



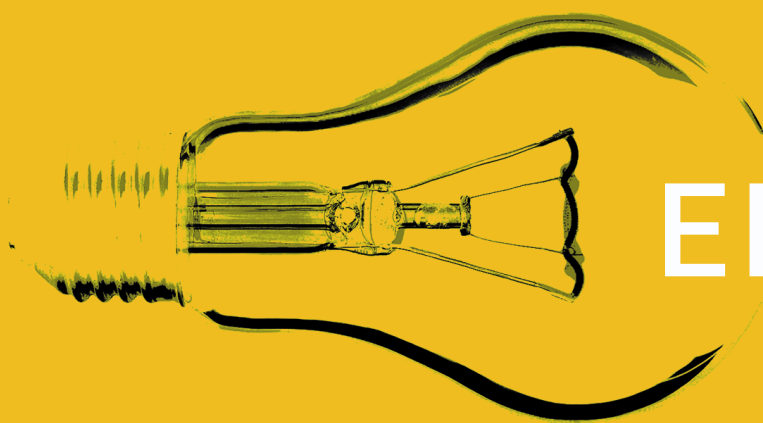
AN INVITATION TO COLLABORATE

ADAPTABLE INSTITUTIONS



OBJECTIVE:

Identify strategic models and geographic opportunities for institutions to grow, transform, collaborate, or close; explore potential models for HEI change, with consideration of the unique challenges and opportunities that exist between and among urban and rural areas and MSIs, HBCUs, and HSIs.



EMERGING IDEAS:

- HEIs need actionable strategies for decision-making, from growth to closure.
- Growth models can include collaborations within geographies to generate operational efficiencies, regional centers that build local capacity with meeting space and broadband access, or mergers and acquisitions.
- Contraction models include prioritization, closure, consolidation, and mergers & acquisitions.
- Contraction models can be viable solutions for students and institutions, especially if executed proactively with consideration of student, community, and institutional needs.
- The geographic reach and population served by HEIs present unique challenges and opportunities for institutions along the growth-to-closure continuum.
- Leaders should consider strategies beyond the traditional HEI models in order to serve rural areas, including regional centers.
- The economic vitality of urban areas is paramount for urban HEI strategy.
- The unique history and identity of HBCUs, MSIs, and HSIs, should be a significant consideration for obviating negative student outcomes.

QUESTIONS TO CONSIDER:

- What factors should an institution consider when faced with the pressure to transform?
- What are the special considerations for the adaptability of HBCUs, MSIs, and HSIs?
- What are the indicators that signal a need for action on prioritization, mergers and acquisitions, collaboration, or closure?
- What are potential strategies for predicting “tipping points” along the growth-to-closure continuum?
- What are the attributes of growth-to-closure solutions that effectively improve student outcomes, maintain quality, and streamline HEI operations?
- What are effective ways to shift public, student, and faculty perception of action by HEIs along the growth-to-closure continuum?
- What are effective models for HEI growth in rural areas and economically-challenged urban areas?

“HOW CAN [HEIS] BE NIMBLE, ACCESSIBLE, RESPONSIVE, AND MAINTAIN QUALITY?”

—INNOVATION AND THE INDEPENDENT COLLEGE¹

MAP AP S

**WORKING
DRAFT**

ADAPTABLE INSTITUTIONS

OVERVIEW

Higher education institutions (HEIs) face decisions to proactively or reactively grow, remain stable, or contract. Some HEIs are caught reacting to public spending cuts, while others anticipate a future in which they must prioritize. Other HEIs are pursuing growth strategies, from regional to national. The decision points faced by each HEI are determined by its cultural, financial, and demographic contexts. Therefore, the response of each HEI has varied widely, with different levels of student and institutional impact. The future will demand even more adaptability from HEIs in order to match a changing economic, labor, and demographic landscape.

GROWTH

Collaborative Models

Certain types of collaborations among universities have existed for decades. One model of collaboration is the central collaborative model, which consolidates operations, as well as academic support, mentoring and advising, legal affairs, and information security programs. This allows for streamlined support to a number of HEIs in the same region but only one central administrative body. Central collaborations can also ensure that HEIs in the same region work together in order to offer programs that complement other universities rather than overlap programmatic offerings. In a state system, HEIs would align their educational offerings and investments based on the state's regional and economic needs. Each collaborating HEI would provide the infrastructure or faculty members to serve specific locales and needs, without the need to reproduce specializations across every collaborating HEI.

CONTRACTION

Prioritization

Balancing the needs of the institution, students, and community is vital to preserving the integrity and longevity of institutions. On the one hand, if an institution strategically eliminates programs to lower costs, it runs the risk of compromising the quality of its academic programs, jeopardizing enrollment and the very longevity that the cuts were meant to prioritize. On the other hand, if an institution does not cut costs, or cuts essential administration, faculty, and staff to save money, it could be deemed financially unfit to carry out its mission, lose its accreditation, and close its doors. For this reason, an institution must take a "Goldilocks" approach to right-sizing.

**"WE ARE RIGHTSIZING,
NOT DOWNSIZING."**

**—JEANETTE MANN, PRESIDENT OF THE BOARD OF
TRUSTEE AT PASADENA CITY COLLEGE**

ADAPTABLE INSTITUTIONS: WORKING DRAFT

Proactive Prioritization

Purdue University serves as an example of an institution that has enacted institutional prioritization measures that preserve quality and mitigate the financial impact on students. Anticipating that rising tuition costs were going to lead to decreasing enrollment and overall declining revenue for the University, Purdue froze tuition in 2013. At the same time, Purdue recognized the need to cut spending, a move they called “fitting [their] spending to their budgets—not the other way around.”² Across Purdue, the administration increased efficiency by coordinating large expenses with other regional universities, selling underused assets, and decreasing capital purchase costs.³ While these measures have proven extremely beneficial, questions remain about the long-term viability of tuition freezing and these types of cost-saving measures. However, Purdue is showing that it is possible to help students save money and increase enrollment opportunities while not sacrificing the financial stability of the institution.

Reactive Prioritization

In other instances, financial pressures have caused institutions to cut entire programs, departments, and student scholarships. When Alaska’s governor cut \$310 million (roughly 40 percent) of the university’s state appropriations in July 2019, the University Systems president stated the reduction would cause them to consider “abruptly halting numerous student career pathways mid-stream, eliminating services or shutting down community campuses or universities.” The University chancellor echoed this sentiment stating the system would have to cut around 700 positions.⁴ Alaska is not the only state to face sudden deficits; and in every other case, the systems or universities have eliminated programs, departments, or decided to close.

Prioritization can make a significant impact on an HEI as it faces funding and budget decisions. Cut too much, or cut the wrong thing, and an institutions risks harm to its institutional reputation and enrollment.

MERGERS, ACQUISITIONS, CONSOLIDATION, COLLABORATION, AND BUYOUTS

Institutions may be incentivized by their faculty, board, and senior management not to consider a merger or acquisition when they are still fiscally solvent. As a result, many higher education institutions wait too long before seeking a merger or acquisition partner and are, therefore, in a weaker position financial and negotiating position. This fact may help to explain why there are so few HEI mergers between two equal institutions. Instead, most are acquisitions whereby one smaller, weaker institution is absorbed by a larger and stronger one.⁵

“Perhaps the biggest challenge in a potential merger is aligning the interests of boards, senior management, restricted funds, powerful faculty groups, vocal alumni, and students from each institution. Every school has a unique brand, culture, mission, and history—and can be reluctant to give these up.”

—Ying Huang et al.⁶

Reactive vs. Proactive:

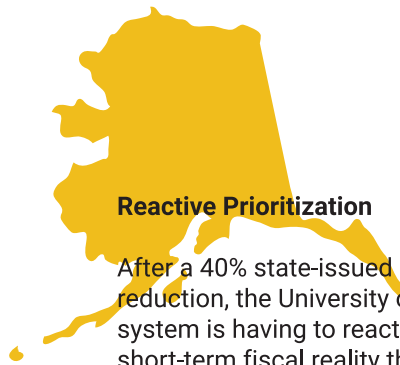
How Institutions Handle Prioritization Pressure

Reactive Prioritization

As Higher Education Institutions face shrinking student enrollment, weakening financial security, the possibility of losing accreditation, or some combination of the three, prioritization measures will need to be implemented.

For some HEIs, prioritization has been a reaction to fiscal realities, while for others, prioritization has been pro-actively implemented to ensure financial viability.

Reactive prioritization can further hurt an HEI. Proactive prioritization can help an HEI thrive in the new landscape of Higher Education.



Reactive Prioritization

After a 40% state-issued budget reduction, the University of Alaska system is having to react to the short-term fiscal reality they face. This has forced the University to react with prioritization measures to keep their doors open, measures that negatively impact students, the community, and ultimately the institution itself.


\$310 million
budget reduction

1,300 positions
at risk of elimination

3 campuses
consolidated into 1

possible program/academic

department cuts



Proactive Prioritization

Prioritizing student affordability and accessibility, Purdue University is preparing for the long-term fiscal reality they face.

They have focused on administrative efficiency to decrease spending, while also freezing tuition for students. This has allowed the university to proactively prepare for the changing landscape of higher education.

\$57 million
saved by Purdue students/families since 2012

\$160,000 saved
annually by cutting unneeded rental storage

Bulk purchasing
with regional campuses saves Purdue hundreds of thousand dollars each year

Access

Mergers have the potential to impact student access. After the 1997 merger of the University of Kentucky technical college system and community college system into The Kentucky Community and Technical College System (KCTCS), one study found the merger increased access for students.⁷ In cases where a more expensive and prestigious university absorbs a smaller, less competitive institution, the persistent need for more affordable options might result in lack of access, and potentially decreased enrollment over time.⁸

Completion/Retention

Mergers can have either a positive or negative impact on a student's likelihood to stay in school and graduate. In the case of mergers between two and four-year institutions, the transfer rate from a two year to a four year program can be impacted. One study examining five of the University System of Georgia (USG) mergers found that consolidation statistically significantly increased one-year retention rates and four-year graduation rates.⁹ Another study examining dozens of private equity buyouts found that students had decreased graduation rates.¹⁰

Financial

Mergers can potentially end up increasing the financial burden on students. One study found that the average merger of public colleges led to a seven percent jump in tuition. One hypothesis is that mergers can create a large university that dominates the local market, and can get away with raising prices.¹¹ Another study on private equity buyouts found that students faced increased tuition, increased per-student debt rates, lower student loan repayment rates, and lower earnings after buyout.¹²

Community

Community impact, or the local perception of community impact, is likely to influence the course of action taken by institutions of higher education considering a merger or acquisition. According to an Inside Higher Ed Special Report on the role of mergers in higher education, "state and local representatives will scratch and claw to prevent the closure of campuses in their backyards. Those campuses often provide some of the highest-paying jobs in the communities elected officials represent, and constituents want the option of sending their children to a local public institution."¹³ These political pressures can become especially contentious when a public institution is the only college operating in a region.

GEOGRAPHIC OPPORTUNITIES

Models for Rural Areas

The Chronicle estimates that 11.2 million adults live more than a 60-minute drive from a public college.¹⁴ The majority of education deserts are located in rural areas, where only 19 percent of the population has at least a bachelor's degree, compared to 33 percent of adults in urban areas.¹⁵ Rural areas often benefit from an institution that is both easily accessible and affordable; but the traditional models of higher education are often too costly to make it a reality. Furthermore, even in rural areas with an HEI, there may only be one broad-access public institution. Over the past decade, innovations in HEIs have offered the beginnings of transformative models that could serve education deserts while maintaining quality. However, state policy makers, rural advocates, and institutions will need to look beyond the traditional HEI models in order to serve current education deserts, and avoid the creation of new ones. The following innovative models are grounds for consideration.

The regional center model provides the option for a physical presence for an HEI in locations where one does not yet exist, combining online and distance learning with physical locales. The Northern Pennsylvania Regional College (NPRC), created in 2014, serves nine counties in rural Pennsylvania. Students receive real-time instruction through video-conferencing at designated regional service areas, which are housed in community spaces such as businesses, public libraries, and high schools. The regional service centers do not offer degrees, but allow other institutions to offer degrees through their center. By having a regional center, students can access broadband, printers, and even interact with classmates in distance classrooms.

Models for Urban Areas

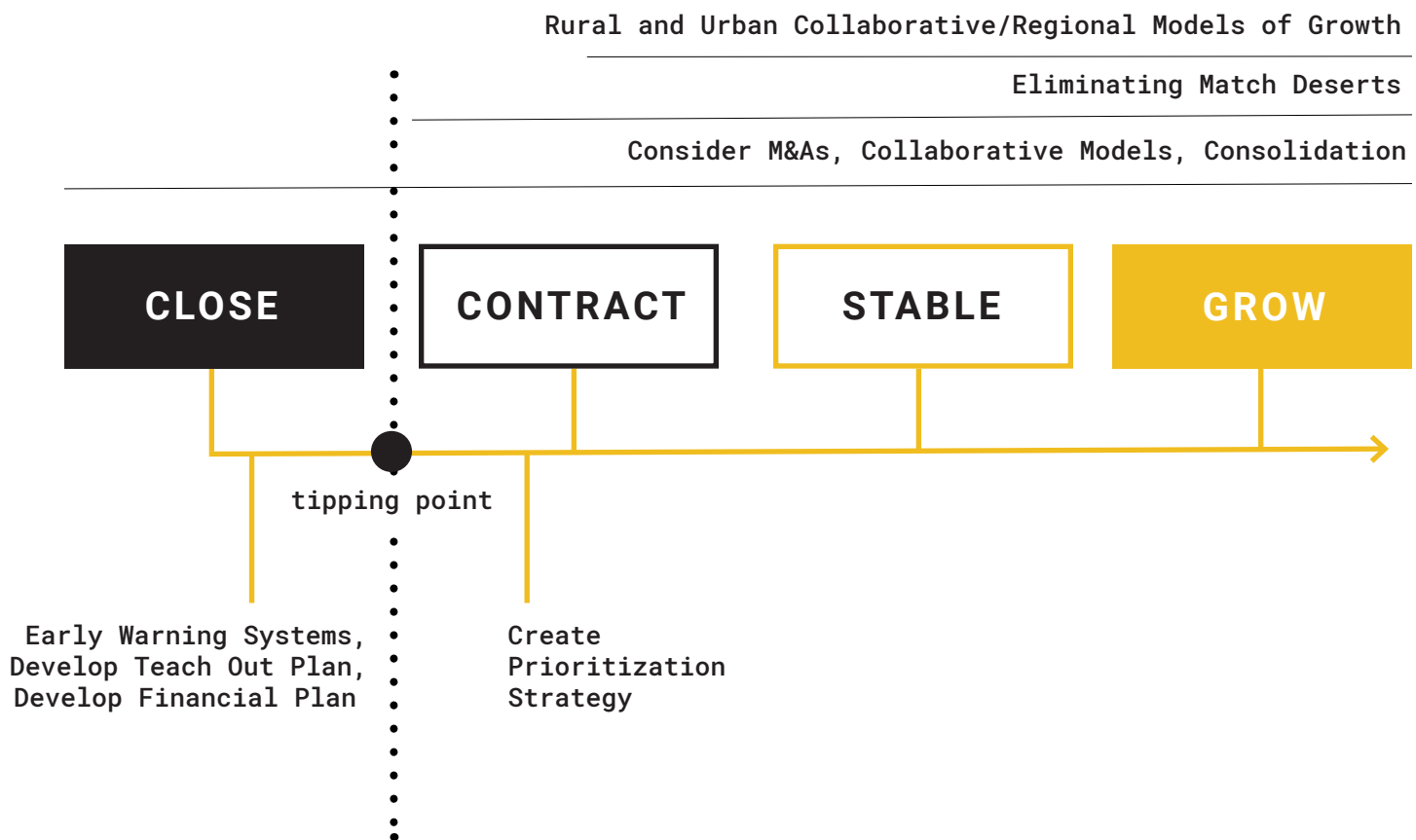
Urban areas have benefited the most from the economic growth of the past decade.¹⁷ However, there are still a number of urban areas experiencing economic decline and shifting labor demands. For example, Detroit's population has decreased 48 percent in the past 50 years, coupled with a fall in the real price of housing over the same period, creating a declining urban center that has proven difficult to address.¹⁸ How can HEIs expand and grow to serve urban students like those in Detroit? Examples of HEI targeting urban transformation and growth include, but are not limited to, micro campuses.

Micro campuses are currently in use by several institutions, including the University of Phoenix, to provide a physical location where one does not exist in both rural and urban areas.¹⁹ These campuses are styled similar to co-working spaces and offer a place for students and faculty to interact one-on-one, create student meet-ups, use the internet, and access printing services. Micro Campuses usually do not include classrooms, and are specific to a single university.

MSIs/HBCUs/HSIs

Prioritization strategies, M&As, and consolidations that involve HBCUs, MSIs, or HSIs may impact longer term student outcomes, such as economic mobility. According to a 2018 report by the American Council on Education, entitled "Minority Serving institutions as Engines of Upward Mobility," four-year MSIs propel more students from the lowest income quintile to the top income quintile than four-year non-MSIs. HSIs in particular had an economic mobility rate three times that of non-MSIs (4.3 percent compared to 1.5 percent). The mobility rate at Asian American and Native American Pacific Islander-Serving Institutions (AANAPISIs), PBIs, and HBCUs was double that of non-MSIs. An extended economic mobility rate—the rate of students who move from the bottom two income quintiles to the top two income quintiles—was also greater at MSIs compared to non-MSIs. HSIs, PBIs, and HBCUs in particular had a mobility rate double that of non-MSIs (approximately 20 percent compared to 9 percent), indicated that, despite resource constraints, MSIs propel a considerable number of students from the lowest income quartiles to upper income quartiles.²⁰ The impact of closing or contracting an MSI/HBCU/HSI, therefore, goes beyond the baseline considerations of a predominantly white institution (PWI). For mergers between MSIs and PWIs, students of color could be disproportionately impacted and the unique role and benefits of MSIs, HBCUs and HSIs should be thoroughly considered in the planning process.

DECISION MAKING FRAMEWORK





Inga Jargal, a sophomore at City College of San Francisco (CSF), tried to enroll in Microcomputer Applications for Business 101 during the summer of 2009. CSF was facing budget cuts and was unable to hire an additional instructor to teach the class, despite enormous demand for the class that year. Only the first 28 students who had registered would be able to enroll and Inga was among those

turned away from the class. That semester she faced difficulty enrolling in any class that would help fill up her schedule. Not enrolling in an additional course would have meant that she would lose her financial aid and her on-campus job.²¹ Inga was able to find a class, but it did not count toward her major, which ultimately prolonged her graduation.



ADAPTABLE INSTITUTIONS: WORKING DRAFT

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