GEORGE MASON UNIVERSITY
BOARD OF VISITORS CONTINUING EDUCATION SESSION
Pursuant to Code of Virginia § 23.1-1304

April 4, 2023
12:30 – 3:40 p.m.

Hazel Conference Room
Merten Hall 1201

AGENDA

12:00 p.m.  
Lunch

I. AGB Presentations & Discussion

12:30 p.m. – 2:00 p.m.  
A. The Role of the Strategic Board in Creating Realistic Expectations

2:00 p.m.  
Break

2:10 p.m. – 3:40 p.m.  
B. Sharpening the Board’s Strategic Focus: Top Five Issues for Board Leadership

The purpose of this session is to provide an additional opportunity to meet the State Council of Higher Education for Virginia’s (SCHEV) continuing education requirement. Compliance is to be reported every year by July 1 to SCHEV. The following is the specific continuing education code.

The SCHEV for Virginia, in fulfilling the requirements under § 23.1-1304, shall develop educational materials for board members with more than two years of service on the governing board. Each such board member shall participate in further training on board governance at least once every two years, and the Council shall develop criteria by which such board members shall demonstrate compliance with this requirement.

No public comment will be taken at this session.
Board of Visitors Continuing Education Session

The Role of the Strategic Board in Creating Realistic Expectations
12:30-2:00 PM ET

Sharpening the Board’s Strategic Focus: Top Five Issues for Board Leadership
2:10-3:40 PM ET

Presented by: Association of Governing Boards
April 4, 2023
Paul N. Friga, Ph.D.
Practice Area Leader: Transformation of Public Higher Education

About (visit his website for articles, blogs, and videos)
Paul is one of the foremost higher education thought leaders and strategists. With 20 years of experience as a professor, researcher and consultant at UNC CH and Indiana University, Paul understands how public education really works and how it should change. His former experience as a consultant with PwC (earned CPA and CMA designations as ) and McKinsey (including projects in public higher education) round out additional relevant experience. He has also served as a Trustee at Saint Francis University and the Board Chair at Saints Francis and Clare Church in Greenwood, Indiana. He has an MBA and Ph.D. from UNC Chapel Hill.

For the past 7 years, Paul has been researching best practices strategic resource allocation in higher education, presenting at international conferences, and co-founded ABC Insights, a premier higher education benchmarking consortium that was acquired by HelioCampus. Over the past nine months, Paul has authored 20 articles in the Chronicle of Higher Education and InsideHigherEd on strategies for change in higher education for surviving the COVID crisis and positioning universities for the long-term (over 300K views/downloads). He has also conducted many strategic planning projects and board retreats for universities, not-for-profit entities (including the Marines), and corporations (including The Biltmore Estate). He has written two best-selling books on team problem-solving (The McKinsey Mind and The McKinsey Engagement) and is an award-winning teacher of strategy and consulting for undergrads, MBAs, and Executives. He created a year-long board workshop series for AGB.

See all my articles, videos and presentation slides at www.paulfriga.com
12:30pm-2:00pm Session I:
The Role of the Board in Creating Realistic Expectations

2:10pm-3:40pm Session II:
Sharpening the Board’s Strategic Focus: The Top 5 Issues for Board Leadership
Session I:

The Role of the Board in Creating Realistic Expectations
Let’s start with the role of a higher education board – emphasis on fiscal responsibility

<table>
<thead>
<tr>
<th>&quot;The Governing Board’s Basic Responsibilities&quot; from Effective Governing Boards</th>
</tr>
</thead>
<tbody>
<tr>
<td>Establish, disseminate, and keep current the institution’s mission</td>
</tr>
<tr>
<td>Select a chief executive to lead the institution</td>
</tr>
<tr>
<td>Support and periodically assess the performance of the chief executive and establish and review the chief executive's compensation</td>
</tr>
<tr>
<td>Charge the chief executive with the task of leading a strategic planning process, participate in that process, approve the strategic plan, and monitor its progress</td>
</tr>
<tr>
<td>Ensure the institution's fiscal integrity, preserve and protect its assets for posterity, and engage directly in fundraising and philanthropy</td>
</tr>
<tr>
<td>Ensure the educational quality of the institution</td>
</tr>
<tr>
<td>Preserve and protect institutional autonomy and academic freedom</td>
</tr>
<tr>
<td>Ensure that institutional policies and procedures are current and properly implemented</td>
</tr>
<tr>
<td>In concert with senior administration, engage regularly with the institution's major constituencies</td>
</tr>
<tr>
<td>Conduct the board's business in an exemplary fashion and with appropriate transparency; ensure the currency of board governance policies and practices, and periodically assess the performance of the board, its committees, and its members</td>
</tr>
</tbody>
</table>
AGB has released guidance to help governing boards be more effective

Principles of Trusteeship

Lead by example

- Conduct yourself with impeccable integrity.
- Think independently and act collectively.
- Champion justice, equity, and inclusion.

Understand governance

- Embrace the full scope of your responsibilities as a board member.
- Respect the difference between the board's role and the administration's role.
- Be an ambassador for your institution and higher education.

Think strategically

- Ask insightful questions and listen with an open mind.
- Learn about your institution's mission, constituents, culture, and context.
- Focus on what matters most to the institution's long-term sustainability.

Source: Principles of Trusteeship, AGB 2021
A checklist of improvement opportunities from AGB

<table>
<thead>
<tr>
<th>Understanding Governance</th>
<th>Fiduciary</th>
<th>Team Member</th>
<th>Individual</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Embrace the full scope of your responsibilities as a board member.</td>
<td>Fulfill your fiduciary responsibilities.</td>
<td>Recognize that governance is a collective endeavor.</td>
<td>Prepare in advance, show up fully present, and participate productively.</td>
</tr>
<tr>
<td>2. Respect the difference between the board’s role and the administration’s role.</td>
<td>Honor the academic norm of shared governance, which includes the president, administration, and faculty.</td>
<td>Be humble and respect your partners in governance and leadership.</td>
<td>Provide advice and counsel but leave operational decisions to the administration.</td>
</tr>
<tr>
<td>3. Be an ambassador for your institution and higher education.</td>
<td>Advocate on behalf of your institution and higher education.</td>
<td>Represent the institution proudly and recognize who speaks for the board and for the institution.</td>
<td>Engage actively and appropriately.</td>
</tr>
</tbody>
</table>

| Lead by Example                                                                           |                                                                           |                                                                           |                                                                           |
| 4 Conduct yourself with impeccable integrity.                                           | Act in the institution’s best interests, putting them ahead of your personal preferences and political allegiances. | Preemptively disclose conflicts—actual and perceived—and dualities of interest. | Uphold the highest ethical standards.                                       |
| 5. Think independently and act collectively.                                            | Constructively challenge and support the president, administration, and committees. | Speak up on important issues, even if they are uncomfortable or unpopular. | Express your concerns diplomatically to the appropriate person(s) at an appropriate time. |
| 6. Champion justice, equity, and inclusion.                                              | Protect and promote justice and equity throughout the enterprise.         | Seek diversity and model inclusion on the board.                         | Be mindful of how your experience shapes your assumptions.                  |

| Think Strategically                                                                        |                                                                           |                                                                           |                                                                           |
| 7. Learn about your institution’s mission, constituents, culture, and context.            | Shape your institution’s vision and strategy based on its unique purpose and constituents. | Understand the present state of the enterprise and focus on its future needs. | Become a student of higher education.                                       |
| 8. Focus on what matters most to long-term sustainability.                                | Make decisions based on the strategy and vitality of the entire enterprise. | Help define what constitutes success for your institution.                 | Focus your personal and professional talents on significant strategic issues. |
| 9. Ask insightful questions and listen with an open mind.                                 | Pose the right questions, rather than prescribe answers.                  | Listen actively and seek to understand.                                   | Bring genuine curiosity and an open mind to board service.                 |

Source: Principles of Trusteeship, AGB 2021
A key step in setting expectations is to discuss multi-year financial forecasting.
Another step is to clarify the strategy and differentiation for a competitive marketplace

Proposed Strategy Statements – Hypothetical Regional Public University

<table>
<thead>
<tr>
<th>Mission</th>
<th>Vision</th>
<th>Values</th>
</tr>
</thead>
<tbody>
<tr>
<td>Creating leaders to impact society</td>
<td>Become the university that students call home</td>
<td>Student Focused Equity &amp; Diversity Outcomes &amp; Accountability</td>
</tr>
</tbody>
</table>

Proposed Priorities

<table>
<thead>
<tr>
<th>Priority 1</th>
<th>Priority 2</th>
<th>Priority 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Create a compelling vision around student success, personalized education, and athletics</td>
<td>Grow research in high-impact disciplines</td>
<td>Expand external partnerships</td>
</tr>
</tbody>
</table>

Source: Paul N. Friga
You will want to translate the priorities into a clear implementation plan

<table>
<thead>
<tr>
<th>Initiative 1</th>
<th>Initiative 2</th>
<th>Initiative 3</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>(Y1)</strong></td>
<td><strong>(Y2)</strong></td>
<td><strong>(Y3)</strong></td>
</tr>
<tr>
<td><strong>Objective 1.1:</strong> Launch New Strategic Vision</td>
<td><strong>Objective 1.2:</strong> Conduct Program Review to Realocate Resources</td>
<td><strong>Objective 1.3:</strong> Expand Athletic Programs</td>
</tr>
<tr>
<td>Assist all divisions and colleges in university-wide strategic refresh effort</td>
<td>Examine student enrollments, demand, and fit with faculty</td>
<td>Benchmark athletic programs and student success against peers</td>
</tr>
<tr>
<td><strong>Objective 1.2:</strong> Conduct Program Review to Realocate Resources</td>
<td><strong>Objective 1.3:</strong> Expand Athletic Programs</td>
<td>Prioritize research areas and redesign faculty incentives accordingly</td>
</tr>
<tr>
<td><strong>Objective 1.3:</strong> Expand Athletic Programs</td>
<td><strong>Objective 2.1:</strong> Develop Academic Plan</td>
<td>Launch research institutes and grant writing office</td>
</tr>
<tr>
<td><strong>Objective 2.1:</strong> Develop Academic Plan</td>
<td><strong>Objective 2.2:</strong> Research &amp; Innovation</td>
<td>Solicit input from stakeholders and finalize acquisition target strategic scoring matrix</td>
</tr>
<tr>
<td><strong>Objective 2.2:</strong> Research &amp; Innovation</td>
<td><strong>Objective 2.3:</strong> Create Nursing School</td>
<td>Conduct market analysis of target student populations, demand, and competitive offerings</td>
</tr>
<tr>
<td><strong>Objective 2.3:</strong> Create Nursing School</td>
<td><strong>Objective 3.1:</strong> Develop Modern Pedagogies and Offerings</td>
<td>Expand partnerships with employers interested in diverse student graduates</td>
</tr>
<tr>
<td><strong>Objective 3.1:</strong> Develop Modern Pedagogies and Offerings</td>
<td><strong>Objective 3.2:</strong> Strengthen Relationships with Employers, Alumni, and Partners</td>
<td>Invest in current and new digital offerings; promote inclusive pedagogical techniques</td>
</tr>
<tr>
<td><strong>Objective 3.2:</strong> Strengthen Relationships with Employers, Alumni, and Partners</td>
<td><strong>Objective 3.3:</strong> Launch New Online Program with Community Colleges Nationwide</td>
<td>Grow key alumni engagement; invest in analytics and staff to prepare for comprehensive campaign</td>
</tr>
<tr>
<td><strong>Objective 3.3:</strong> Launch New Online Program with Community Colleges Nationwide</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Underlying Values**
- Student Focused
- Equity & Diversity
- Outcomes & Accountability

**Source:** Paul N. Friga
Multi-year budgeting of investments and returns are necessary for tracking strategic initiatives.

Total Investment = $6,060,000

<table>
<thead>
<tr>
<th>Year</th>
<th>Investment</th>
<th>Revenue</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY2022</td>
<td>$160,000</td>
<td>$150,000</td>
</tr>
<tr>
<td>FY2023</td>
<td>$3,500,000</td>
<td>$1,550,000</td>
</tr>
<tr>
<td>FY2024</td>
<td>$2,400,000</td>
<td>$3,700,000</td>
</tr>
</tbody>
</table>

Source: Paul N. Friga
A performance dashboard can help the board track the progress of a strategic plan.

- **Students**
  - Enrollment
  - % Graduate
  - Graduation rate
  - Student to faculty ratio
  - Categories: Low, Med, High

- **Academics**
  - New majors
  - New masters programs
  - New workforce certificates
  - % Students Online
  - Categories: Low, Med, High

- **Campus**
  - New buildings
  - Residential upgrades
  - New sq. ft. added
  - Categories: Low, Med, High

- **Financials**
  - Endowment
  - Campaign funding
  - Faculty/staff salaries
  - Alumni donations
  - Categories: Low, Med, High

Source: Paul N. Friga
Scenario Planning is focused on modeling different dimensions that may affect the future forecasting – example given below related to COVID 19

2. Transition
- Cut expenses or draw endowment/debt 5-10% of operating expenses
- Invest in online offerings
- Look for revenue generation opportunities

3. New Normal
- Cut expenses or draw endowment/debt 2-5% of operating expenses
- Stabilize campus and pursue major growth
- Moderate changes to academic programs – focus on administrative efficiencies

4. Constrained
- Cut expenses or draw endowment/debt 10-25% of operating expenses
- Stabilize campus and selective growth
- Major changes to administrative and academic programs and processes

Location
- Virtual
- On-campus

Net Negative Revenue Impact
- Minor
- Major

Source: Paul Friga, AAC&U Survey of Presidents, July 12, 2020 n=119; ABC Insights Survey of CFOs n=21
The Board should be discussing key strategy initiative ideas with the Cabinet

**Strategic Initiatives for Adapting Your Business Model to Tough Times**

<table>
<thead>
<tr>
<th>Optimize Administrative Spend</th>
<th>Increase Academic Program Returns</th>
<th>Grow Resources</th>
</tr>
</thead>
</table>

**Examples of Strategic Initiatives For Change**

- **Optimize Administrative Spend**
  - Consolidate Purchasing
  - Cut Staff
  - Re-engineer Processes
  - Outsource
  - Centralize/Shared Services
  - Modernize Technologies
  - Merge Multiple Locations
  - Increase Span of Control
  - Decrease Energy Use

- **Increase Academic Program Returns**
  - Sunset Programs
  - Expand Existing Programs
  - Launch New Programs
  - Increase Teaching Loads
  - Hire More PT Faculty
  - Hire More NTT Faculty
  - Freeze New Faculty Hires
  - Decrease # of Faculty
  - Increase Student Retention

- **Grow Resources**
  - Launch New Development Campaign
  - Determine Unique Positioning
  - Invest in Advertising Campaigns
  - Collaborate with Other Universities
  - Pursue PPPs (facilities, energy, etc.)
  - Launch Medical Services
  - Develop More Executive Education
  - Increase Online Program Offerings
  - Secure New Debt Offerings
  - Grow Research Portfolio
  - Sell Excess University Assets (land, etc.)
  - Grow Enrollments

*Source: Paul Friga, PhD*
# Let’s take a look at George Mason University

<table>
<thead>
<tr>
<th>Stat</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>Undergraduate Enrollment</td>
<td>26,882 (Fall 2021)</td>
</tr>
<tr>
<td>Undergraduates Receiving Grant or Scholarship Aid</td>
<td>15,441 (2020-2021)</td>
</tr>
<tr>
<td>In-State Tuition and Fees</td>
<td>$13,119 / $36,579 (2021-2022)</td>
</tr>
<tr>
<td>Average Amount of Aid</td>
<td>$8,675 (2020-2021)</td>
</tr>
<tr>
<td>Four-Year Graduation Rate</td>
<td>49% (Fall 2015 Cohort)</td>
</tr>
<tr>
<td>Full-Time Retention Rate</td>
<td>84% (Fall 2021)</td>
</tr>
</tbody>
</table>

Source: howcollegepspendmoney.com
A fantastic story of enrollment growth!

In-State Enrollment Growth: FY13 – FY22

<table>
<thead>
<tr>
<th>Institution</th>
<th>Headcount Enrollment</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>GMU</td>
<td>+4,647</td>
<td>+18%</td>
</tr>
<tr>
<td>W&amp;M</td>
<td>+581</td>
<td>+11%</td>
</tr>
<tr>
<td>VT</td>
<td>+2,119</td>
<td>+10%</td>
</tr>
<tr>
<td>UVA</td>
<td>+591</td>
<td>+4%</td>
</tr>
<tr>
<td>ODU</td>
<td>-1,224</td>
<td>-6%</td>
</tr>
<tr>
<td>VCU</td>
<td>-2,150</td>
<td>-8%</td>
</tr>
</tbody>
</table>

Source: SCHEV Fall Headcount Enrollment
Data highlighting the funding issues from the state

Mason’s Commitment to Financial Aid and Affordability

Despite receiving lower appropriations than our peers, Mason has kept tuition and fees low.

Source: GMU Budget Summary 2022-2023 © AGB 2023
# A high-level look at the GMU Financials

<table>
<thead>
<tr>
<th>Cash basis</th>
<th>FY20 Actual</th>
<th>FY21 Actual</th>
<th>FY22 Budget</th>
<th>FY22 Actual</th>
<th>FY23 Budget (Amended)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenues</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net Tuition and Fees</td>
<td>442</td>
<td>459</td>
<td>458</td>
<td>466</td>
<td>486</td>
</tr>
<tr>
<td>State Appropriations</td>
<td>190</td>
<td>185</td>
<td>234</td>
<td>251</td>
<td>266</td>
</tr>
<tr>
<td>Grants &amp; Contracts</td>
<td>210</td>
<td>211</td>
<td>236</td>
<td>247</td>
<td>245</td>
</tr>
<tr>
<td>Auxiliary Enterprises</td>
<td>227</td>
<td>181</td>
<td>236</td>
<td>233</td>
<td>245</td>
</tr>
<tr>
<td>Other Operating Revenue</td>
<td>25</td>
<td>18</td>
<td>15</td>
<td>13</td>
<td>16</td>
</tr>
<tr>
<td><strong>Non-Operating Revenue:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Relief Funding</td>
<td>13</td>
<td>49</td>
<td>72</td>
<td>40</td>
<td>46</td>
</tr>
<tr>
<td>Capital Grants</td>
<td>46</td>
<td>72</td>
<td>50</td>
<td>32</td>
<td>89</td>
</tr>
<tr>
<td><strong>Total Revenues</strong></td>
<td>$1,152</td>
<td>$1,175</td>
<td>$1,300</td>
<td>$1,283</td>
<td>$1,393</td>
</tr>
<tr>
<td><strong>Expenses</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Salaries and Wages</td>
<td>462</td>
<td>478</td>
<td>540</td>
<td>526</td>
<td>565</td>
</tr>
<tr>
<td>Fringe Benefits</td>
<td>129</td>
<td>135</td>
<td>152</td>
<td>149</td>
<td>158</td>
</tr>
<tr>
<td>Contractual Services</td>
<td>171</td>
<td>147</td>
<td>206</td>
<td>191</td>
<td>194</td>
</tr>
<tr>
<td>Travel and Training</td>
<td>20</td>
<td>5</td>
<td>8</td>
<td>13</td>
<td>21</td>
</tr>
<tr>
<td>Supplies</td>
<td>21</td>
<td>23</td>
<td>24</td>
<td>26</td>
<td>26</td>
</tr>
<tr>
<td>Equipment</td>
<td>21</td>
<td>18</td>
<td>20</td>
<td>26</td>
<td>31</td>
</tr>
<tr>
<td>Capital Outlay</td>
<td>80</td>
<td>73</td>
<td>100</td>
<td>46</td>
<td>130</td>
</tr>
<tr>
<td>Debt Service</td>
<td>50</td>
<td>36</td>
<td>14</td>
<td>14</td>
<td>25</td>
</tr>
<tr>
<td>Scholarships &amp; Fellowships</td>
<td>119</td>
<td>140</td>
<td>168</td>
<td>168</td>
<td>157</td>
</tr>
<tr>
<td>Occupancy</td>
<td>48</td>
<td>38</td>
<td>46</td>
<td>46</td>
<td>48</td>
</tr>
<tr>
<td>AE-Infrastructure Funding</td>
<td>31</td>
<td>83</td>
<td>21</td>
<td>78</td>
<td>38</td>
</tr>
<tr>
<td><strong>Total Expenses</strong></td>
<td>$1,152</td>
<td>$1,175</td>
<td>$1,300</td>
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<td>$1,393</td>
</tr>
</tbody>
</table>
A little AGB Benchmarking – Inflation Adjusted Tuition

GMU falls within their peer class among tuition cost within Virginia.

Illustrative Peer Group

Source: howcollegesspendmoney.com
GMU falls within their peer class administrative costs per student.
GMU has higher costs than several peers within Virginia for instructional costs.
Illustrative Peer Group

GMU in investing in student services - higher costs than most peer universities in this set.

Source: howcollegesspendmoney.com
GMU had stable enrollment metrics from 2015-2019 compared to peers.

Admission Funnel Summary: The Fall Cohort size (Enrolled stage) at George Mason University increased from 3,181 to 3,763 between 2015 to 2019, a change of +582.
Diversity Metrics Comparison

GMU had higher diversity than JMU and VT and matches VCU.

Ethnicity Composition of Enrollments

Source: HelioCampus
GMU had stable full-time retention rates alongside peers.
Graduation Rates Comparison

GMU had stable graduation rates alongside peers but lower than JMU and Va Tech.

Illustrative Peer Group

- George Mason University
- University of Central Florida
- James Madison University
- Virginia Commonwealth University
- Virginia Polytechnic Institute and State University

Source: howcollegesspendmoney.com
Planning for the Future: The Path Forward

Today, we anticipate resources constrained by slower enrollment growth, pressures to keep tuition increases low or at zero, and the highest inflation in forty years impacting our operating costs. We need to position ourselves financially so that we have institutional resources to weather potential enrollment shortfalls, economic downturns, and/or reductions in State support. We also need to have a funding mechanism for innovation, university priorities and investment in more efficient infrastructure and services. Mason has developed plans to implement strategic priorities to move the institution forward into our next half century. We are focused on supporting the Governor’s Agenda for Higher Education:

• Promoting a Vibrant Campus Life

• Maintaining Affordability & Reducing the Cost of Higher Education

• Preparing Students for the Increasing Demands of the Knowledge Economy

• Building the College and Career Ready Pipeline in Partnership with K-12 School Divisions & Other Key Stakeholders through Lab or Innovation Schools Mason continues to make the best use of or limited resources, investing in our people, systems and students

Source: GMU Budget Summary 2022-2023
Session II:

Sharpening the Board’s Strategic Focus: The Top 5 Issues for Board Leadership
Profitability is one of the key priorities in my strategic planning framework for higher education.

Declining Enrollments

- Who are we?
- What do we offer that is unique?
- Where are we headed, exactly?

**Purpose**
*Mission, Values & Vision*

**Products**
*Key Offerings For a Modern World*

- What degrees?
- What non-degrees?
- Which customers and delivery options?

**Profitability**
*Long-Term Fiscal Responsibility*

- Sources of revenue growth?
- Administrative spend control?
- Academic program review and faculty productivity?

**Partnerships**
*With Companies, Government, & Industry*

- Joint research?
- Private-public partnerships?
- Co-curriculum development?

Source: Dr. Paul Friga, “Time for a “Strategy Refresh” for Your University” 2021
Declining high school graduates and fighting for enrollments are big issues

Enrollment Projected to Drop Sharply After 2025
Forecasted Number of College-Going Students in the U.S. (millions), by Year of High School Graduation

Four-Year College Enrollment, Fall Semester Yoy Change
-15%
Decline in College-Going Students (2025-2029)

Source: “FitchRatings, 2022"
The impact of declining enrollments varies across the country (changes from 2021 to 2022)

- Montana, Arizona, Utah, Colorado, South Carolina, West Virginia, Washington D.C., and New Hampshire all saw an increase in their enrollments
- Michigan saw the greatest decline in enrollments overall with a 16% decline

Source: “Survey of the higher education landscape”, National Student Clearinghouse Research Center, Estimated Enrollment Change by State Spring 2022
Graduation rates continue to be low

Graduation Rates by Institution Type

<table>
<thead>
<tr>
<th>Institution Type</th>
<th>4-year</th>
<th>6-year</th>
<th>8-year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Private For-profit FTFT</td>
<td>45.5</td>
<td>47.4</td>
<td>47.8</td>
</tr>
<tr>
<td>Private Nonprofit FTFT</td>
<td>53.7</td>
<td>64.3</td>
<td>85.6</td>
</tr>
<tr>
<td>Public FTFT</td>
<td>32.8</td>
<td>45.9</td>
<td>47.9</td>
</tr>
</tbody>
</table>

Source: “Survey of the higher education landscape”, National Student Clearinghouse Research Center, 2022
Public trust in higher education has significantly eroded

Percent of Americans who said colleges have a positive effect on the way things are going in this country:

- 2020: 69%
- 2021: 58%
- 2022: 55%

Source: https://www.newamerica.org/education-policy/reports/varying-degrees-2022/
The 2022 survey of business officers suggests that the majority are somewhat confident moving forward

33% respondents strongly agree that their institution will be financially stable over the next 5 years (another 37% somewhat agree)

Over 60% said they are in better shape than last year and 37% think they will be worse off next year

Reasons for Better Financial Shape
- “We received significant funding from American Rescue Plan”
- “We reduced our expenses in the wake of Covid-19 and our budget remains smaller”

Reasons for Worse Financial Shape
- “Enrollment is lower”
- “Tuition revenue has declined”
- “My institution has not been able to make enough budget cuts”
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.”

One-third of universities face an unsustainable financial future

The annual composite score measures a university’s resiliency based on three equally weighted metrics: primary reserve ratio, net margin, and three-year enrollment growth.

Source: “The Financially Sustainable University: The Lost Decade”, Bain
Expenses continue to grow and now exceed revenues on average

**Balance Sheets**
Average equity ratios have declined by **8 percentage points**

**34%** of universities saw equity ratios drop more than **5%**

**Income Statements**
Average expense ratios have increased by **10 percentage points**

**56%** of universities saw expense ratios increase by more than **5%**

Source: “The Financially Sustainable University: The Lost Decade”, Bain
Private and Public Institutions face financial deterioration at different rates

PUBLIC UNIVERSITIES

saw their positions deteriorate more than average, primarily through declining equity ratios

- Financially sound path
- Unsustainable financial path

PRIVATE INSTITUTIONS

fared better, although the number of financially sustainable institutions still fell about 20%, primarily through worsening expense ratios

Source: “The Financially Sustainable University: The Lost Decade”, Bain
The 2022 survey of business officers suggests that the majority are somewhat confident moving forward.

**CONFIDENCE IN INSTITUTIONAL FINANCIAL STABILITY**

I am confident my institution will be financially stable over the next five years. (n=238)

- Strongly disagree: 4%
- Somewhat disagree: 18%
- Neither agree nor disagree: 8%
- Somewhat agree: 37%
- Strongly agree: 33%

I am confident my institution will be financially stable over the next 10 years. (n=238)

- Strongly disagree: 5%
- Somewhat disagree: 16%
- Neither agree nor disagree: 15%
- Somewhat agree: 46%
- Strongly agree: 19%
Over 60% said they are in better shape than last year and 37% think they will be worse off next year.
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...*

- ...we received significant funding from the American Rescue Plan: 75%
- ...we reduced our expenses in the wake of COVID-19 and our budget remains smaller: 50%
- ...our endowment has increased: 50%
- ...our enrollment has grown: 43%
- ...we’ve increased our fundraising: 39%
- ...our administrative workforce has shrunk: 19%
- ...our spending on instruction has decreased: 15%
- Other: 12%
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)

- Enrollment is lower: 91%
- Tuition revenue has declined: 82%
- My institution has not been able to make enough budget cuts: 40%
- Auxiliary funding has shrunk because of campus closures: 37%
- My institution received funding from the American Rescue Plan but it was not enough to cover our financial difficulties: 32%
- My institution has not been as successful in fundraising as in previous years: 14%
- The costs of implementing online learning: 11%
- Other: 16%

Source: Inside Higher Ed | 2022 Survey of College and University Business Officers
Recognizing the need for new strategies in higher education boards is crucial for effective governance

• “Trustees are facing challenges such as the pandemic, the enrollment cliff, declining state funding, and increasing online learning that ultimately will make or break the institution they govern and are responsible for”

• To face these challenges, it requires wise leadership at the trustee level as well as a paradigm shift in the governance structure
  – Boards need to move into oversight AND consultative roles to offer critical guidance to presidents and the institution as a whole
  – Expertise in understanding macro trends (new regulations, technology, the global environment, a changing workforce, and funding) redefine how higher education creates and maintains value

Source: “Embracing a New Model for Higher Education Governance”, Changing Higher Ed
Resources – Contact me if you don’t have access to any of these and I can send you a copy

- Why Multiyear Forecasting is So Important in Higher Education

- Paul’s other AGB Blogs…
  - Way Too Early New Year’s Resolutions to Improve Your University’s Governance
  - Don’t Forget Long-Term Strategy
  - Why Every University Should Continue to Optimize Post-Pandemic Administrative Spending
  - It’s Time to Increase the ROI of Your Academic Spend
  - How to Invest Your Federal Rescue Plan Funds
  - It’s Time to Transform Your University
  - It is Time to Get Strategic About Enrollments

- AGB Resources
  - Principles of Trusteeship Overview & E-Book
  - Increasing Diversity on the Boards of Colleges and Universities
  - Trusteeship Podcast: Higher Education Business Models Under Stress
  - Mental Health Issues on Campus: Time for New Solutions
  - ESG Powering Sustainable Business Models in Higher Education

- Plus – Paul Friga’s website with more articles, podcasts and videos