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Summit on Cost of Higher Education: Key Themes

Davis Educational Foundation

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USM President's Office

December 6, 2013

Dear Colleague:

On behalf of the Davis Educational Foundation and the New England Board of Higher Education (NEBHE), we write to thank you again for your participation in the October 21 *Summit on Cost in Higher Education*.

We wish to share with you, and those who were invited but unable to attend, a **brief summary of the Summit's key themes**, which we trust will be of use to you and your institution's leadership in moving forward the work and dialogue regarding cost on your campus. It is enclosed with this letter.

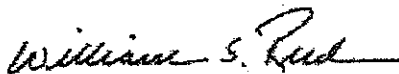
We also invite you to engage with our evolving Summit webpage for relevant resources, by visiting <http://www.nebhe.org/sche>.

Many of the comments and suggestions shared by Summit participants echoed these key themes, especially the critical need to engage faculty members and leaders in an on-campus dialogue about costs. We are interested in following your efforts on campus and invite you to forward an occasional message to let us know how you are doing.

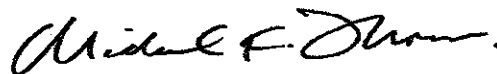
Similarly, we would like to hear your thoughts on information and resources that would assist you. NEBHE has a rich history of providing data, research and support for consortial initiatives. The Davis Educational Foundation's grant program is well established and recently funded several cost-related projects focusing on data analytics and modeling, three-year degree programs and faculty engagement. Our organizations are dedicated to building on these achievements, continuing the dialogue and supporting your campus-level and collaborative work.

We appreciate your leadership on these important issues and look forward to the possibility of working further with you and your institution.

Sincerely,



William S. Reed
Chair, Board of Trustees
Davis Educational Foundation



Michael K. Thomas
President and CEO
New England Board of Higher Education

Summit on Cost in Higher Education
Sunday, Oct. 20 – Monday, Oct. 21, 2013
Key Themes

Pressing Challenges

- “This time it’s different.” A “perfect storm” of financial, political, demographic and technological forces have aligned to make the “business model” unsustainable for the majority of U.S. higher education institutions (HEIs). Those in New England face special challenges due to the large number of institutions and low growth. “We have too many institutions and will have too few students to go around.”
- The confluence of rising prices for students and concerns about quality have increasingly entered public discourse and now promise to prompt regulatory action from government and change cultural attitudes toward higher education.
- Flat pricing reflects competition and limited enrollment growth. At the same time, “tuition discounting” has risen to record highs.
- We have digital natives attending largely analog institutions and being taught by digital immigrant faculty members. This can result in a misalignment of needs and priorities and requires HEIs to consider how they can be more learner-centered.

Retention

- Student persistence and retention are the largest levers and most promising tools for increasing institutional productivity and for improving the financial bottom line. Over half of institutions have graduation rates under 50%—which represents a significant loss of resources given the time and money they spend recruiting and onboarding students. Most HEIs need to consider hiring a chief retention officer if they haven’t already.
- HEIs cannot “cut” their way to success or profitability (by simply reducing costs), or “revenue” their way to success (by finding additional revenue sources). Cost equations must change, because revenue equation is not going to change favorably. Revenues will be hard to come by, as Pell Grants will not grow and students will be needier. Thus, a fundamental reconsideration of business models is necessary.

Differentiation

- Differentiation is a critical issue for many, if not all, institutions—and a very important challenge in a region that has a surplus of institutions. “If you can’t be meaningfully unique, then you’d better be cheap”—but it is very difficult to compete on cost and cost alone. Students and parents are looking for value, not just low cost.
- Similarly, institutions need to better understand what it is they do uniquely and do best. There needs to be an ability to consider what the core strengths and distinguishing features of the institution are—and an honest questioning of ways in which the institution might eliminate offerings and services in which it is not distinctive or find ways to partner with others who do it best.

- HEIs need to seriously ask the question of “What are we *not* going to do?” They must be disciplined and critical in answering this question. HEIs cannot afford to be all things to all people.
- Institutions will continue to be some version of “brick,” “click” or “brick and click.” The challenge for high-priced, high-cost institutions will be to offer distinctive and sustainable ways in which intimacy and high-touch engagements that students cannot find in other settings.

Career Focus

- Whether a research university, liberal arts institution or community college, every institution has a compelling need to be more effective and explicit in its linkages to career labor market. There can be different approaches to this based on the institution. Co-development of courses with industry partners and employers can be a critical element of this.

Faculty Involvement

- It is critical for HEI leaders to find ways to get faculty involved, as soon as possible, in the discussion about cost. Faculty members and leaders are the ones who can support and make many of the big changes that have been discussed. It is critical that we engage them as soon, and in as many ways possible, in the conversation. This presents challenges, however, as there can be resistance to change and a strategic approach is critical.
- In initiating important campus conversations about cost, business models and the need for change, it can be valuable to engage informed, but neutral, partners or peers to help facilitate the conversation and to provide impartial data, perspectives and comparison points that support honest, open conversations.

Administrative and Operating Costs

- Institutions can still find ways to operate more efficiently. But doing so doesn't just involve further cost-cutting. Rather, it's a focused approach to redesigning processes, as well as critically asking what the institution should be doing and what it might possibly outsource.
- Healthcare is, and will remain, a major competitor to higher education for money and public investment. It will also continue to be a large cost driver in HEI budgets. New England has, however, several examples of system- and consortium-level examples of effective, cost-reducing strategies to address healthcare costs.
- Deferred maintenance and aging physical plants are critical cost drivers. HEIs need to carefully look at achieving a more efficient use and allocation of space on campus, reducing their footprint, where possible.

Instructional Costs

- Good work has been done at many institutions to cut costs from the administrative side, but there is a need to carefully and thoughtfully consider—with attention to institutional mission and populations served—opportunities related to costs on the academic side. One example is the streamlining of the range and variety of course offerings, many of which are undersubscribed in terms of enrollment. Efficiencies can be found in more effective course provision and scheduling.
- There are new opportunities to rethink the roles of the faculty. While reaffirming some traditional roles, there are new roles focused on mentoring, facilitation and assessment. This can have implications for cost, as well as for business and delivery models.

- There are ways to engineer cost out of most elements of a college degree. The use of open educational resources (OERs), for example, can help reduce costs in textbooks and course materials in ways that can be passed on to students.
- “Bending the cost curve” includes carefully and thoughtfully monitoring faculty hiring and keeping faculty-to-student ratios reasonable.
- HEIs must be aware that higher education is gradually losing its monopoly on quality content and credentialing due to new models such as MOOCs, competency-based approaches and other credentialing organizations (existing and envisioned).

Data

- Better data and analytics around cost are needed. The existing data from IPEDS is very limited and makes legitimate comparisons difficult.
- Better data around student and learning analytics are needed. HEIs need to understand their students’ academic and cultural preparation and be able to pair that with their real-time academic progress for timely effective interventions.

Time

- Time is a critical variable in addressing higher education cost and success, one that needs to be seriously examined by HEIs. There are opportunities to raise persistence by having students on campus up to 48 weeks a year, even starting in June immediately after high school graduation.
- Transitioning to trimester calendars and more efficient uses of the campus infrastructure are important considerations. Additionally, emerging competency-based approaches can provide opportunities for students to progress at a quicker pace when their learning and progress allows, spending less time in the classroom. The elimination of excess credits can save students and institutions millions of dollars.
- There are ways to incentivize students to use time more efficiently, too. Time can be the enemy of completion. There are institutions that are providing the fourth year free to those who finish in that timeframe.

Collaboration and Partnerships

- Collaboration and strategic partnerships are essential elements of cost control, productivity and more efficient business models. To our advantage, New England has a strong tradition of, and existing structures and organizations for, multi-institution collaborations focused on cost. Collaborating on purchases such as cellular services; cross registration, health centers, dining services, property and casualty insurance are all examples and opportunities. Exclusivity is inefficient. HEIs need to learn to share.

Quality

- Institutions—and both administrators and faculty—need to consider the fact that quality and affordability are not mutually exclusive. Often, some institutional stakeholders resist change on the grounds that quality will be reduced. This need not be true and both new delivery models and effective technology uses can help to align both quality and affordability.

Student Savings

- It is very important for leaders to consider the challenging issue of passing cost savings on to students. It’s not enough for HEIs to lower operating costs. There need to be specific and deliberate ways in which cost savings are returned to students and their overall costs and borrowing are reduced.