

The Forces Driving Higher Education: What They Mean for the Future

MHEC Commission Meeting
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Thought of Numerous Titles for this Presentation

“The More Things Change, The More Higher Education Tries Not to”

“Higher Education at the Tipping Point”

“The Irresistible Forces Meet the Immovable (Higher Ed) Object”



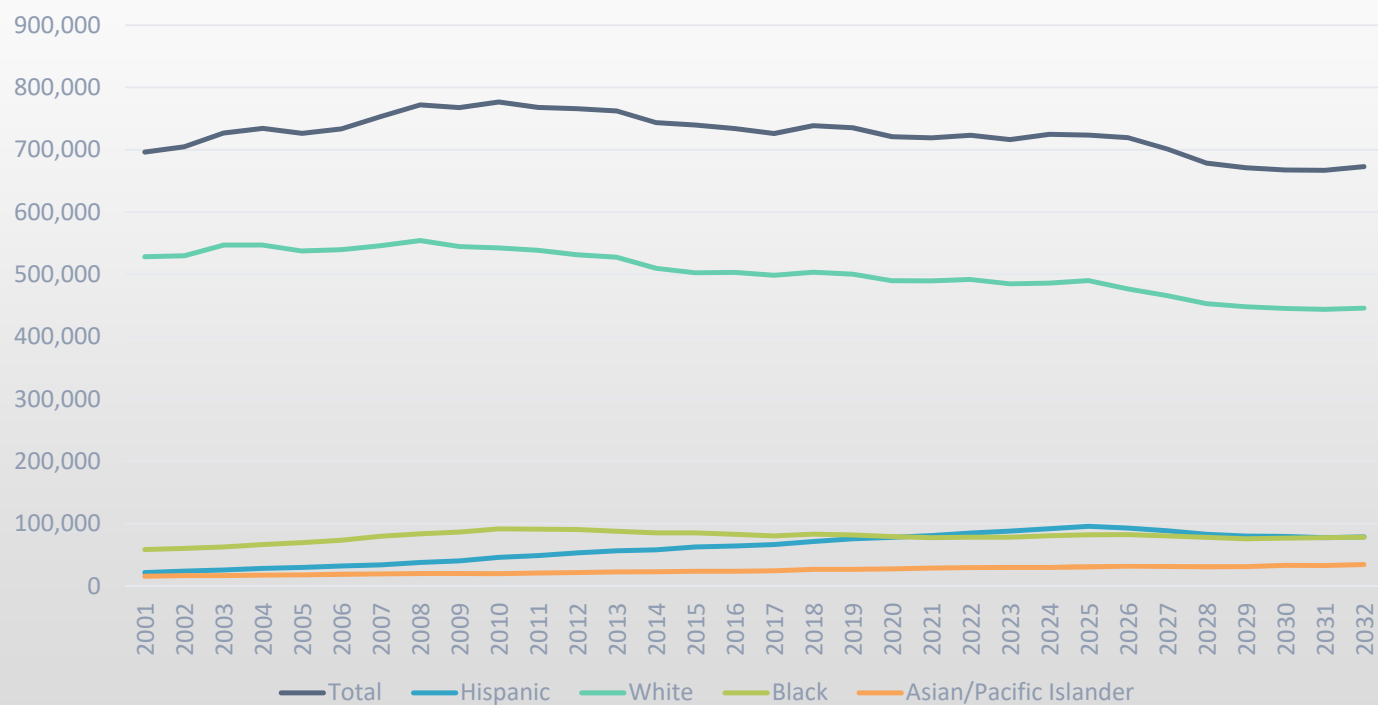
Regardless of the Title, this is an Appropriate Time for MHEC

- To look back at the forces that have shaped its evolution
- To look forward and speculate on some of the changes higher education will have to make in coming years



The Changes from the Past

The number of public high school graduates in midwestern states has peaked and is in steady decline.

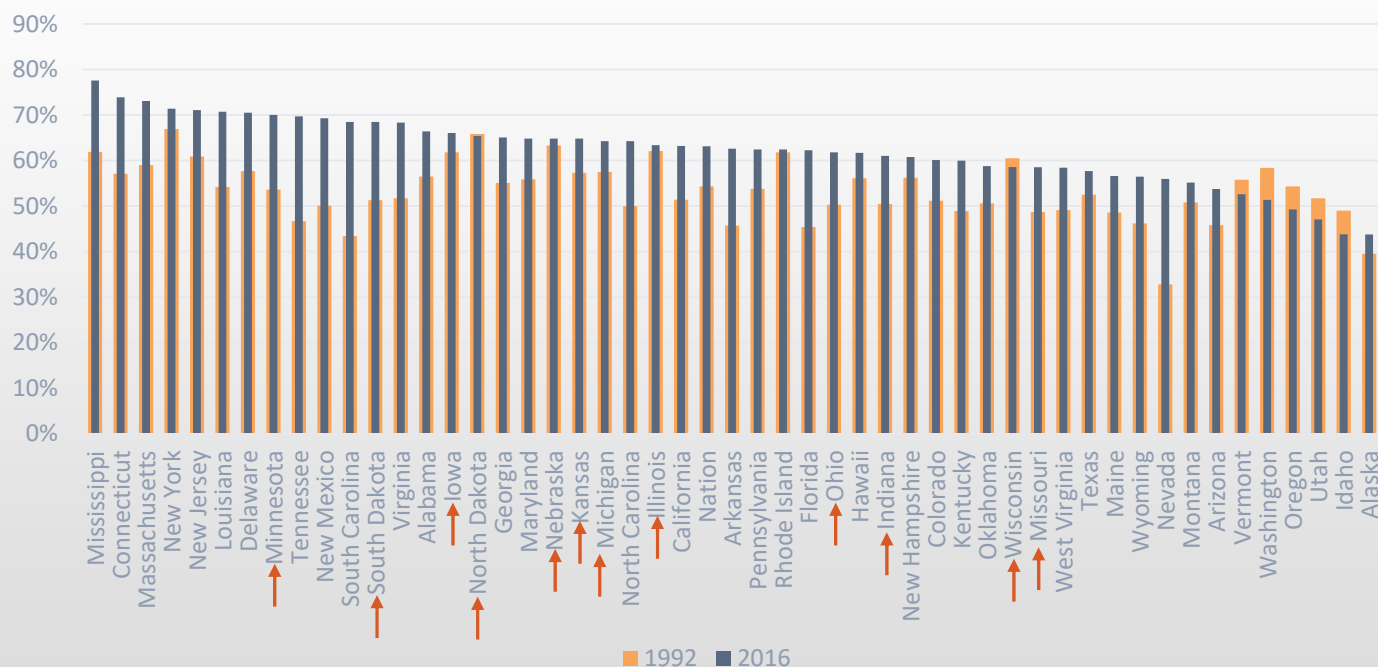


Source: WICHE, Knocking at the College Door



Changes from the Past (1992-2016)

The college participation rate of recent high school graduates has continued to rise.



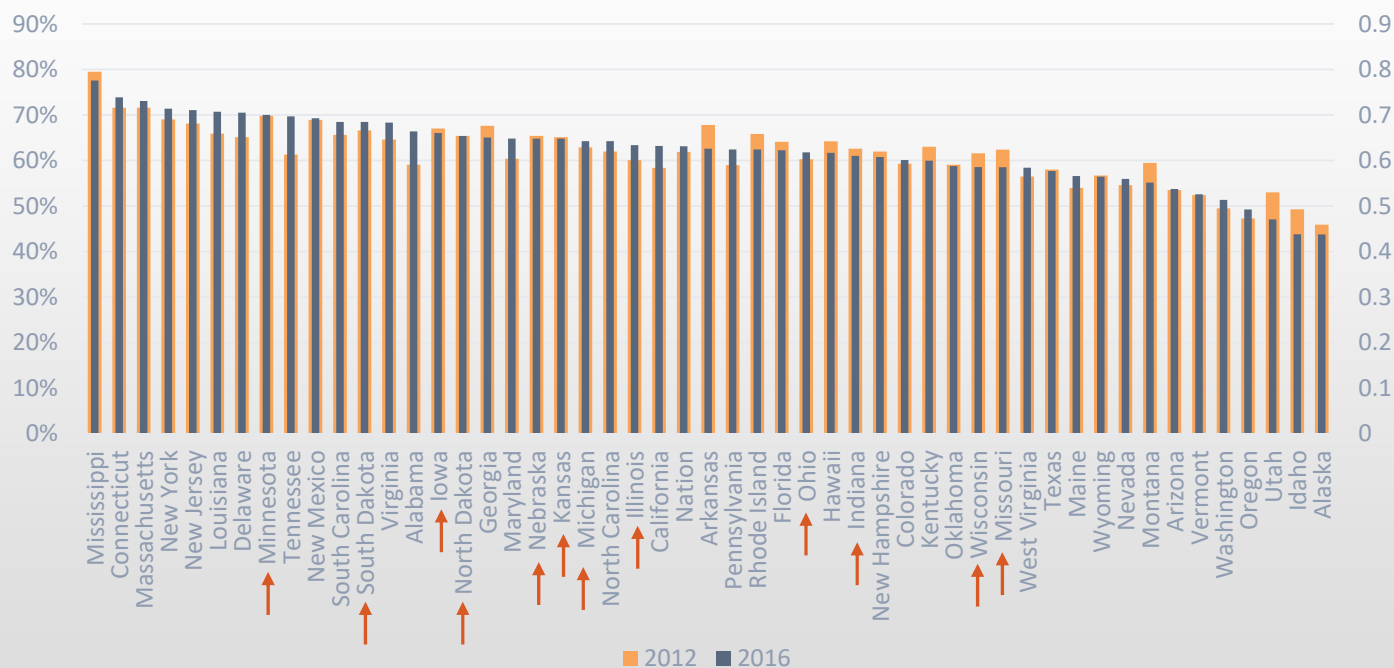
How much higher can it go?

1992: Tom Mortenson, Postsecondary Opportunity, 2016 Source: Western Interstate Commission for Higher Education, Knocking at the College Door: Projections of High School Graduates, 2016.
 NCES, IPEDS Fall 2016 Residency and Migration File; ef2016c Provisional Release Data File.



Changes from the Past (2012-2016)

The college participation rate of recent high school graduates has stagnated or dropped.



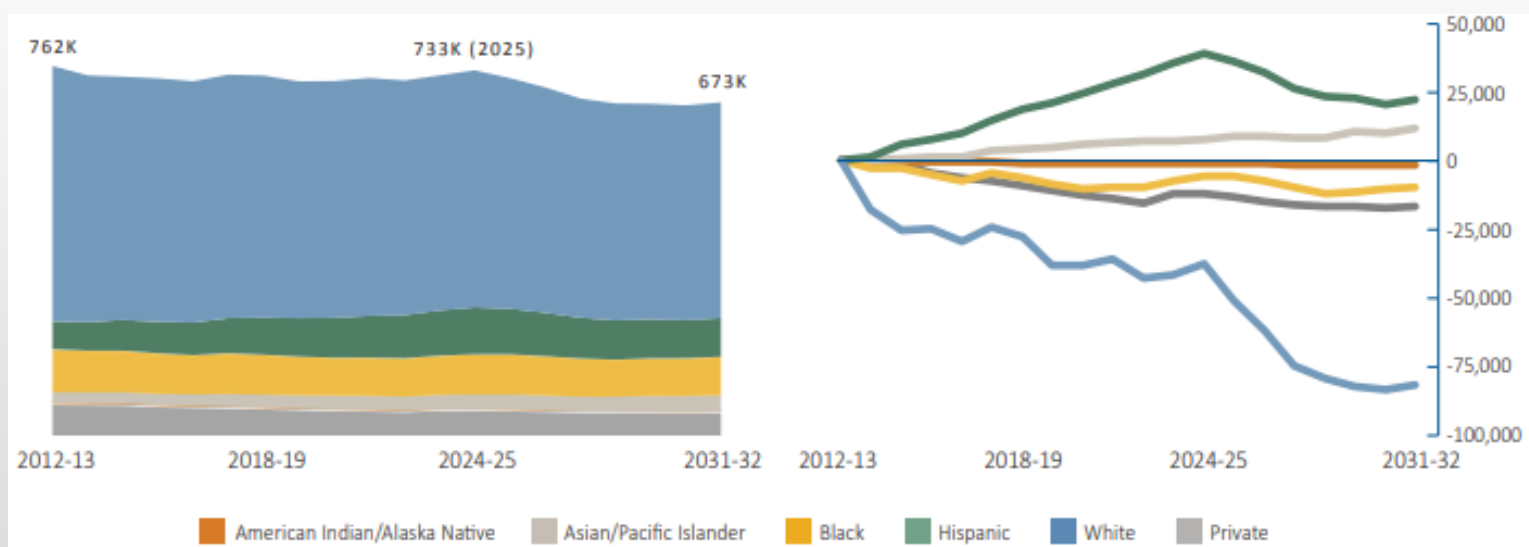
Source: Western Interstate Commission for Higher Education, Knocking at the College Door: Projections of High School Graduates; NCES, IPEDS



Changes from the Past

You had me use the “MIDWEST” from the Knocking report. That’s all the MHEC States except the Dakotas. (As opposed to creating a slide for each state).

The high school graduate population in the midwestern states is becoming more diverse.



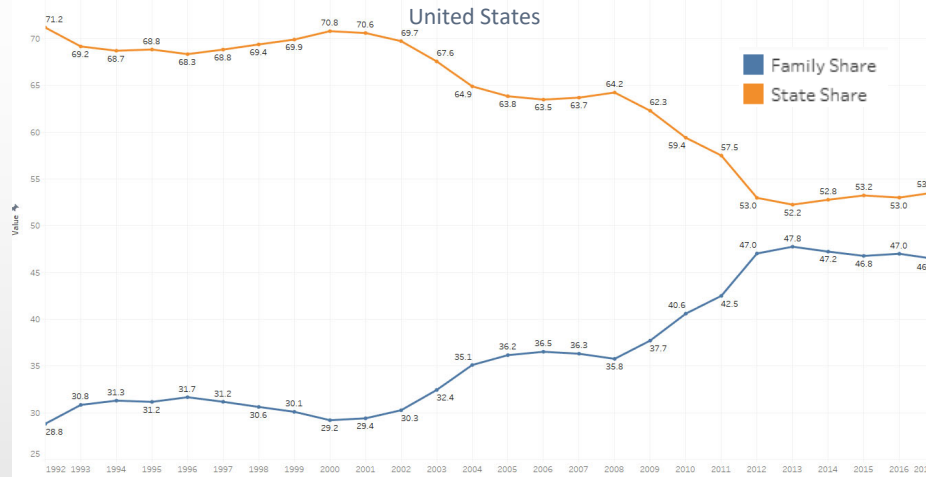
Changes from the Past

- The Priority
 - From Access
 - To student success and education attainment of the population
- The avowed purpose
 - From individual opportunity
 - To preparation of a 21st century workforce

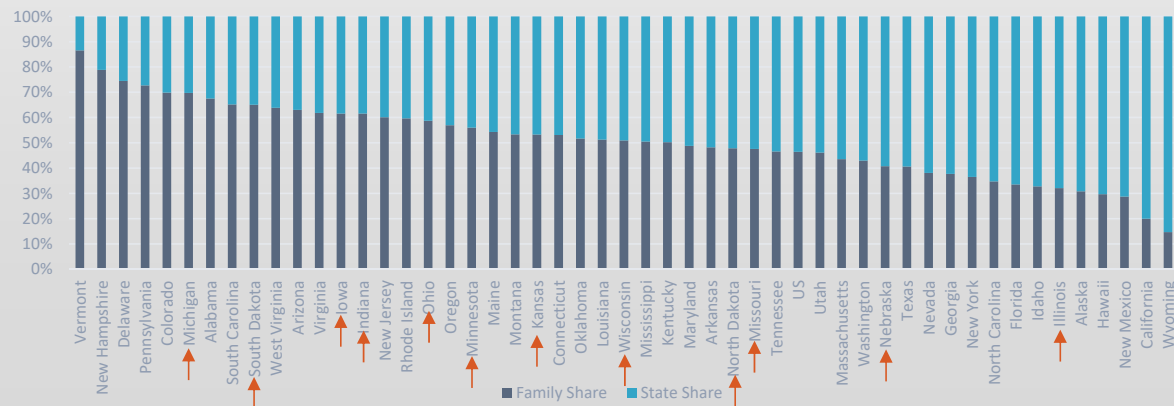


Changes from the Past

The sources of funding for higher education



Division Between State and Family Share, 2017



Changes from the Past

- The state-level locus of higher education policymaking and information provision
 - From centralized in the state postsecondary education entity
 - To distributed among numerous entities
 - Legislature and legislative staff
 - Governor's office
 - Systems
 - SHEEO agencies
 - NGOs



Changes from the Past

- The mode of delivery
 - From an environment in which education was delivered on-campus with face-to-face communication between faculty and students
 - To an environment in which higher education is delivered
 - Off-campus as well as on-
 - Using a variety of different modalities
- And where the final product may not be a degree



Changes from the Past

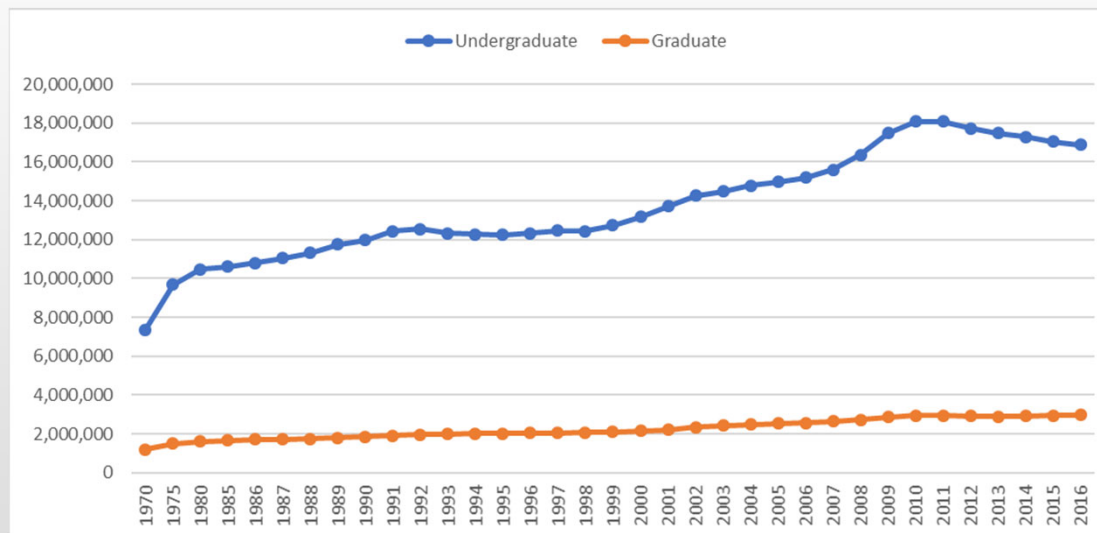
- The role of technology
 - From
 - An administrative tool
 - An add-on to classroom instruction
 - To
 - An ubiquitous presence
 - A tool of reaching a much wider audience
 - A device for making every institution in the country a competitor



Changes from the Past

- The state of industry development
 - From a growth industry
 - To a mature industry

National FTE Enrollment, 1970-2016



- Consequence: higher education no longer has revenues from marginal revenues $>$ marginal costs to pay for inflationary increases and other items



An Economics-Based View

- Higher education has been a growth industry
 - Marginal revenue typically $>$ marginal costs
 - Higher education now a mature industry
- In this environment, cost containment is dependent on productivity increases, not growth
- The higher education “production” model is
 - Expensive
 - Time-honored, and therefore rigid – there is a “right” way to do education
 - Strongly defended by powerful proponents
- We know how to bend the cost curve, but are unable to implement at scale
 - National Center for Academic Transformation
 - Western Governors University



An Assertion

The business and education models as we know them are not sustainable for a majority of institutions.

And

The institutions facing the greatest problems are those most needed to meet education attainment goals and to respond to workforce needs.

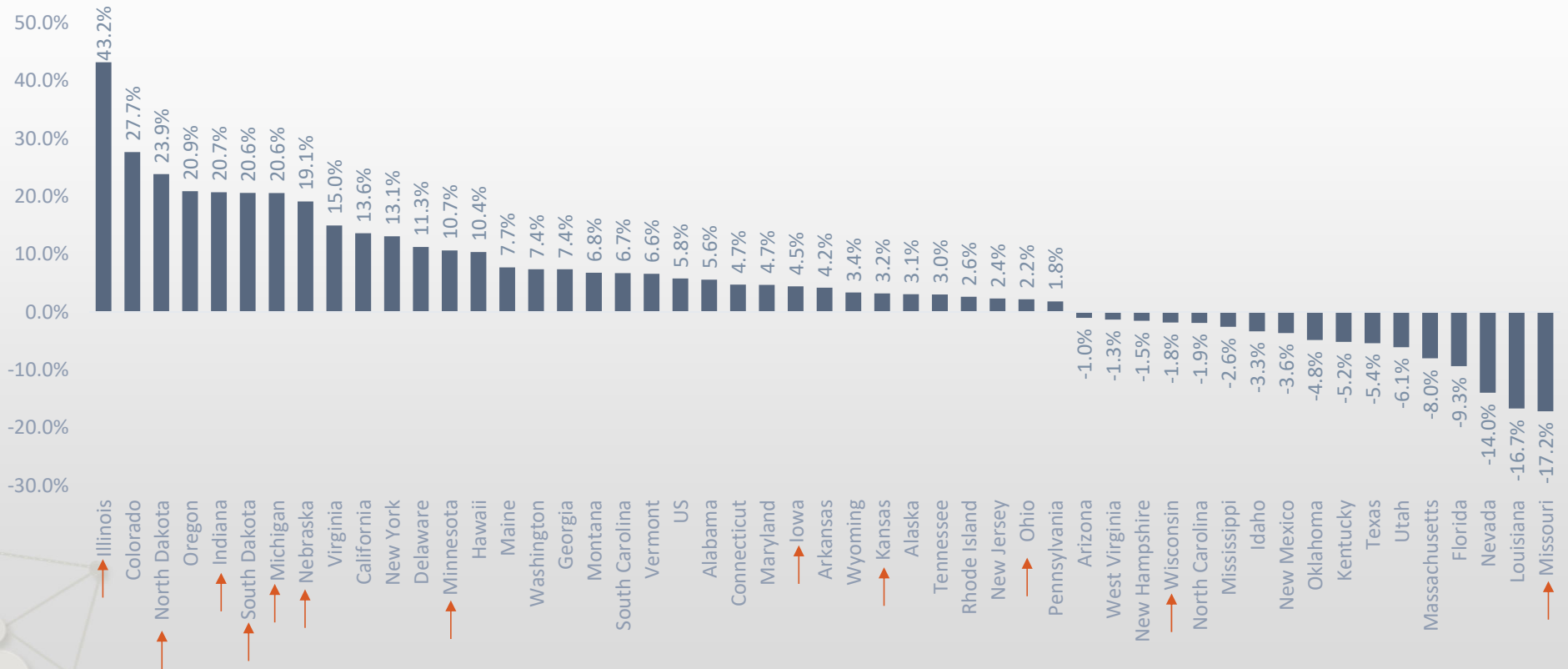


The Major Factors Leading to Conclusion

- Revenue stagnation
 - Difficulties in acquiring state resources (a mixed bag in MHEC states)
 - Limitations on tuition increases
 - Political pushback
 - Economic realities – price increases lower demand – an effect contrary to that needed to meet attainment and workforce goals
 - And costs keep rising
 - Costs of operation
 - Salaries
 - Benefits
 - Costs of maintaining/renewing assets



Change in Total Educational Revenue per FTE Since Recession (Constant Adjusted 2017 Dollars)



It Will Be Impossible to Close Funding Gaps Through a Continued Search For Administrative Savings

- Much of the fat was wrung out in response to funding cuts during the Great Recession
- Cuts made to administrative (and student support) services to protect academic programs
- The higher ed decision process puts a priority on avoiding cuts to academics – the largest piece of the higher education budget



- Where cuts have been made to academics, they have been the “easy” cuts – not the strategic ones
 - Not filling empty positions
 - Substituting part-time employees for full-time
 - Deferring maintenance
 - Not replacing technology and staying current
 - Cutting programs – and not systematically renewing those that remain
 - Eliminating staff development programs
 - Travel to professional meetings
 - Sabbaticals
 - Training programs
- Can’t continue to make “easy” cuts without destroying basic infrastructure (and competitiveness/service capacity) of institutions



My Conclusions

- The basic education delivery model will have to change – especially for open access institutions that serve students unable to pay ever-increasing tuition and fees
- The public policy environment for these institutions will also have to change
 - Funding models
 - Regulatory relief
 - Accountability



The Keys to Reform of the Educational Delivery Model

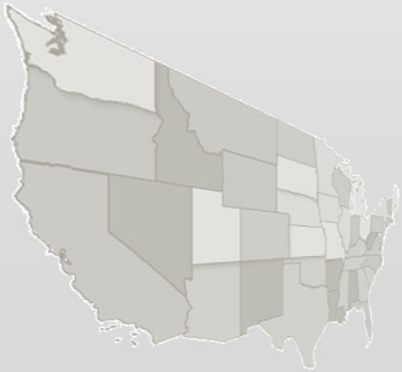
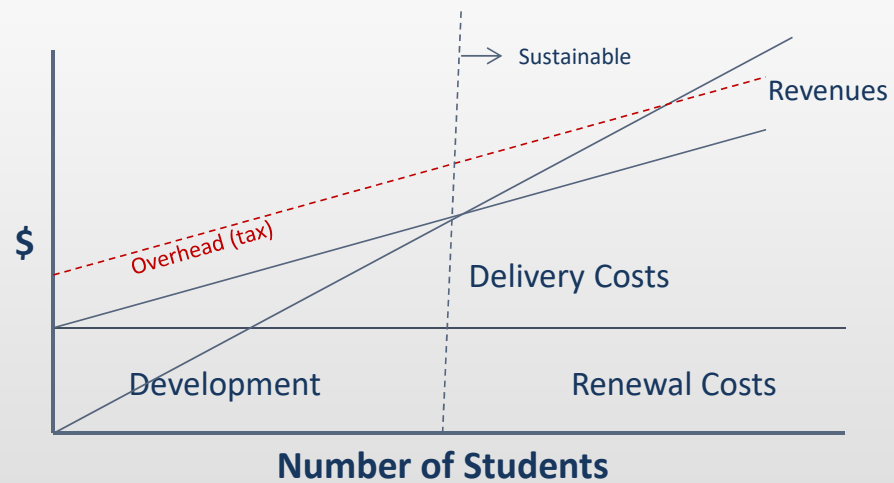
- Change in staffing patterns
- Change in the allocation of faculty and staff time to function/activities
- Increasing the scale of delivery
- Collaborating on the delivery of content

The bottom line:

Faculty productivity has to be increased – by working smarter, not harder



Requirements for Sustainability



When Creating a Sustainable Business Model, Consider:

- On-going source of program development/renewal funding
 - Generated from Program revenues
 - Not dependent on one-time funding after start-up phase
- Ability to align expenditure patterns with revenue streams
 - Ultimate test – can expenditures be managed in a way that lets them be aligned with subscription-type revenue models and open entry/open exit admissions
 - The more compromises that have to be made to this ideal, the less attractive to students
- Flexibility in utilizing human resources
 - The ability to allocate human resources to activities in non-traditional ways is central to
 - Flexibility
 - Scaling
 - And ultimately, sustainability



When Creating a Sustainable Business Model, Use Competency-Based Education (CBE) as a Template. Consider:

- The very different infrastructure requirements for CBE as compared to those systems that are in place to support the institution's traditional offerings
 - Student-centered enrollment, academic progress, and completion criteria – not term/time based
 - Student financial aid
 - Human resource composition, allocation, and compensation designed for a different delivery model

Characteristics of Sustainable Models

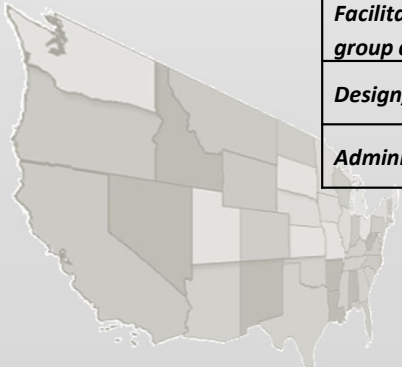
1. Sustainability sought at the program – not course – level
2. Operating revenues exceed operating expenses
3. They are operated in such a way that costs of serving each student are kept low
 - Fixed costs are either
 - Very low, or
 - Spread over many students so that the cost/student is low
 - Variable costs are
 - Linear rather than a step function
 - Low on a per student basis
 - One-time funds, if any, used for “asset” creation only, i.e., content and assessment development
 - Within 3 years, operating surpluses replace one-time funds as the source of investment capital/development resources

Characteristics of Sustainable Models

4. Cost factors are aligned with revenue determinants
 - If tuition paid on a per-course basis, then cost drivers – especially personnel costs – can be on course-basis
 - If tuition is paid on a time/subscription base, then cost drivers are best on
 - A time basis
 - A per student basis
 - Assessment costs are the unpredictable element
 - Price separately, or
 - Limit the number of assessments covered by tuition
 - Data analysis reduces unpredictability
5. The infrastructure is in place to support CBE
 - Data systems
 - Student records
 - Finance
 - HR
 - Student Financial Aid
6. A reminder – retention increases are revenue enhancers

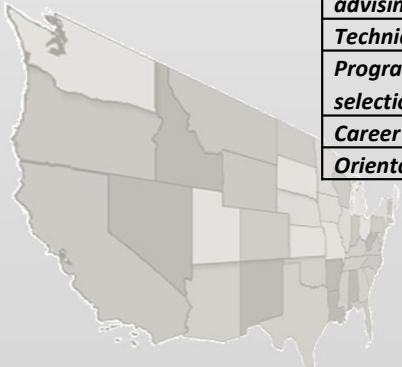
Activities by Provider(s) of that Activity

<i>Type of Provider --></i>	Full-time Faculty	Adjunct Faculty	Non-Faculty Staff	Students	Technology	Open Source/ External Contract
<i>Type of Activity</i>						
<i>Design course specifications</i>						
<i>Create learning materials</i>						
<i>Select learning materials</i>						
<i>Delivery of course content</i>						
<i>Academic assistance/tutoring</i>						
<i>Facilitation of student group activities</i>						
<i>Design/ select assessments</i>						
<i>Administer assessments</i>						



Activities by Provider(s) of that Activity (continued)

<i>Type of Provider --></i>	Full-time Faculty	Adjunct Faculty	Non-Faculty Staff	Students	Technology	Open Source/ External Contract
<i>Type of Activity</i>						
<i>Evaluate/ grade assessments</i>						
<i>Monitor student engagement and progress</i>						
<i>Intervention/referral for at-risk students</i>						
<i>Institutional academic support resources for at-risk students (Writing Center, Math Lab, etc.)</i>						
<i>Academic advising/coaching</i>						
<i>Technical support</i>						
<i>Program admissions / selection</i>						
<i>Career counseling</i>						
<i>Orientation</i>						



Public Policy Changes Required

- Revise policies to make them adult-friendly
 - Student financial aid
 - Short-term programs



Do a policy audit



Public Policy Changes Required

- Change the funding model
 - Reward collaboration and sharing of resources
 - Reward productivity increases
 - Pay for outcomes, not activity – particularly important to support alternative delivery models
 - Reward completions by adults
- Approach funding strategically
 - Align state appropriations, tuition, student aid and expectations regarding institutional productivity
 - Use capital budget to create a broader array of assets/capacity (not only brick & mortar)
- Use SARA proactively – promote institutional partnerships across state lines
 - Allow student exchange to cover programs coming to students rather than students going to programs



First-Time Undergraduates Not Directly out of High School as a percent of Population Age 20-39

