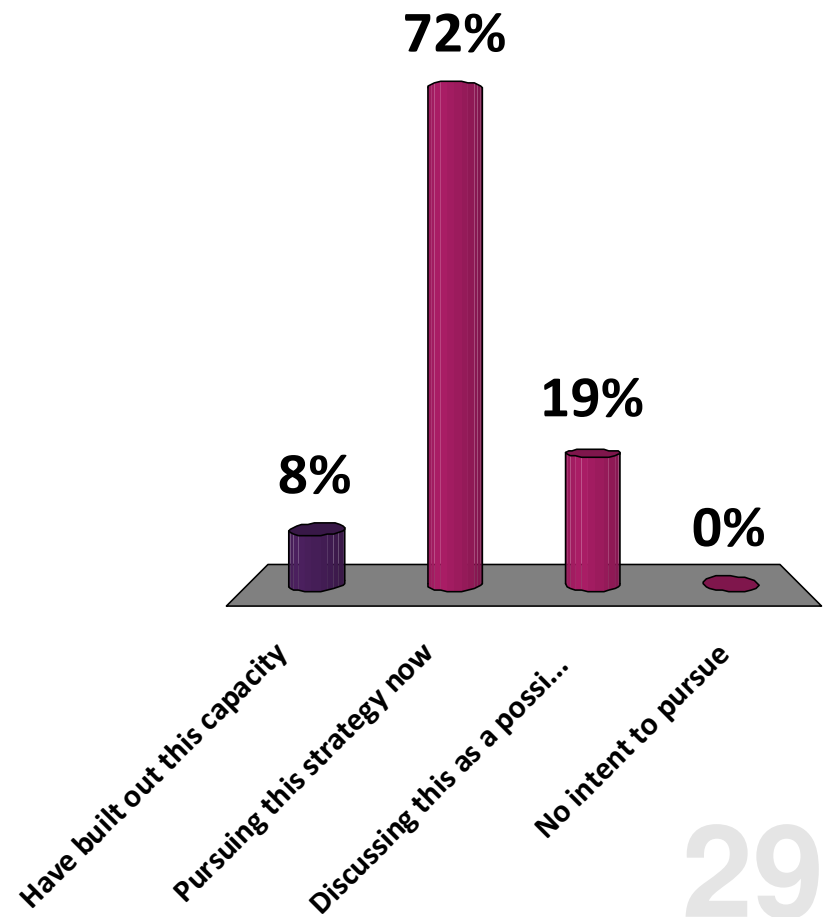


Securing More Corporate Support (Grants, Gifts, Contracts, etc.)

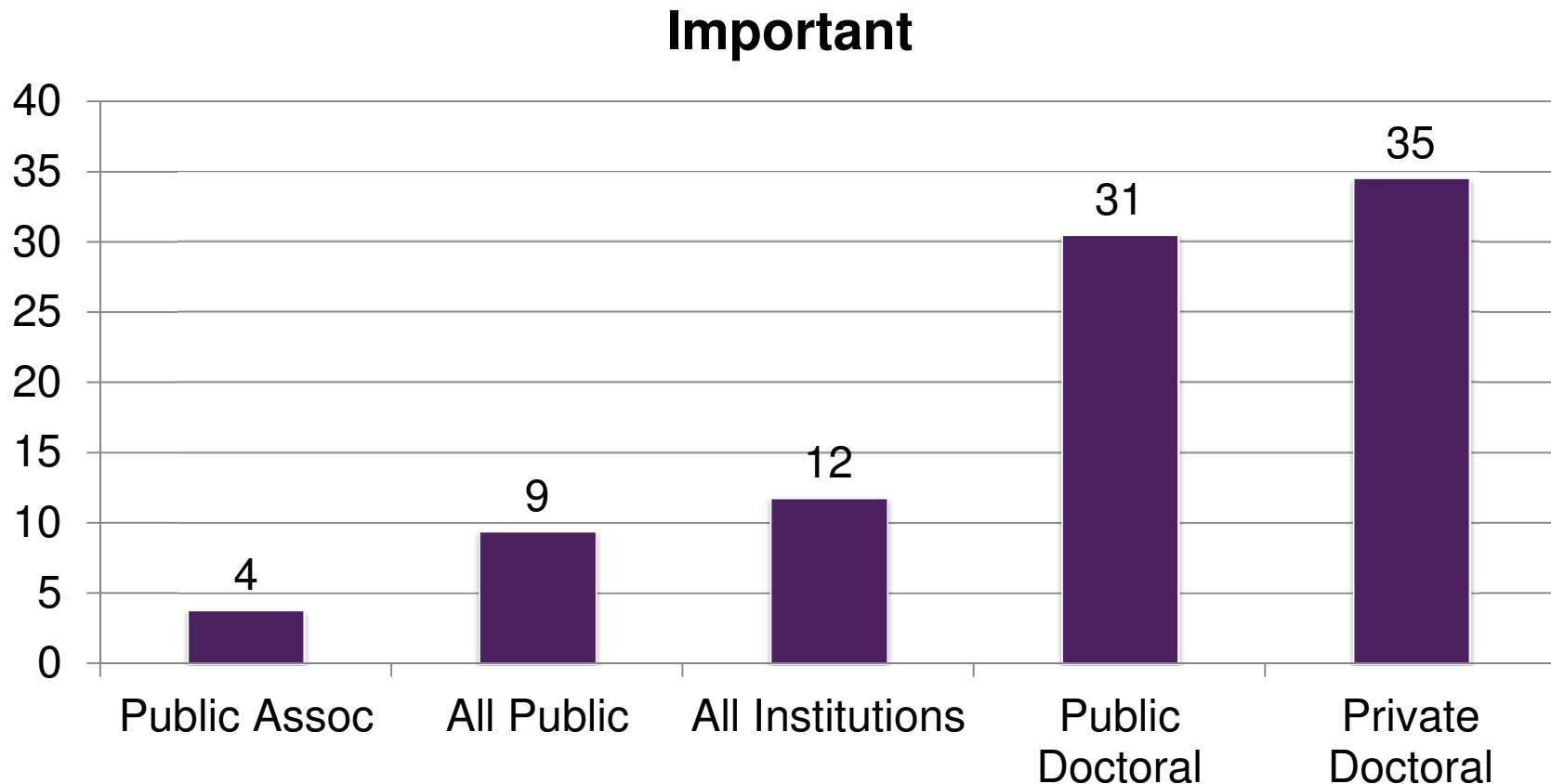


Securing More Alumni Gifts

- A. Have built out this capacity
- B. Pursuing this strategy now
- C. Discussing this as a possible strategy
- D. No intent to pursue



How effective is your institution securing financial support from alumni (Percentage responding strongly effective)



Other Approaches to Increasing Revenue

- Investing more in fund-raising activities (34.5)
- Reducing the discount rate (33.3)
- Significantly increasing the size of the endowment (32.7)
- Recruiting more out-of-state students (31.2)
- Using campus facilities and other resources on a year-round basis (26.4)
- Recruiting more international students (24.5)



Responding to the Challenges

- Strategies to Reduce Operating Expenses

Absent Political Consequences, What Strategies Would Presidents Use to Address the Financial Challenges?

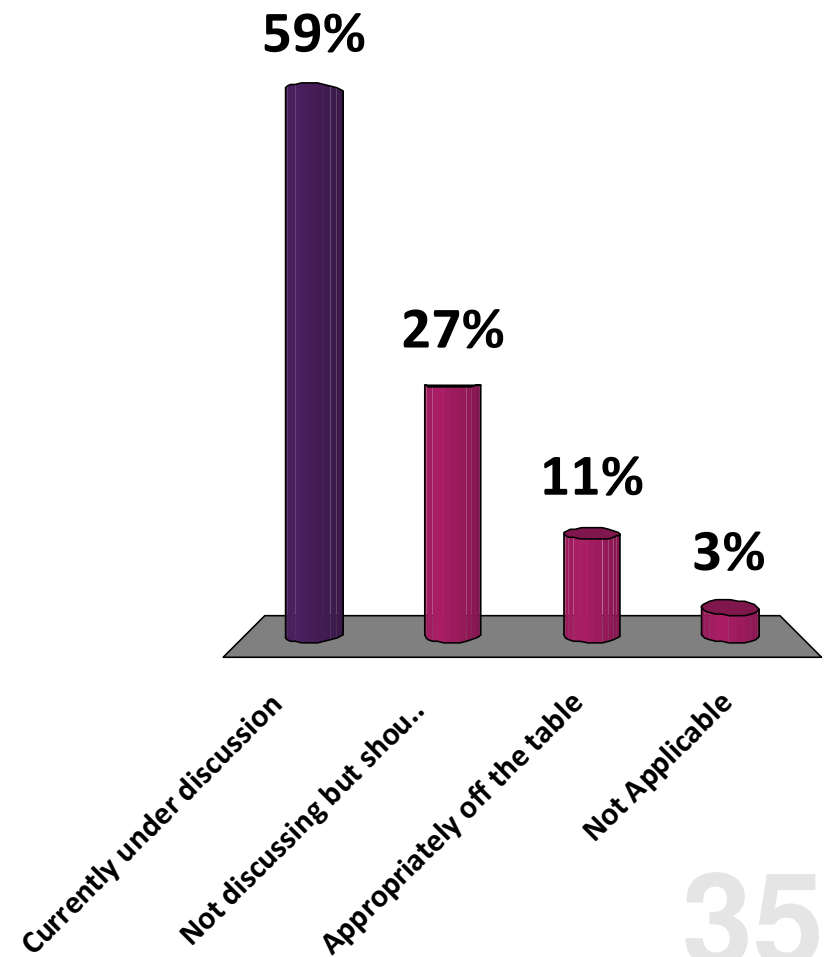
- Outsourcing various campus services (46.9)
- Increasing teaching loads (42.3)
- Altering the institutional policy on tenure (42.0)
- Mandating the retirement of older faculty (29.6)

To minimize tuition increases—especially in light of federal public reporting requirements—every CFO should adopt this mantra: *The college or university must cut costs of administering and delivering the services of its mission.*

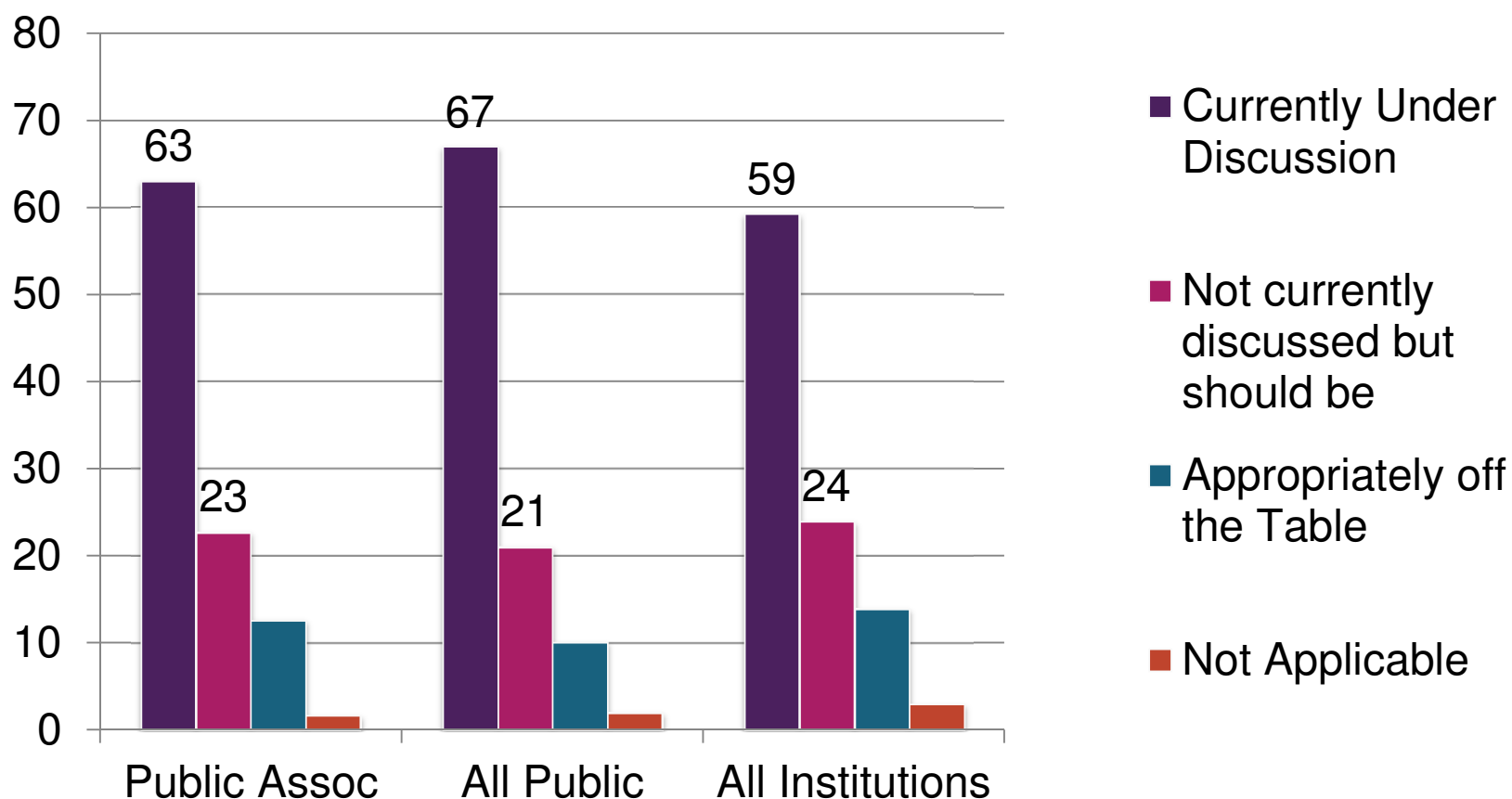
Source: Business Officer Magazine, Orchestrating Change July/August 2012

Streamlining Administrative Positions

- A. Currently under discussion
- B. Not discussing but should be
- C. Appropriately off the table
- D. Not Applicable



Streamlining Administrative Positions



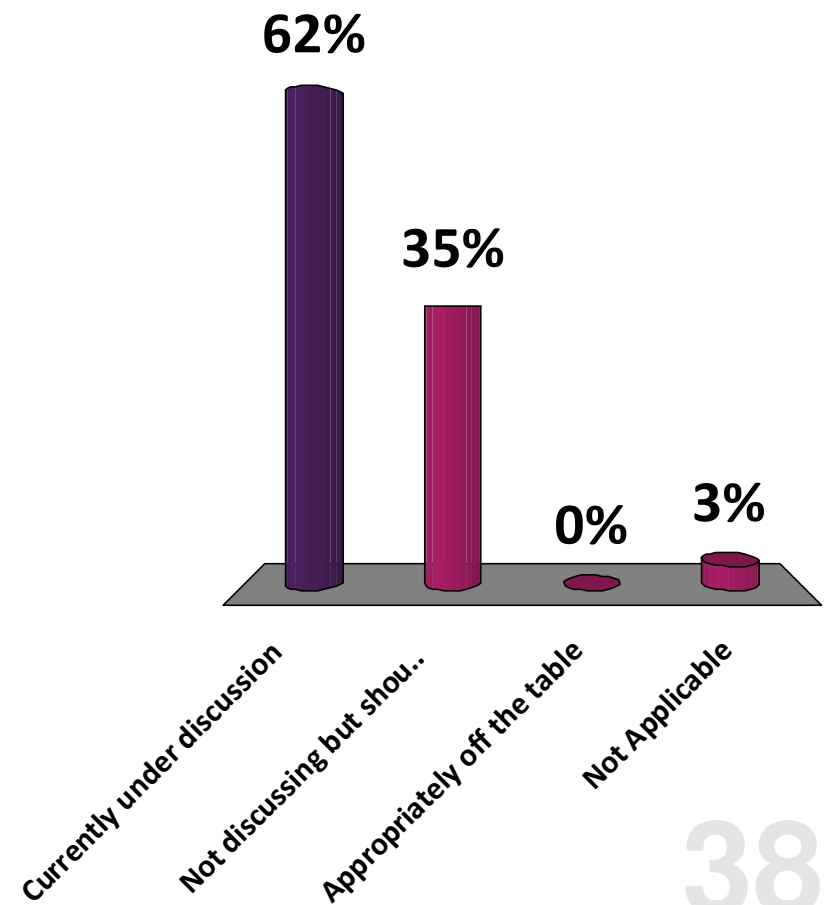
Number of Full-Time Equivalent (FTE) Staff per 100 FTE Students

	1976	1999	2009
Instructional	6.6	7.3	6.8
Other	10.6	12.0	10.6

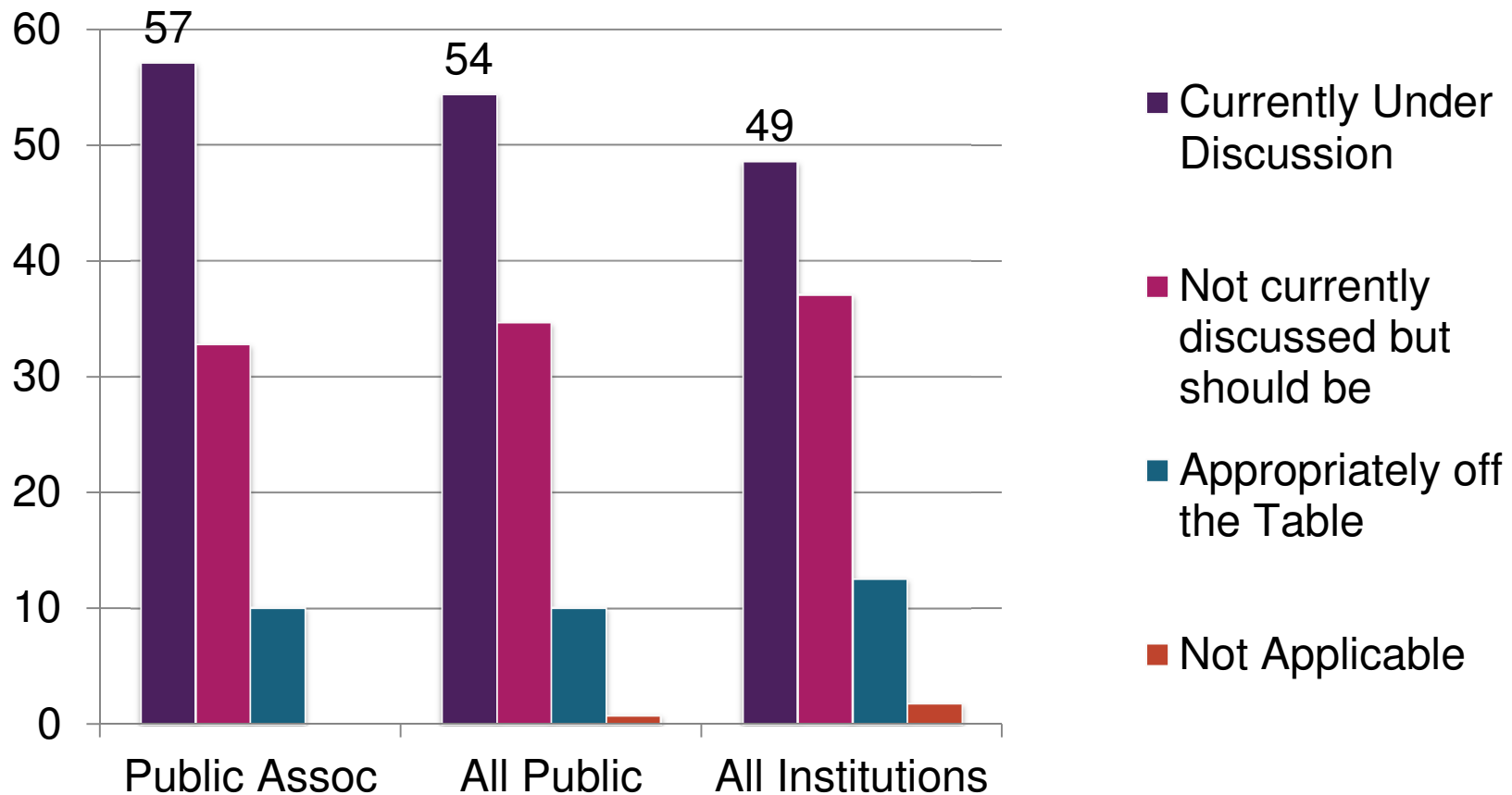
Source: The College Board, *Trends in College Pricing 2011*

Reorganizing Student Support Services

- A. Currently under discussion
- B. Not discussing but should be
- C. Appropriately off the table
- D. Not Applicable

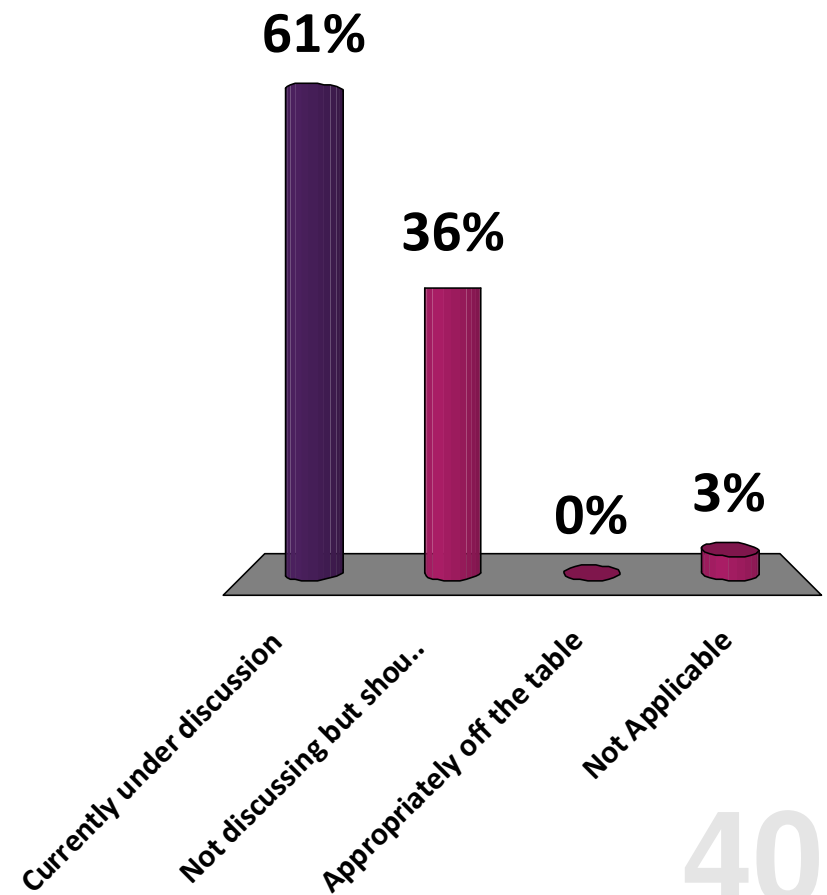


Reorganizing Student Support Services

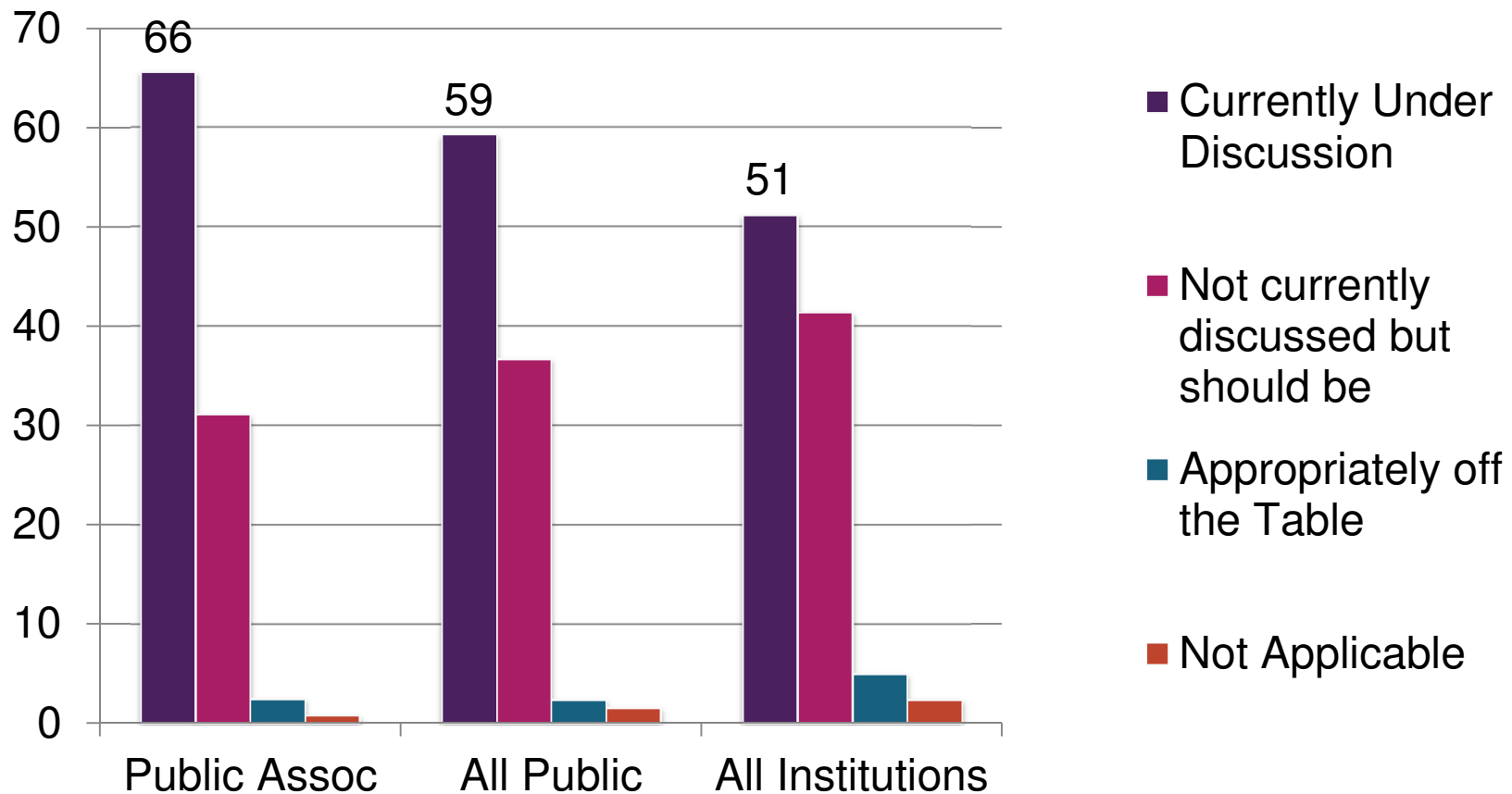


Eliminating Underperforming Academic Programs

- A. Currently under discussion
- B. Not discussing but should be
- C. Appropriately off the table
- D. Not Applicable



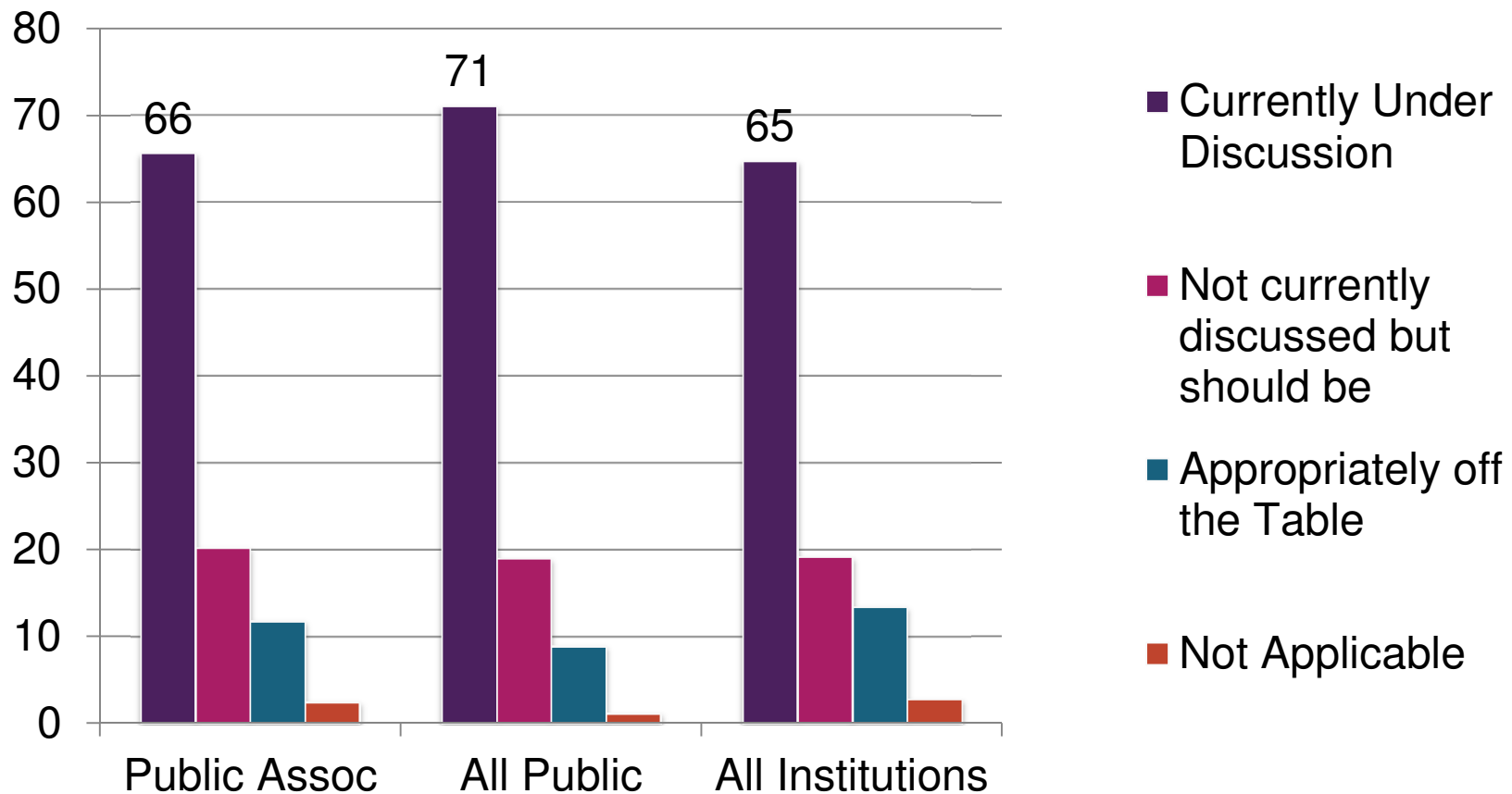
Eliminating Underperforming Academic Programs



When considering eliminating underperforming programs -

- Never make decisions about program creation, expansion, and elimination without knowing costs and net contribution
- Be sure you have the historical data you need to support recommendations
- Know in advance if the data trusted by the stakeholders
- Consider whether there are economic or community circumstances that would impact the decision beyond the enrollment and cost data
- Consider partnering with another institution to offer the program at a lower cost

Moving away from classroom-based instruction – shifting more classes online

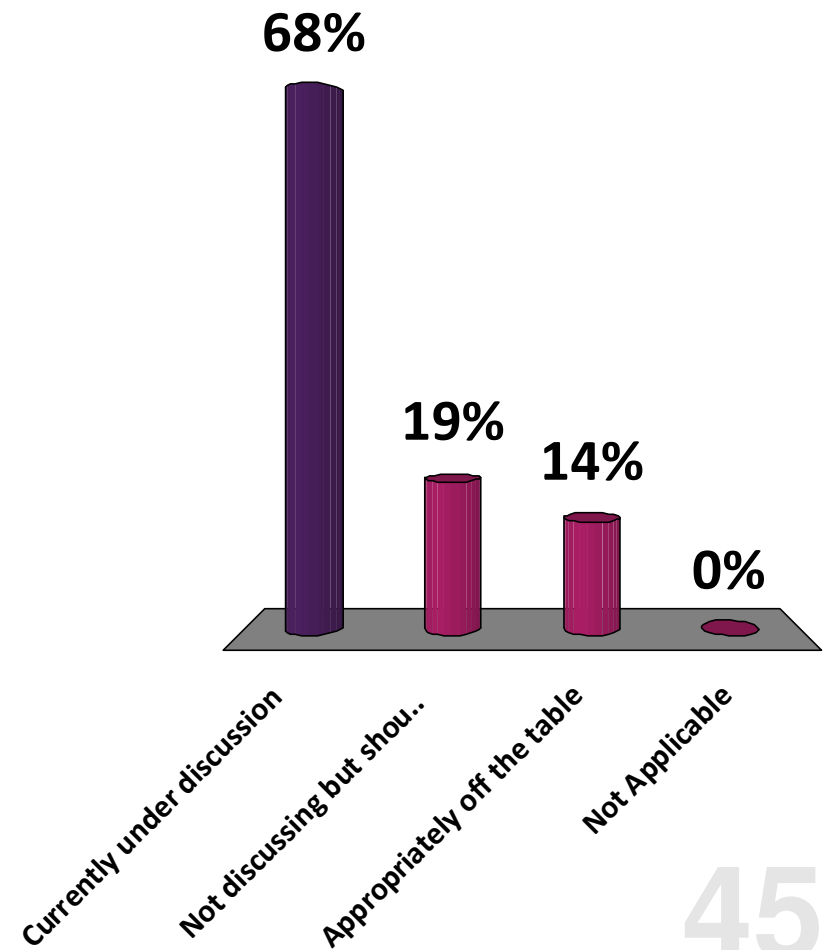


When considering moving more classes online or new online programs

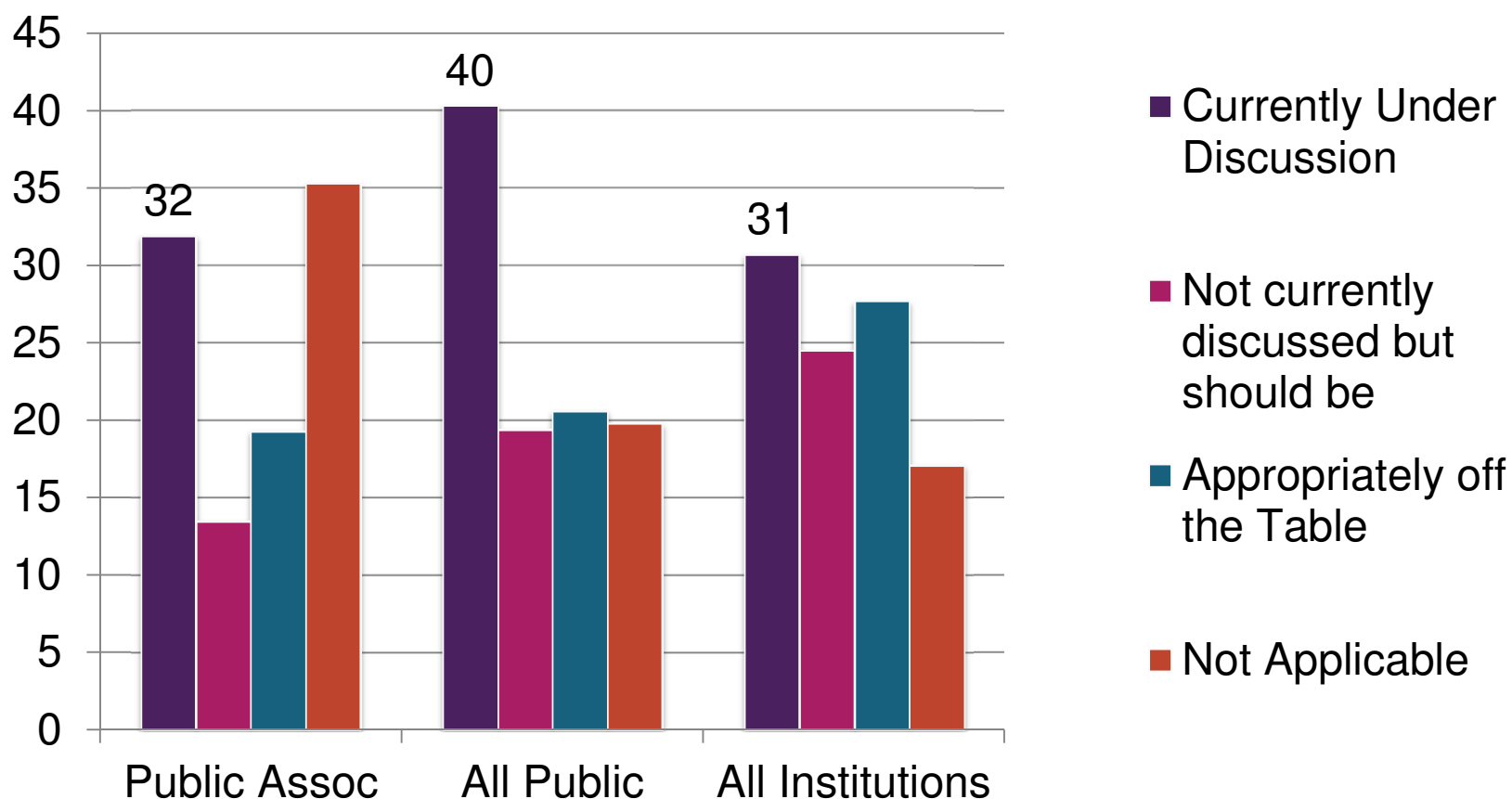
- Will it require a substantive change with HLC?
- Do you have the infrastructure to support web services for students?
 - LMS
 - Electronic Forms
 - Web based payments
- How do you get faculty trained to deliver effective online courses?
- How do you differentiate yourself?

Shifting more undergraduate teaching to part-time or non-tenured faculty

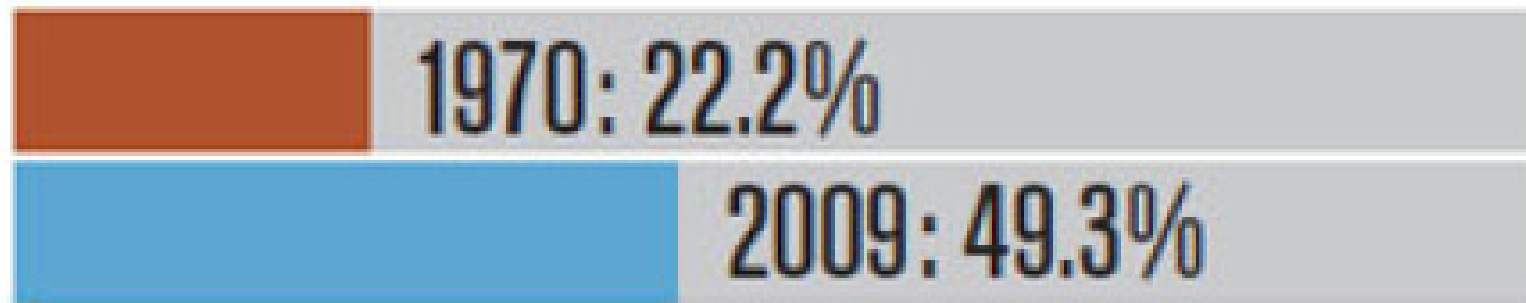
- A. Currently under discussion
- B. Not discussing but should be
- C. Appropriately off the table
- D. Not Applicable



Shifting more undergraduate teaching to part-time or non-tenured faculty

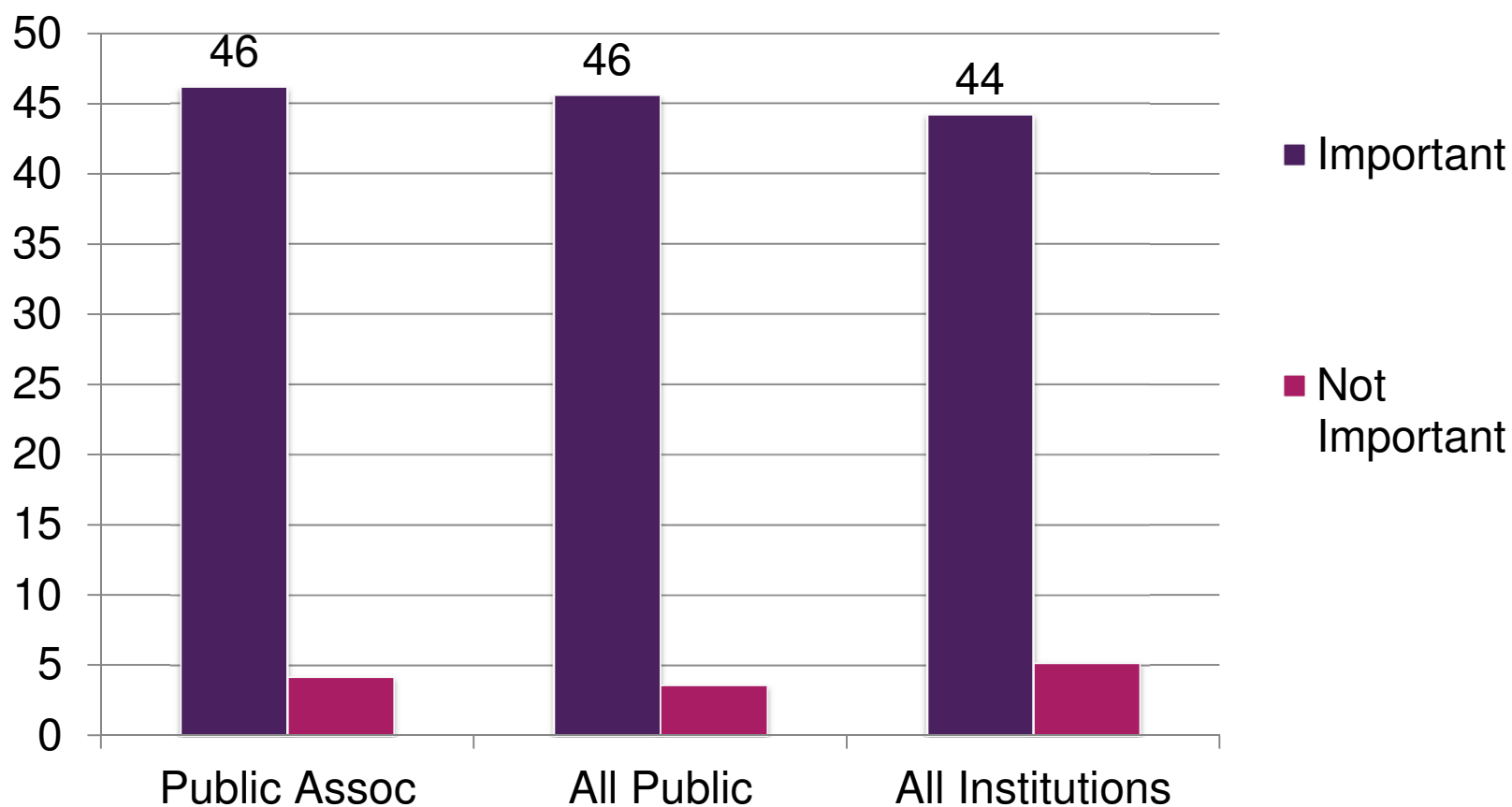


Percentage of Faculty Employed Part-Time



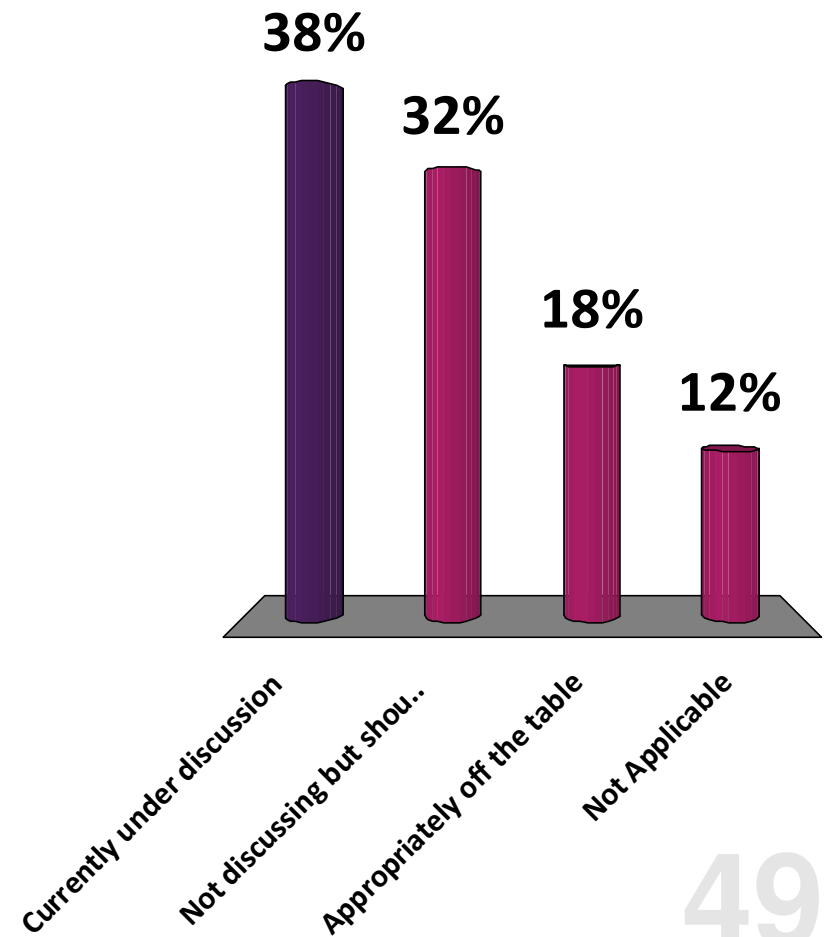
Source:
NACUBO Business Officer Magazine
By the Numbers: Higher Education Then and Now
July/August 2012

Making more efficient use of facilities

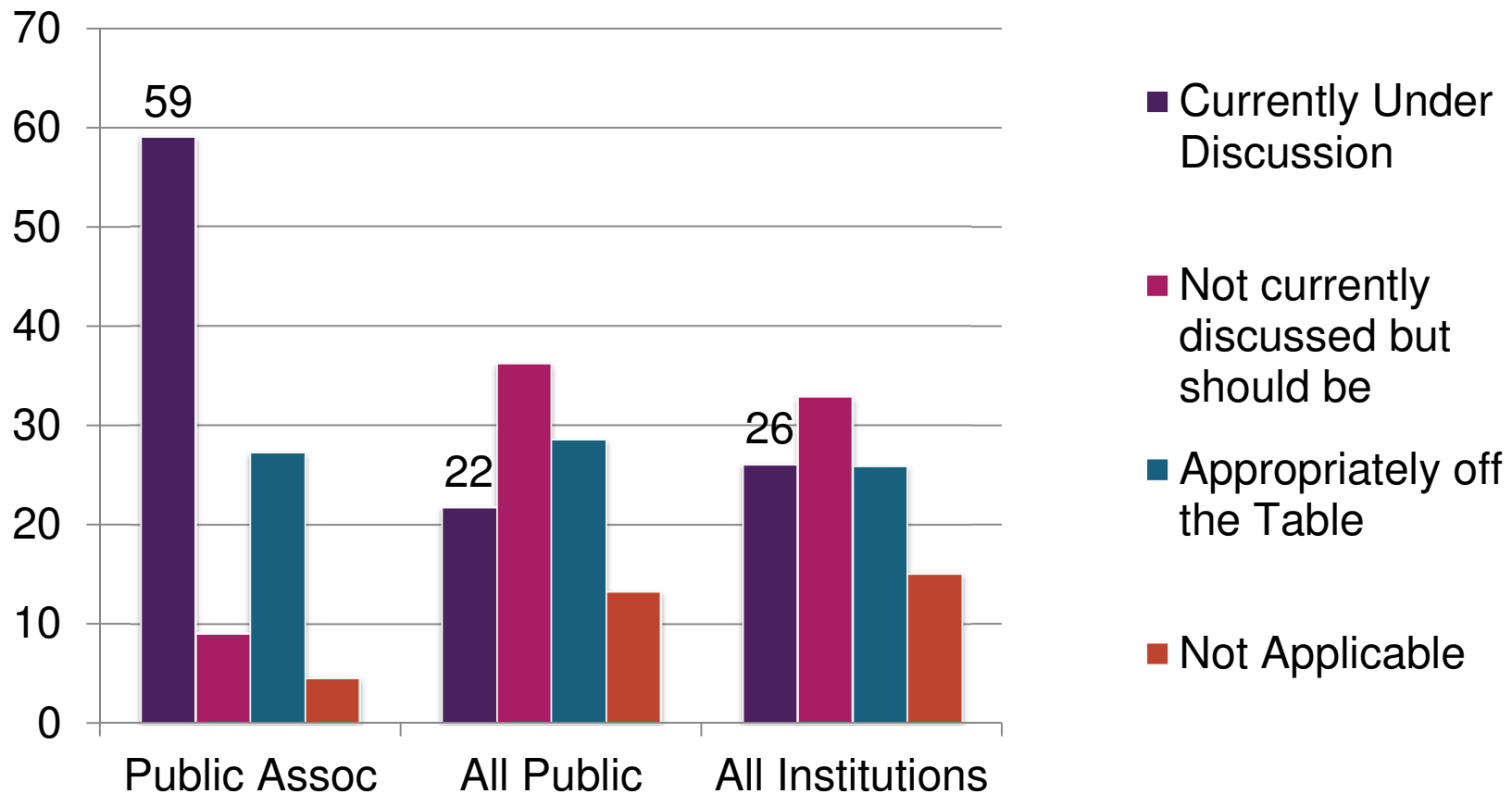


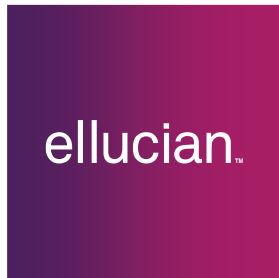
Aggressively Promoting Early Retirement for Faculty Members

- A. Currently under discussion
- B. Not discussing but should be
- C. Appropriately off the table
- D. Not Applicable



Aggressively Promoting Early Retirement for Faculty Members





Decreasing Costs - Benefits

Average institutional expenditures for benefits for full-time faculty



1977-78: \$11,084

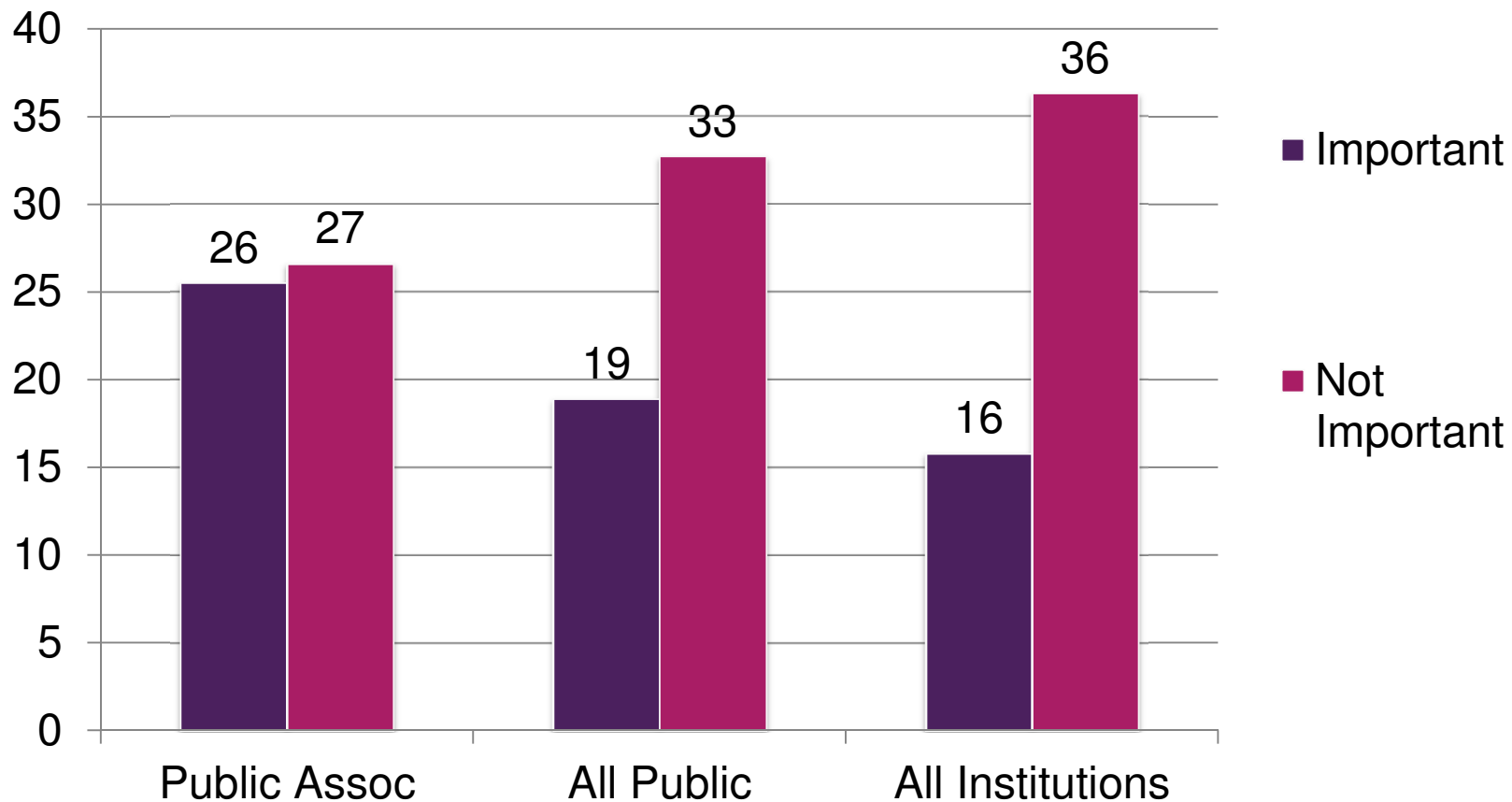


2009-10: \$21,316

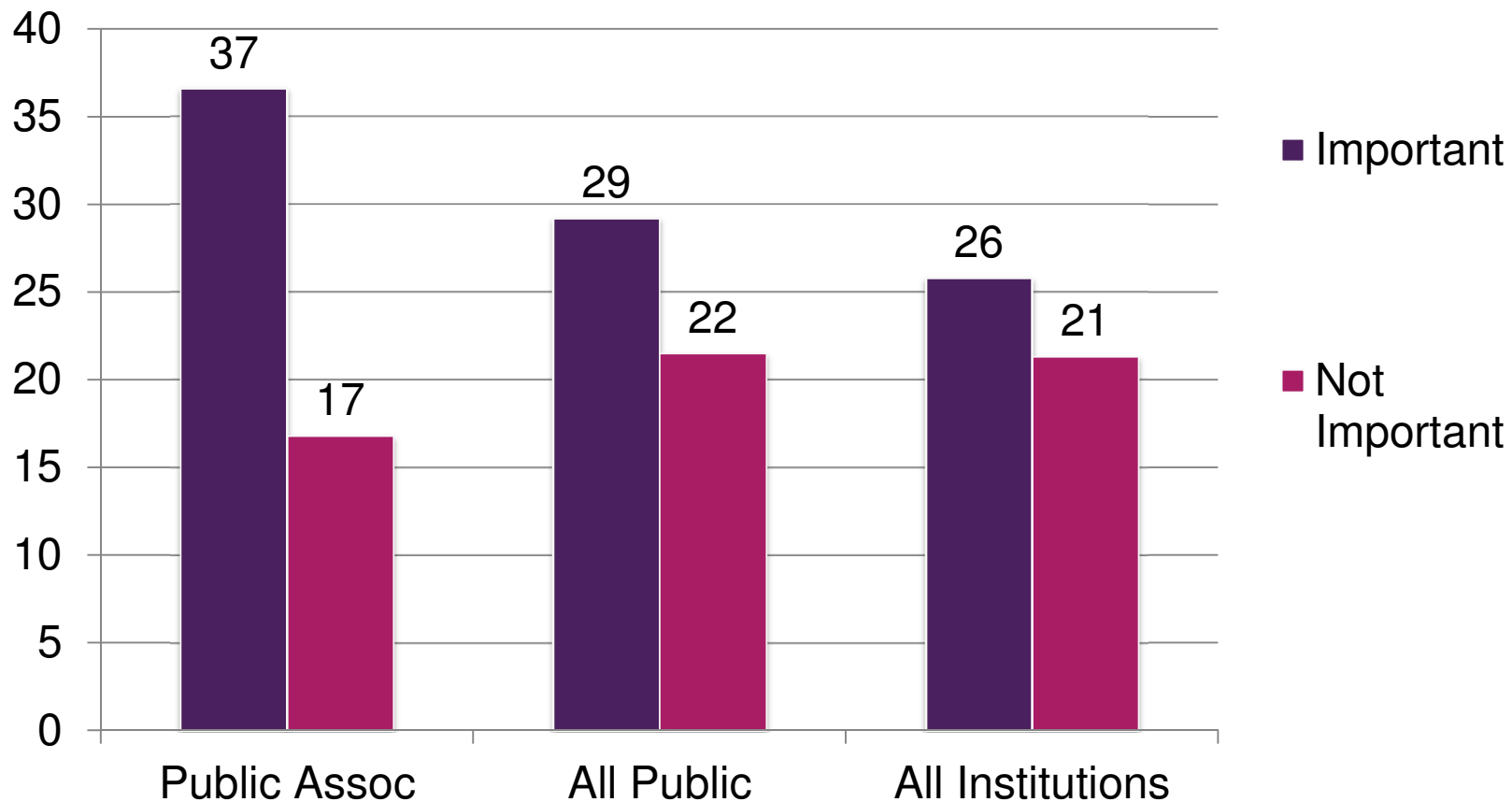
Average Benefits for Faculty Members on 11/12 Month Contracts

By Institutional Type and Control				
Michigan				
2010-11				
Offering Level	Benefit	Control		Average
		Public	Private	
AA	Retirement	7,734	5,604	7,702
	Medical	7,829	9,000	7,847
	Group Life	206	420	210
	Other Insurance	164	200	165
	Disability	818	269	810
	Tuition	51	-	51
	Housing	-	-	-
	Social Security	5,048	4,287	5,037
	Unemployment	34	560	42
	Worker's	90	280	93
	Other Benefits Cash	118	-	118
	Total	22,094	20,620	22,072

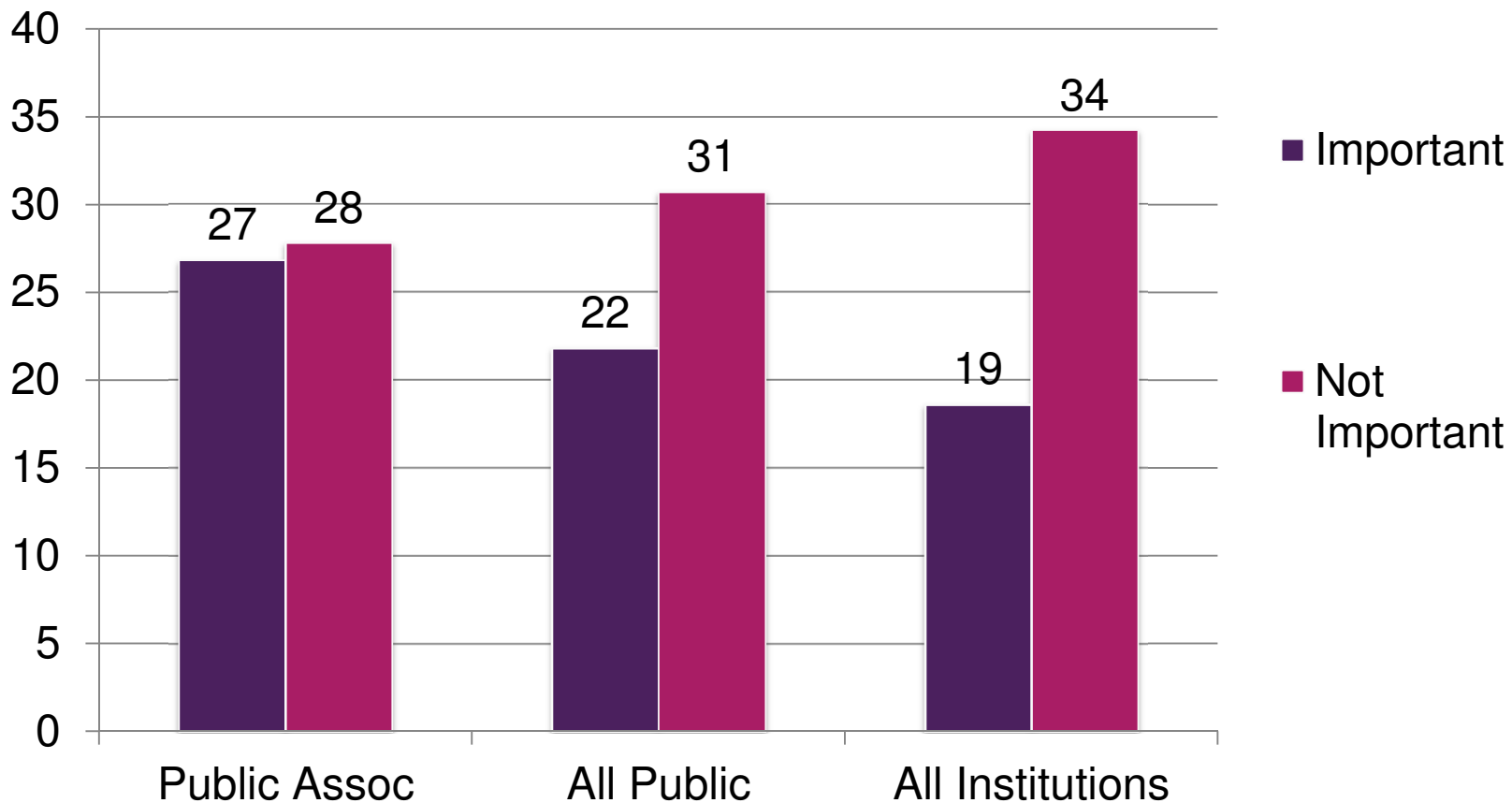
Sharing more retirement costs with employees



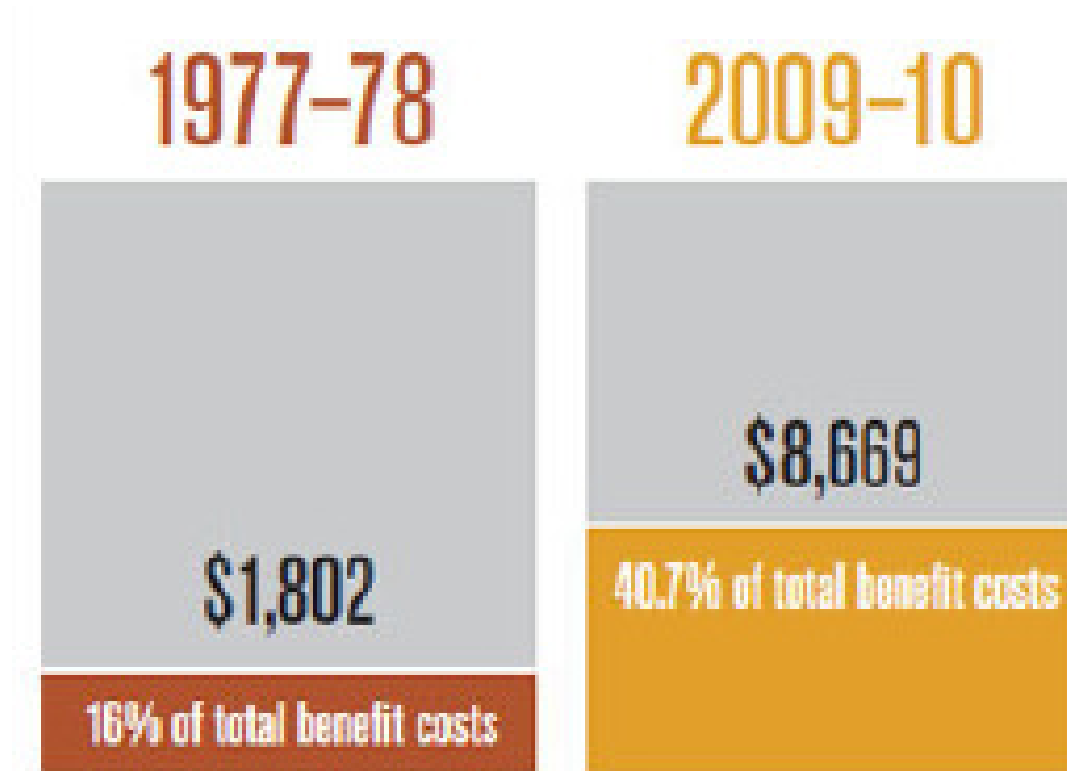
Sharing more health insurance costs with employees



Reducing health insurance benefits

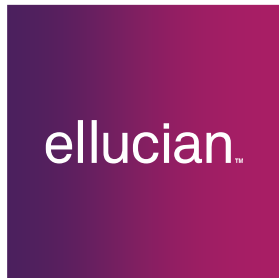


Average institutional expenditures for healthcare (medical/dental) for full-time faculty



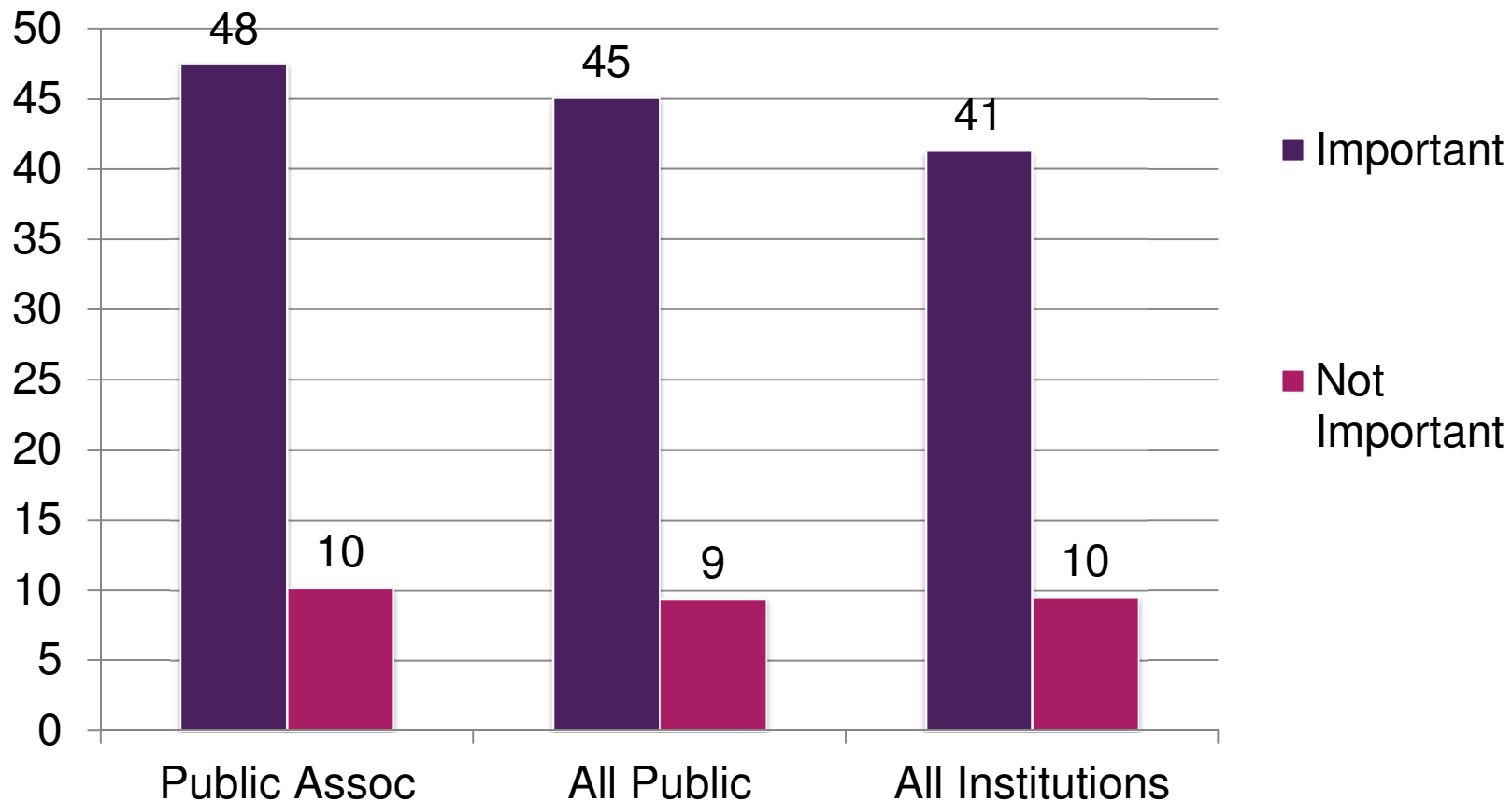
When considering changing benefits:

- Explore all of your options –
 - Renegotiating with existing vendor
 - Selecting a new vendor
 - Joining/Forming a consortia for lower rates
- Stay competitive with other employers in the area
- Keep the process transparent
- Communicate, communicate, communicate



Decreasing Costs - Technology

Using technology tools to evaluate programs and to identify problems and potential improvements

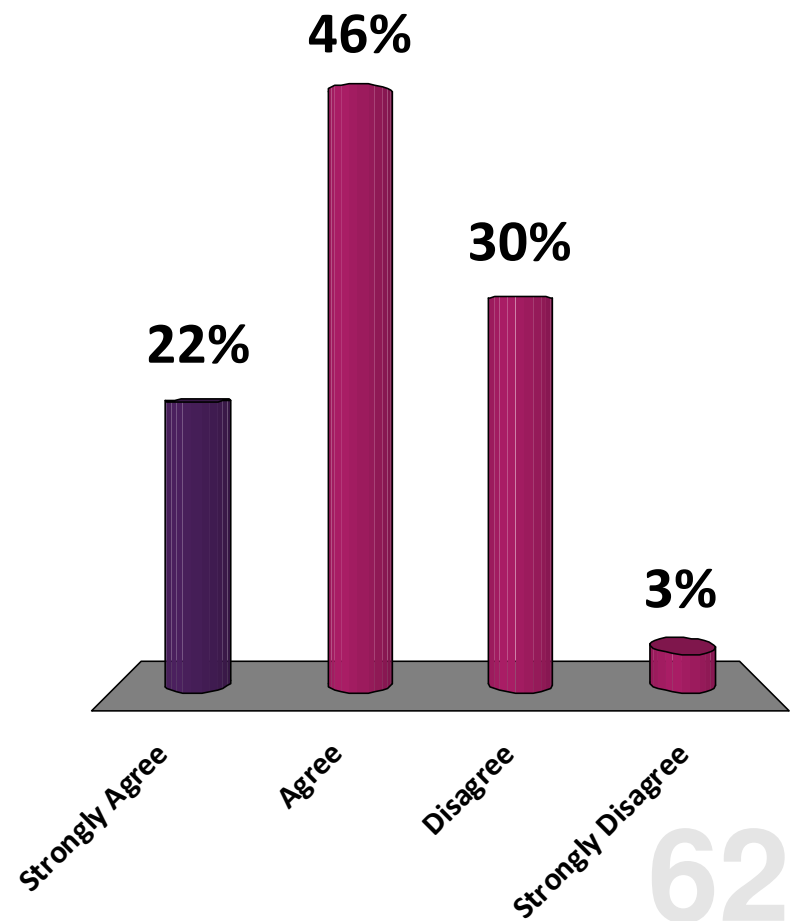


From operational efficiencies to transformational processes, information technology's role at colleges and universities demands top-tier leadership

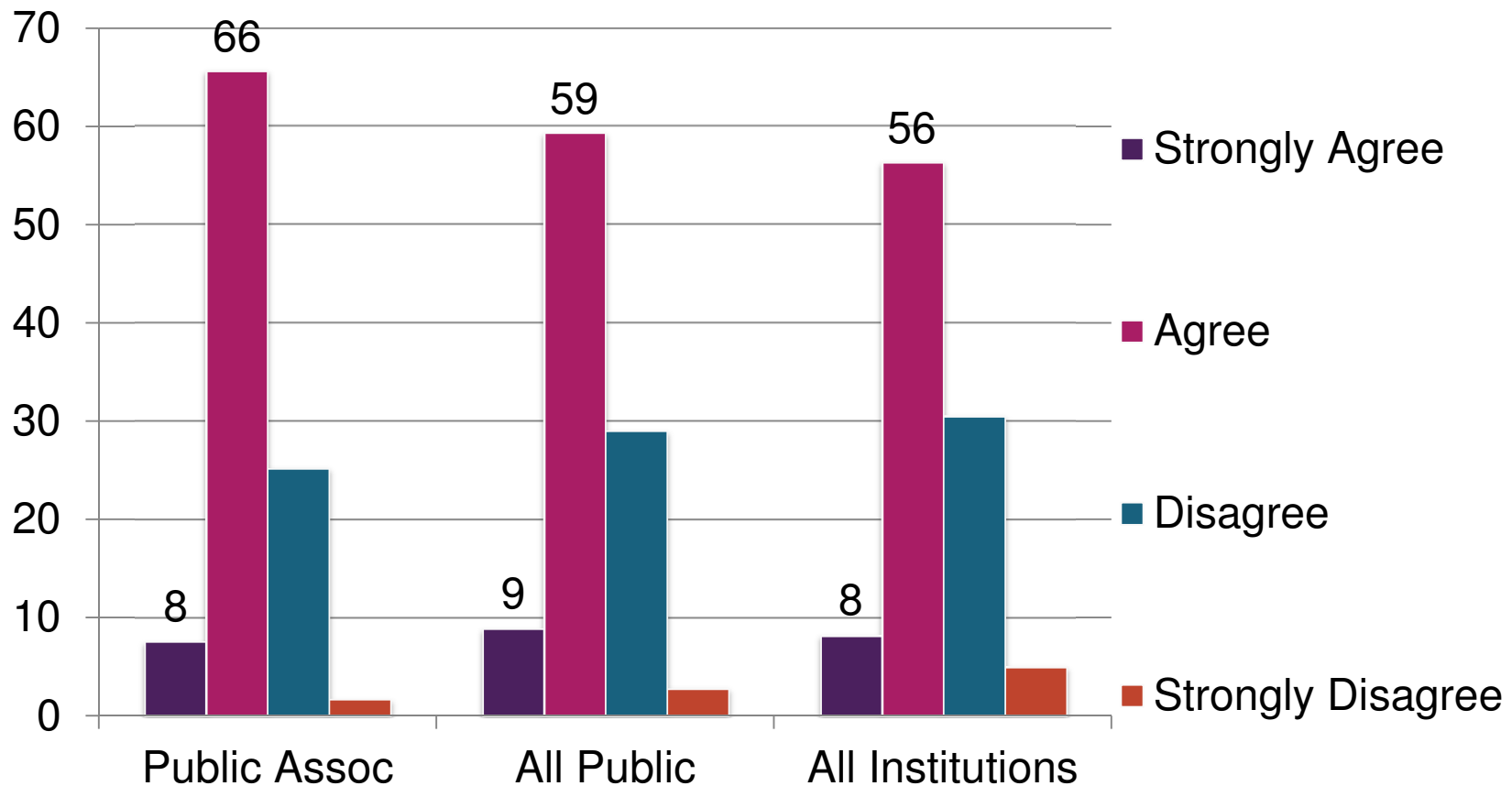
Source: Business Officer Magazine, High Tech, High Stakes
September 2012

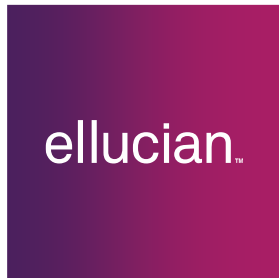
My institution makes efficient use of technology resources and services

- A. Strongly Agree
- B. Agree
- C. Disagree
- D. Strongly Disagree



My institution makes efficient use of technology resources and services

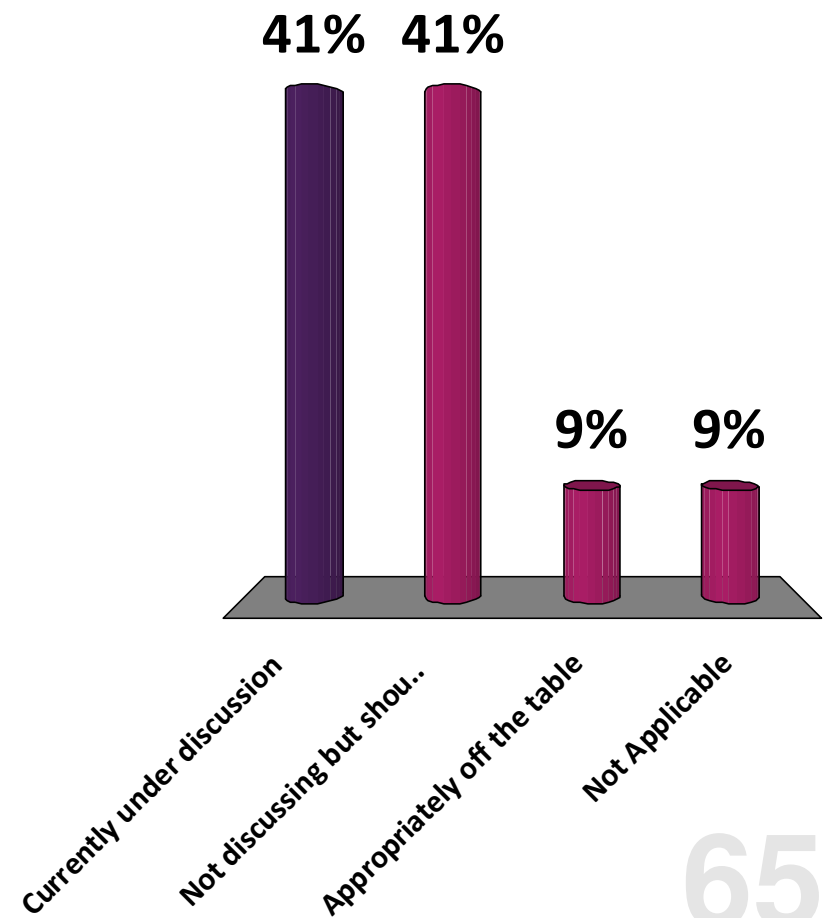




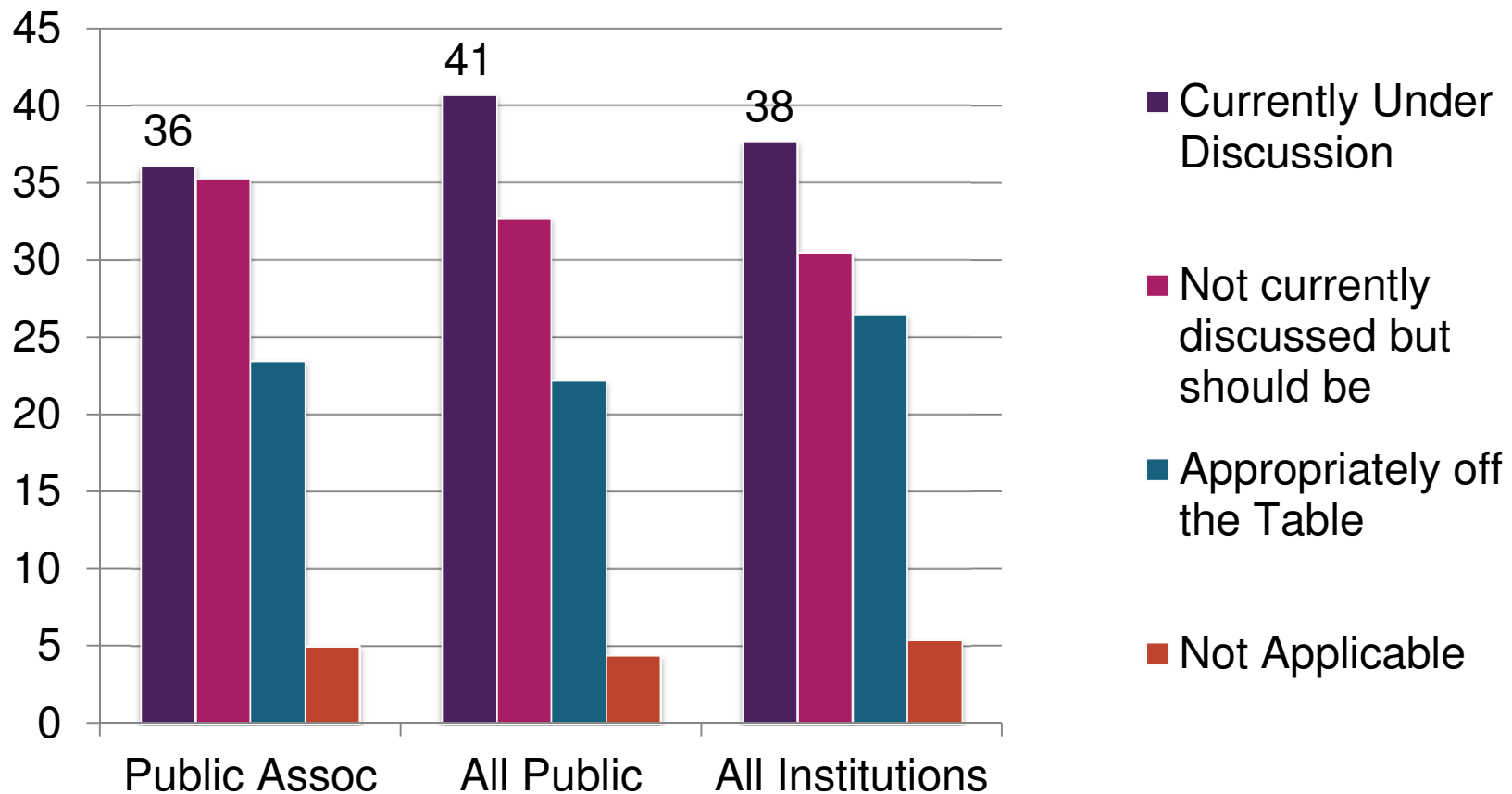
Decreasing Costs - Outsourcing

Outsourcing more administrative services

- A. Currently under discussion
- B. Not discussing but should be
- C. Appropriately off the table
- D. Not Applicable



Outsourcing more administrative services

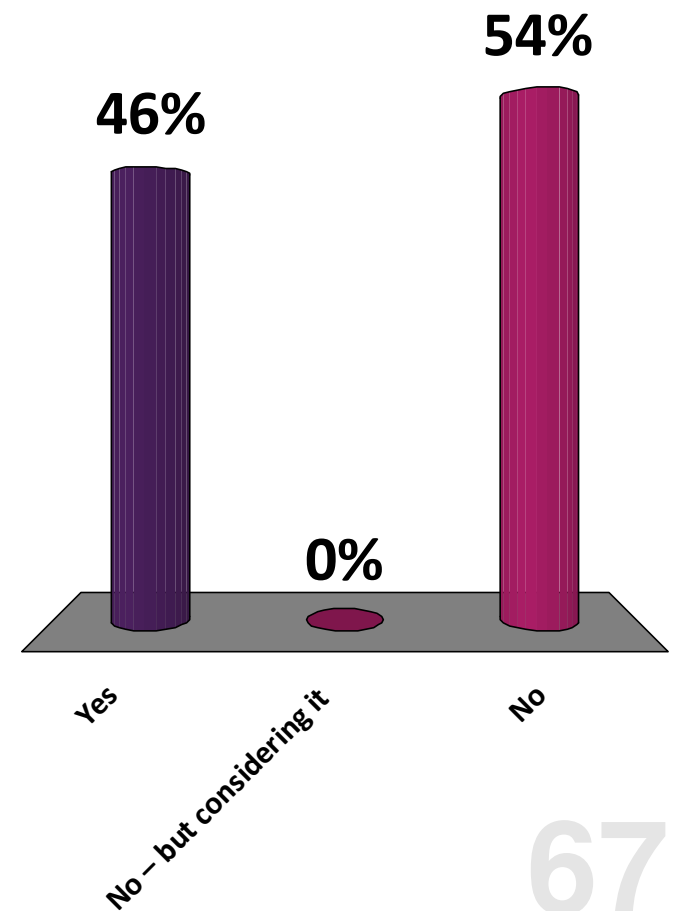


Are you outsourcing your bookstore?

A. Yes

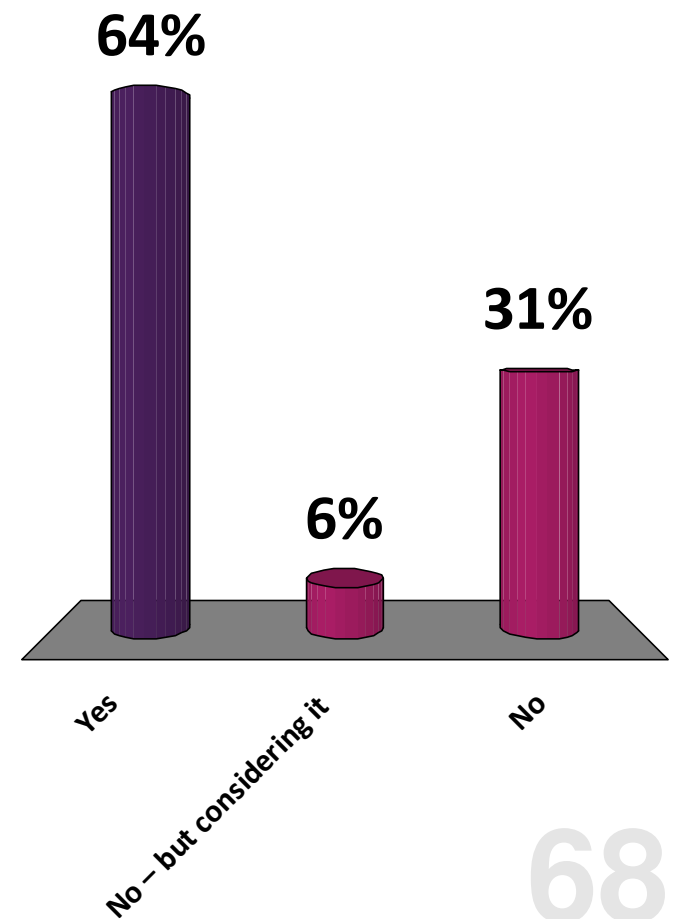
B. No – but
considering it

C. No



Are you outsourcing your food service?

- A. Yes
- B. No – but considering it
- C. No

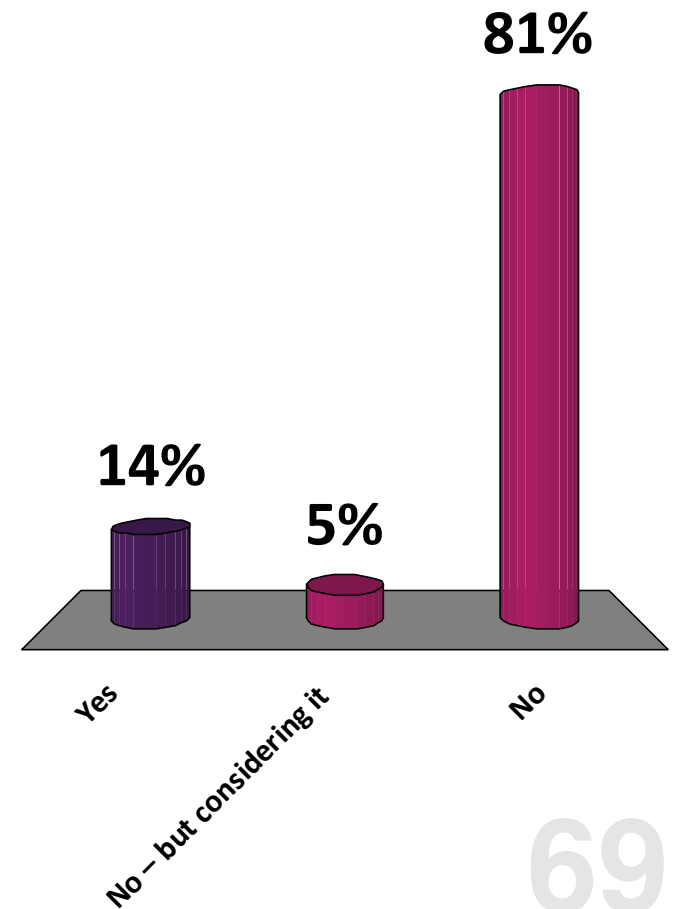


Are you outsourcing your IT services?

A. Yes

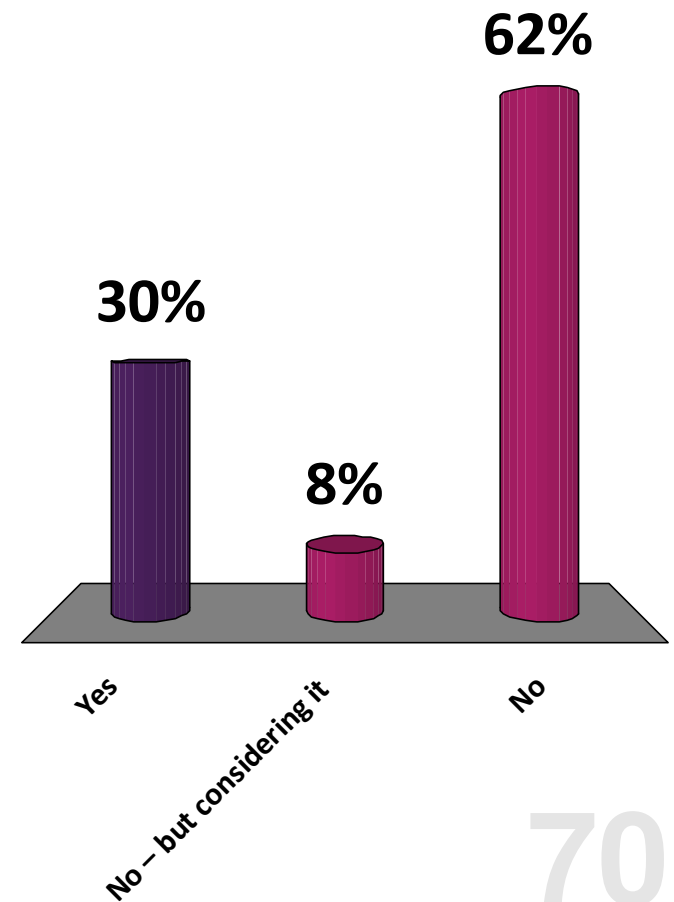
B. No – but
considering it

C. No



Are you outsourcing your custodial services?

- A. Yes
- B. No – but considering it
- C. No

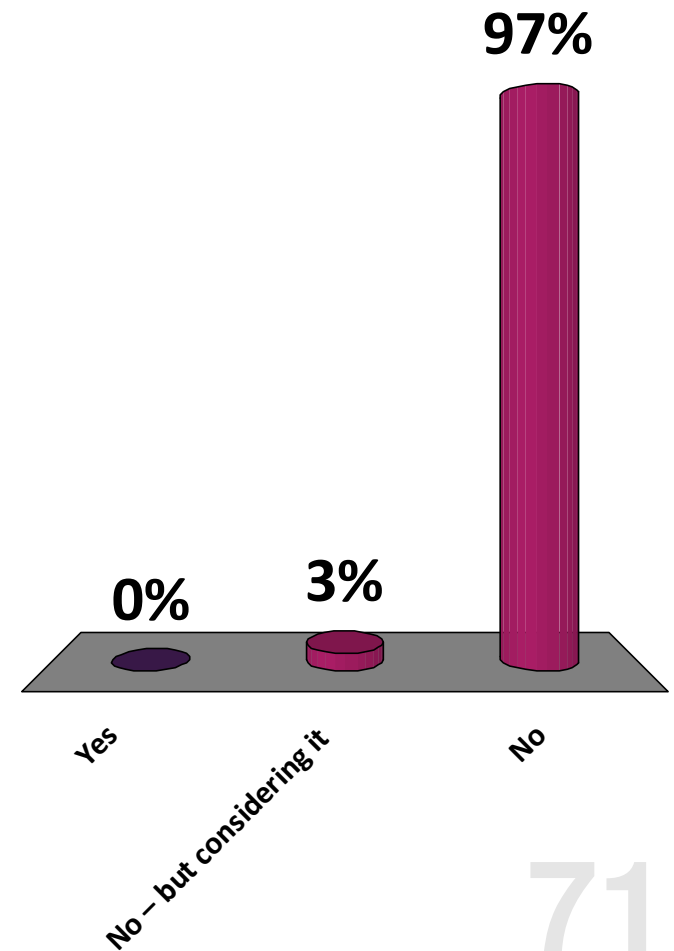


Are you outsourcing your physical plant?

A. Yes

B. No – but
considering it

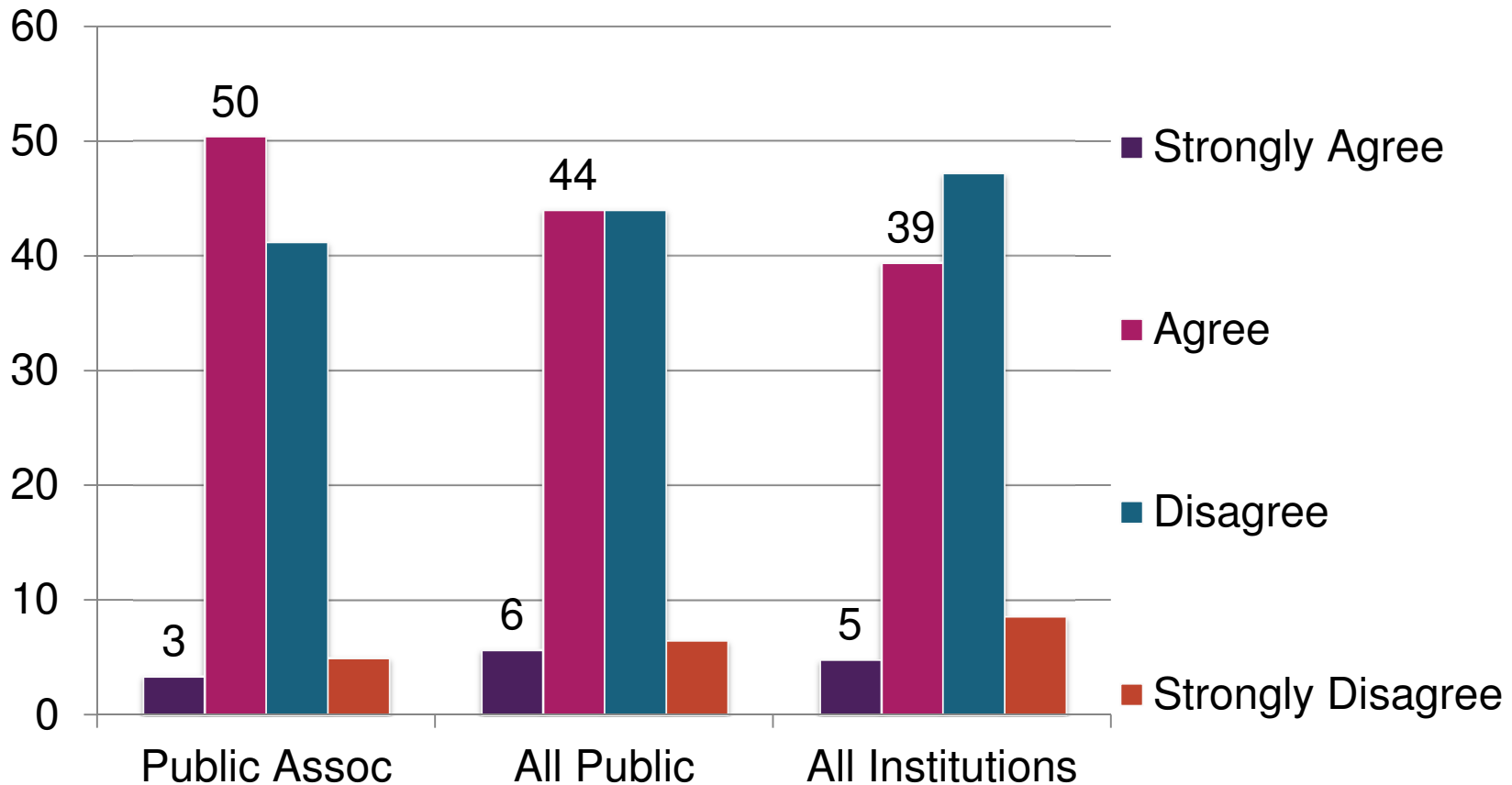
C. No



When considering business process outsourcing you need:

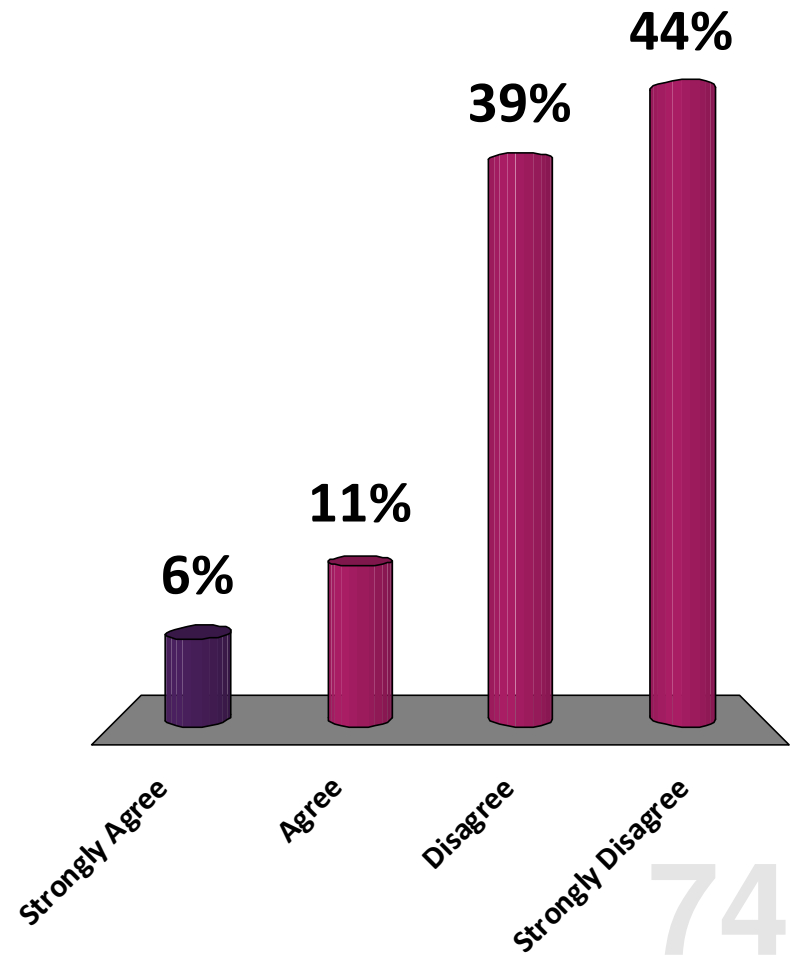
- A good understanding of your processes in general and process interfaces in particular
- Established skilled resources for vendor management are a must
- A clear understanding of intellectual property rights and their safeguarding must be in place
- Basic metrics to monitor performance prior to signing a contract

Sustainability efforts at colleges and universities have provided significant financial benefits

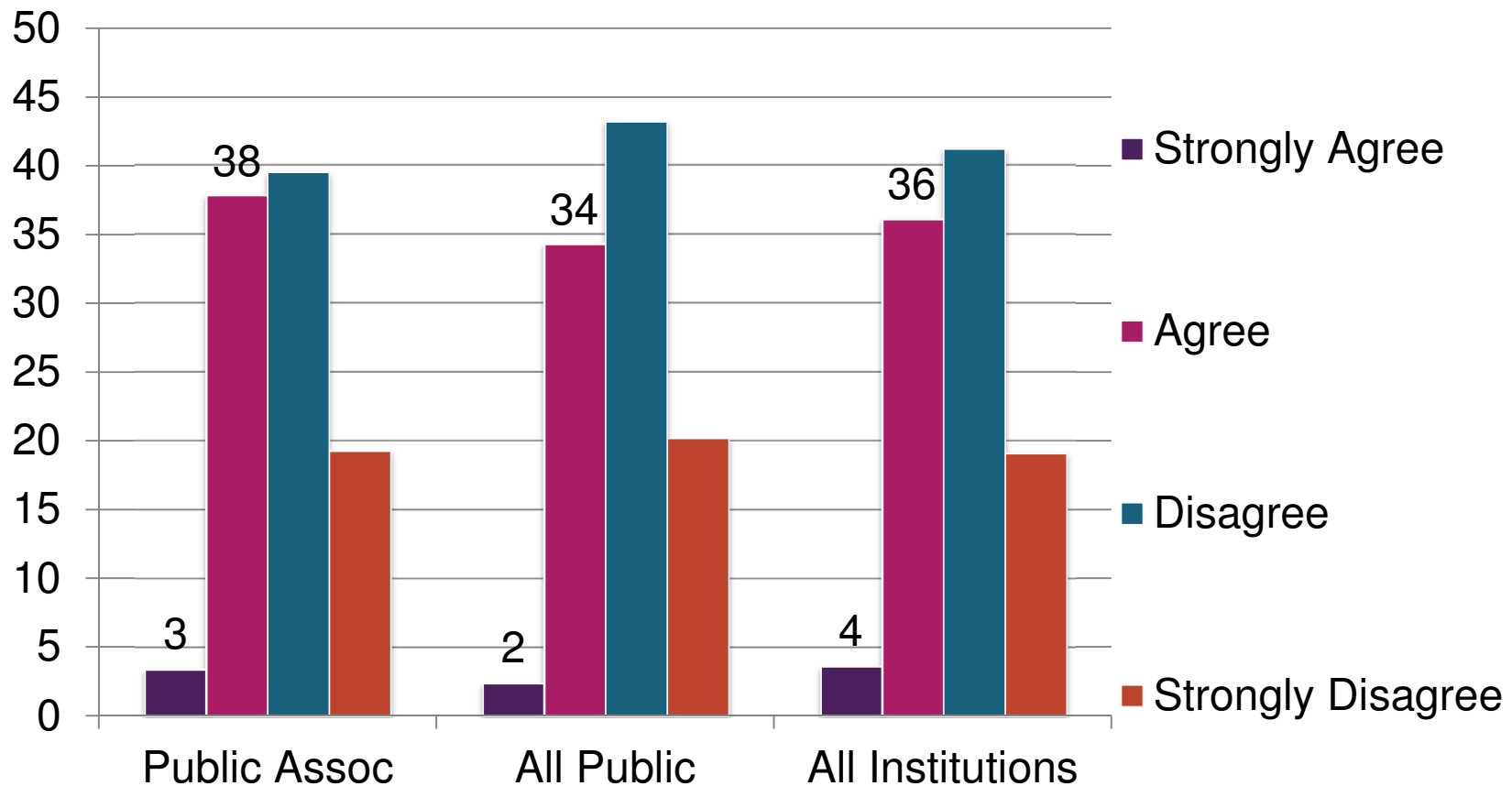


Faculty are realistic about the financial challenges confronting my institution

- A. Strongly Agree
- B. Agree
- C. Disagree
- D. Strongly Disagree



Faculty are realistic about the financial challenges confronting my institution

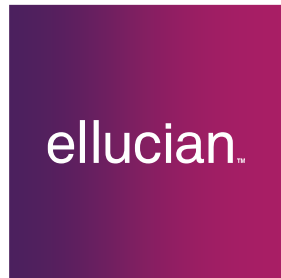




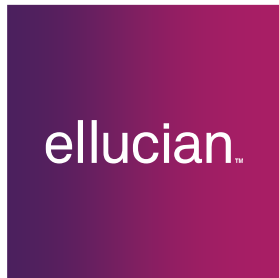
Closing

Your job is hard

- Understand your environment
- Align efforts with institutional strategic plans and priorities
- Engage (and befriend) your peers
- Communicate clearly and consistently
- Stay tough!



Questions / Comments



Susan Anderson
Senior Strategic Consultant

susan.anderson@ellucian.com