

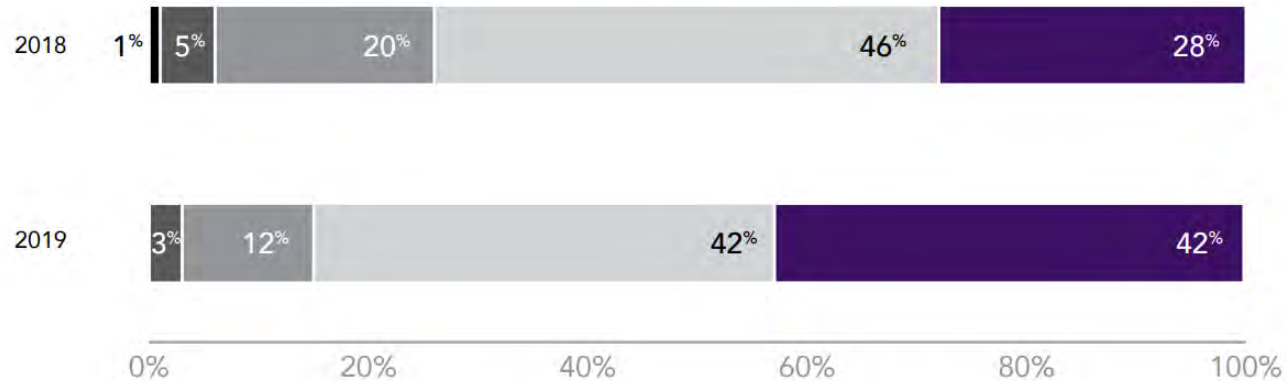
PI 2024 Financial Challenges and Structural Deficits Workshop – *Supporting Materials*

Brought to you by: AGB Consulting
January 4, 2024

Financial Sustainability Is On The Radar For Today's Leaders

Looking ahead to the next 10 years, how concerned, if at all, are you about the future of the higher education sector in the U.S.?

■ 1 - Not at all concerned ■ 2 ■ 3 ■ 4 ■ 5 - Very concerned



Rank	Public
1	The financial sustainability of higher education institutions (25%)
2	Price of higher education for students and their families (24%)
3	Decrease in state funding of higher education (10%)
4	Public perception of the value of a college degree (9%)
5	Relevance of higher education in helping graduates obtain a better job/career (8%)
6	Student debt (7%)
7	Incoming students' preparedness for college (6%)
8	Other (6%)
9	Equal access to higher education among different demographic groups (5%)

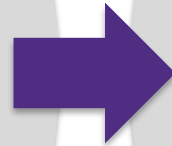


Systemic Issues Requiring Transformational Solutions

- 43 million consumers with \$1.7 Trillion of student debt
- An industry with poor quality of earnings
- Nine consecutive years of enrollment decline on a national basis – leading to lower net tuition pricing
- More supply of brick-and-mortar colleges than student demand
- More than 1,200 colleges that are either at or approaching – “not financially viable” status according to DOE Financial Composite Scores
- Changing consumer behaviors
- Migration from degrees to credentials and certificates
- Corporate workforce development influence on higher education
- Technology requirements, substantially increasing
- New entrants impacting student demand
- An economic model that does not support continuous investments into functional areas critical to long-term success

Generating Revenue

Understand the raw student need and how it might evolve



Simplify your mission by concentrating on the degrees, program offerings, structures, processes and services that matter most to core target student groups



Innovate your academic offering by creating capabilities to launch new programs, manage the academic portfolio, and bring new appreciates such as integrated multidisciplinary curricula and faculty structures



Transform institutional economics

- Diversify revenue streams
- Monetize your full set of assets
- Reduce fixed costs through business partnerships and administrative consortia

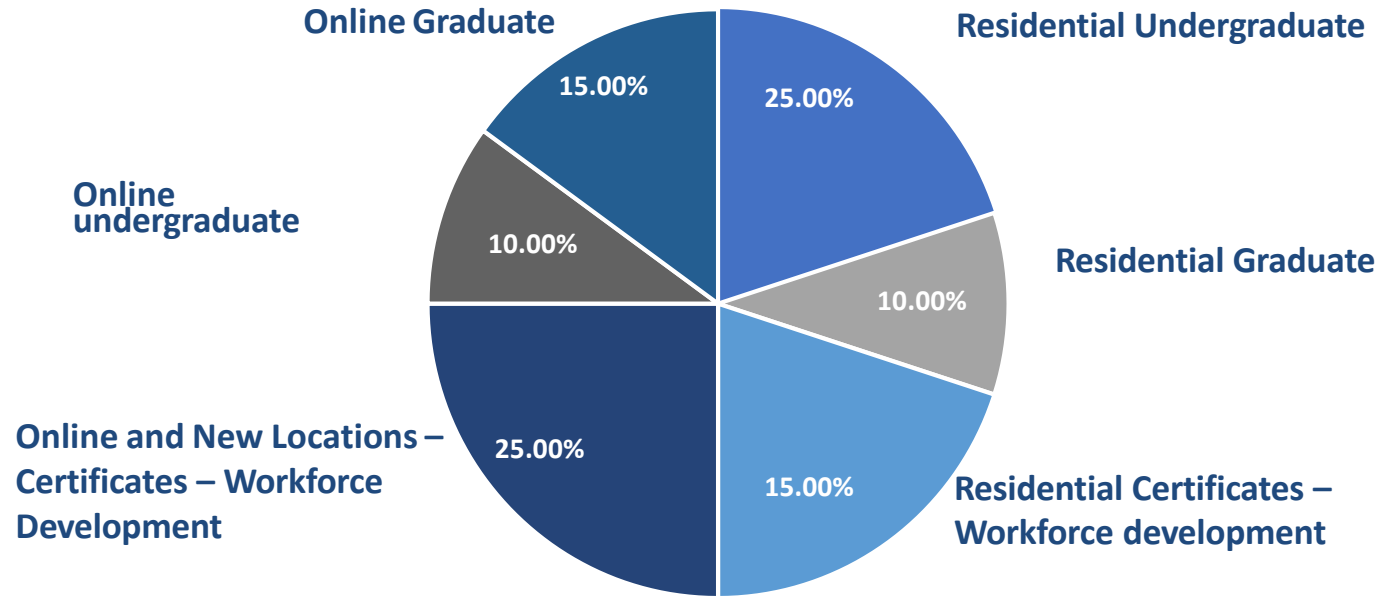
Rethinking Revenues, Preserving Resources in Higher Education

1. Strengthen the retention of enrolled students
2. Re-recruit those who dropped out without a degree
3. Support “articulation agreements” with two-year colleges
4. Recruit adults who did not start college
5. Recruit alumni and other colleges’ graduates who need undergraduate, graduate, and continuing professional education
6. Create new academic programs in service to society
7. Create joint programs with other institutions to minimize costs and maximize net tuition revenues
8. Craft partnerships with government, business, and nonprofit employers
9. Conduct smart fundraising
10. Improve grant-seeking

Future Economic Models Will Be Quite Different

Creating a comprehensive portfolio of major revenue segments:

Example of a diversified portfolio



Creating strategic growth building blocks (SGBBs)
There are tremendous opportunities to serve new markets with new program offerings as a pathway towards revenue growth and diversification

Options To Grow Resources

Increase resources by...

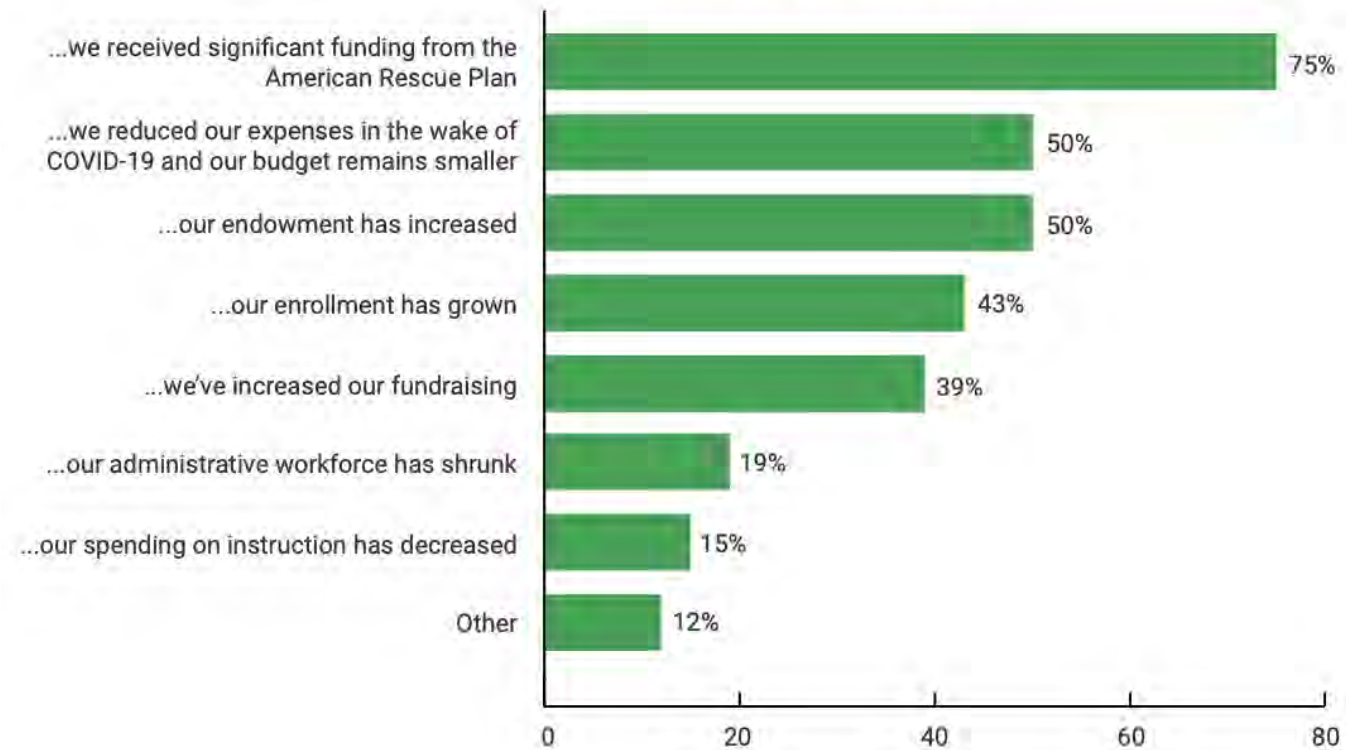
- Launching New Development Campaign
 - Determining Unique Positioning
 - Investing in Advertising Campaigns
 - Collaborating with Other Universities
 - Pursuing PPPs (facilities, energy, etc.)
 - Launching Medical Services
- Developing More Executive Education
 - Increasing Online Program Offerings
 - Securing New Debt Offerings
 - Growing Research Portfolio
- Selling Excess University Assets (land, etc.)

Business Officers Have Taken Some Financial Control Steps And Benefited Greatly From Government

REASONS FOR BETTER FINANCIAL SHAPE

Why do you feel that your institution is in better financial shape now than it was in 2019? Please select all that apply. (n=155)

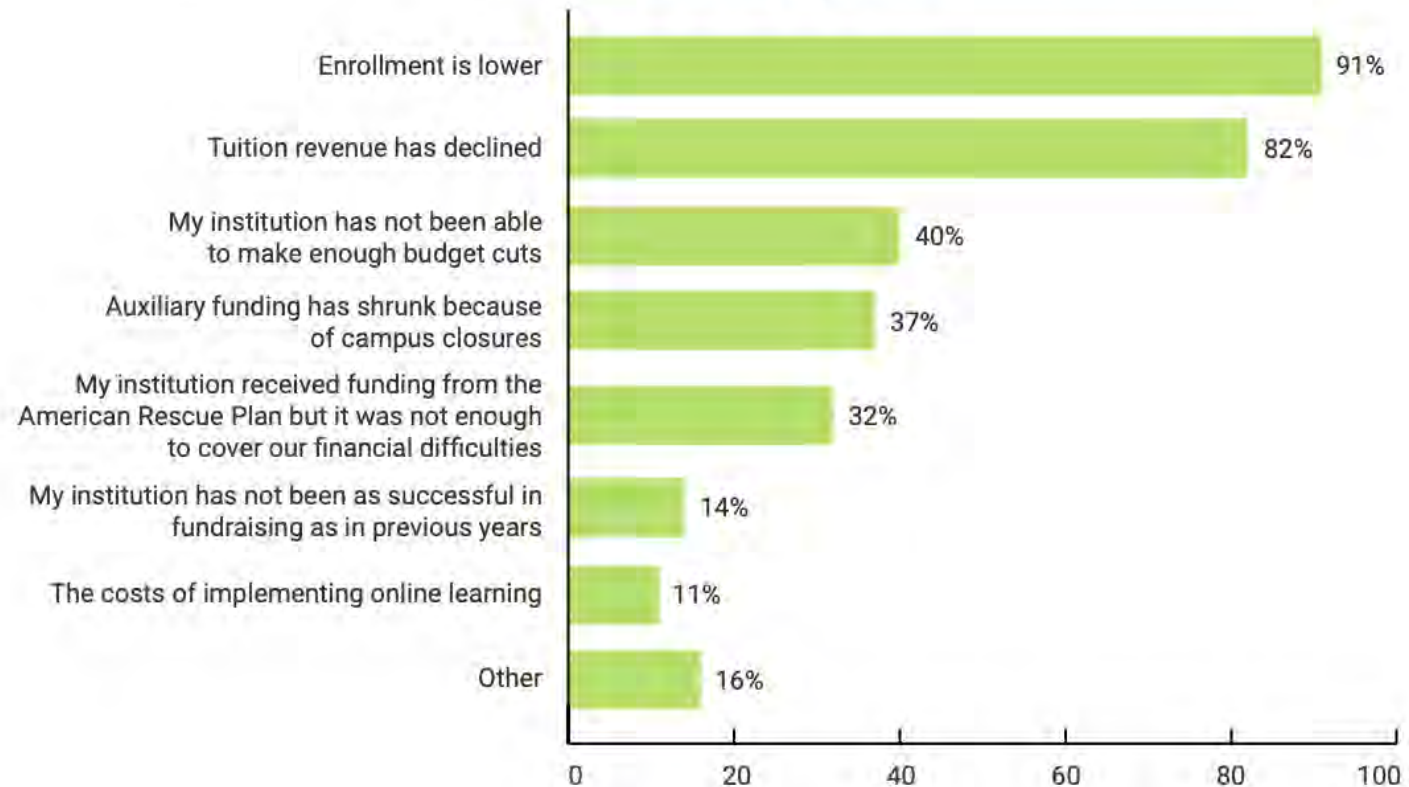
My institution is in better shape now than in 2019 because...



The Macro Forces Are Requiring Hard Changes For Higher Education Institutions

REASONS FOR WORSE FINANCIAL SHAPE

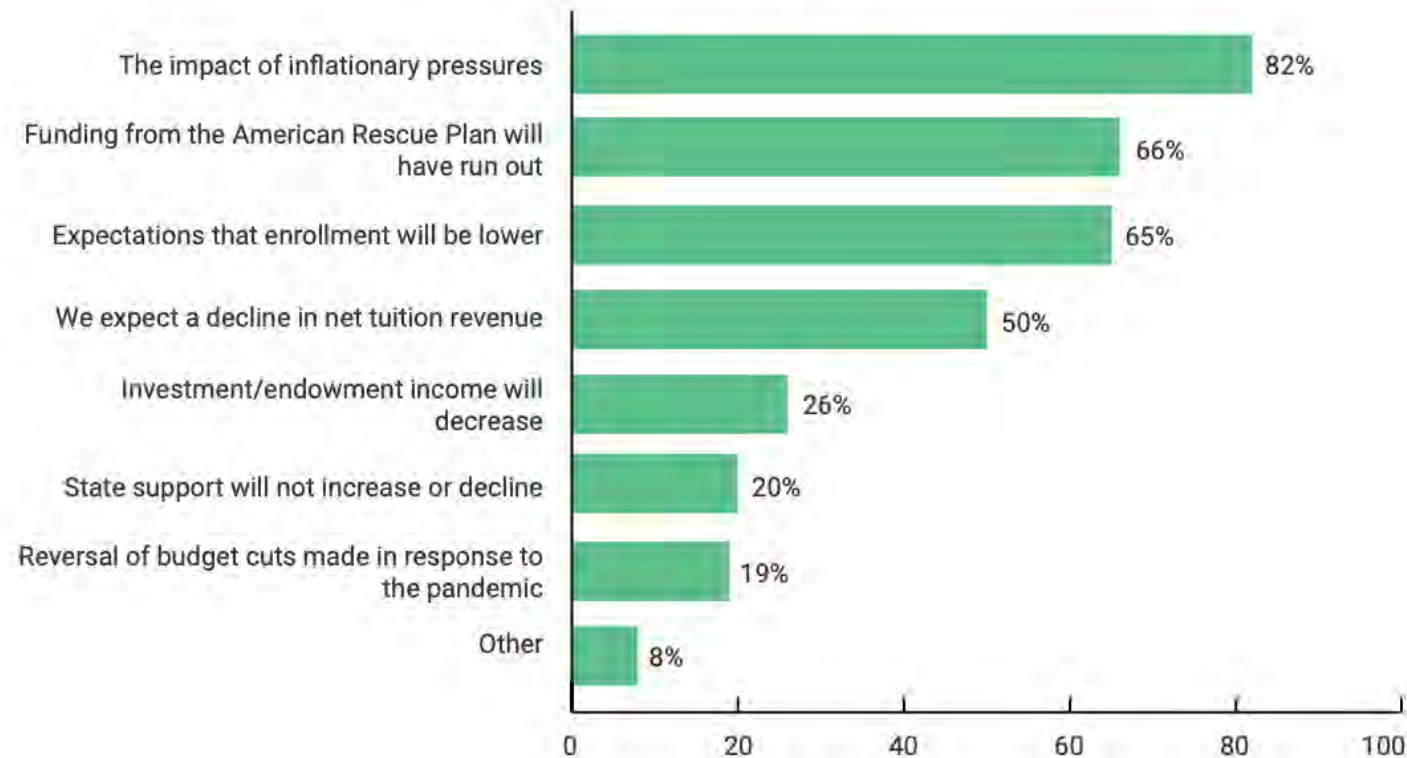
Why do you feel your institution is in worse financial shape now than it was in 2019?
Please select all that apply. (n=57)



Looking Forward, These Are Key Areas For Analysis And Realistic Projections In The Upcoming Years

REASONS FINANCES WILL WORSEN NEXT YEAR

Why do you feel that your institution is in better financial shape now than it will be a year from now? Please select all that apply. (n=101)



There Are Many Reasons Higher Ed Institutions Should Consider a Merger Strategy

Strategic Motivations

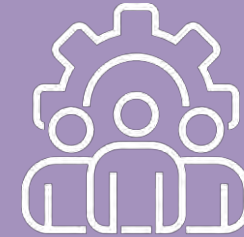


New programs and auxiliary revenue

Additional
locations/infrastructure/global reach

Access/leverage of capital

Operational Motivations



Additional students and fees for
existing programs

Enhanced competencies

Cost synergies through efficiencies
and economies of scale

Strategic Innovation: Academic Program Review

- ❑ Learning Outcomes vs. Majors
- ❑ Use Workforce Intelligence (WI) to Assess Regional Economic Drivers
- ❑ Map Mission to Market

While Improving Due To Temporary Government Support, Higher Education Remains Challenged

- “S&P Global Ratings revised its view of the U.S. not-for-profit higher education sector to stable, ending four years of negative outlooks even as it said it is monitoring divergence in fortunes between strong and weak institutions in the market.”
- “Risks to colleges and their credit quality remain, including enrollment pressures, inflation, staffing issues, cybersecurity breaches and the possibility of events like governance scandals or social unrest.”

Reasons For Multi-year Forecasting

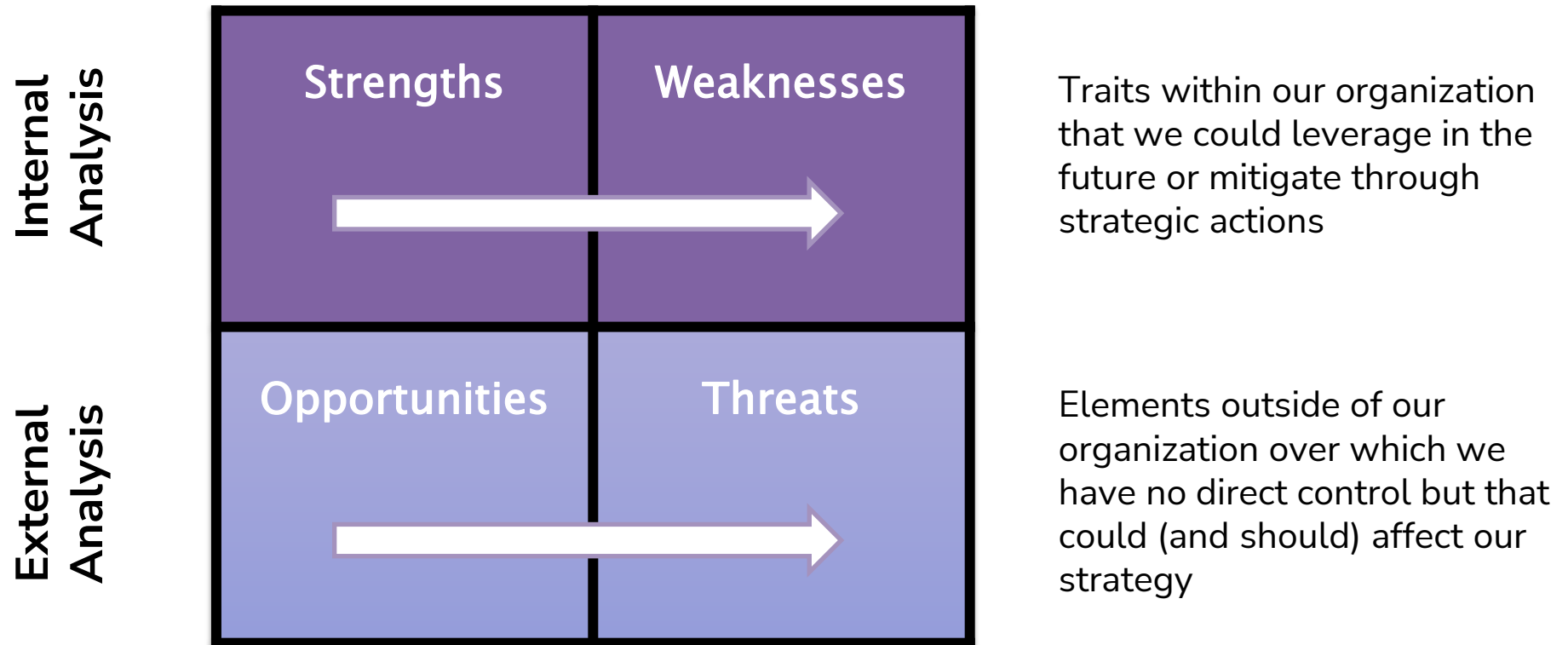
- Major strategic moves such as academic program portfolio changes, mergers/affiliations, and new building investment have a natural analysis period of 3 to 10 years.
- Deciding whether to move forward with a new initiative should include assessing how it fits the institution's strategy as well as how it impacts the financial model. These are the kinds of discussions that boards and cabinets should be having, rather than conversations about shorter-term operational issues.
- It is also a better use of a talented Board of Trustees, as many of them likely have experience with multi-year planning exercises as they are quite common in business sectors.

Reasons For Multi-year Forecasting (Supporting)

About 30% of all higher education institutions were running operating deficits even before the effects of COVID on enrollments, other revenues, and additional expenses.

We need to recognize that universities have been banking on continually increasing tuition and enrollments to address the financial issues, but they will not! Only through fiscal discipline and longer-term realistic financial forecasting will we be able to address the underlying operating model challenges in our sector.

The SWOT Analysis Is A Great Tool For Strategic Planning



Exercise 1: Drafting A SWOT To Fill Gaps And Leverage Strengths

<i>STRENGTHS</i>	<i>WEAKNESSES</i>
<i>OPPORTUNITIES</i>	<i>THREATS</i>

You Will Want To Create And Track A Strategic Dashboard Of Resources And Outcomes

