



Education
Advisory
Board

Academic Affairs Forum

Future Students, Future Revenues

Business Model Implications of Demographic Change

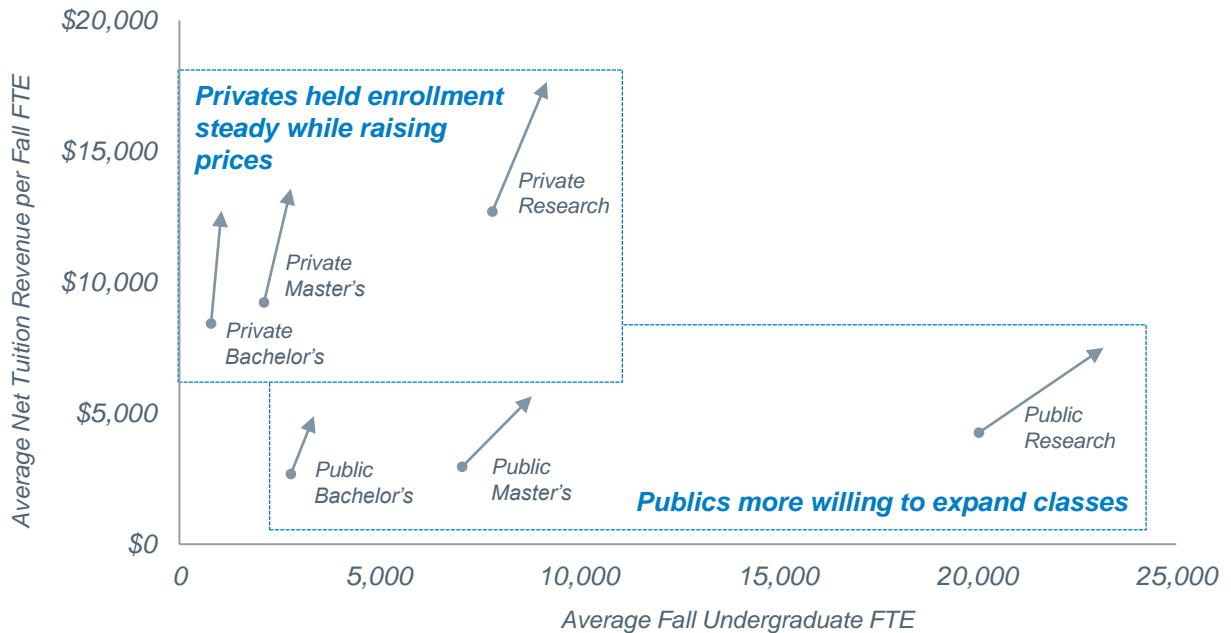
*University System of Georgia
Enrollment Management Symposium
November 14, 2014*



A Good Run While It Lasted

Privates Leveraged Price, Publics Expanded Headcount

Growth in FTE Enrollment and Net Tuition Revenue Per FTE, 2002-2010

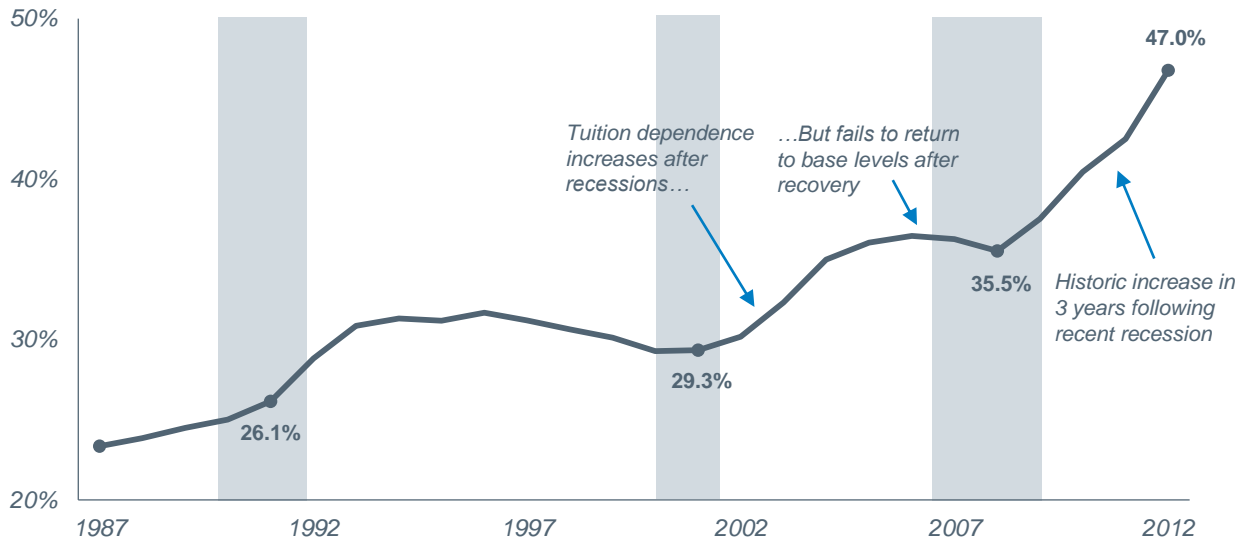


Publics Become Increasingly Tuition Dependent



States Cut Back Funding While Allowing Tuition to Rise

Tuition as a Percentage of Educational Revenues for Public Universities, 1986-2012



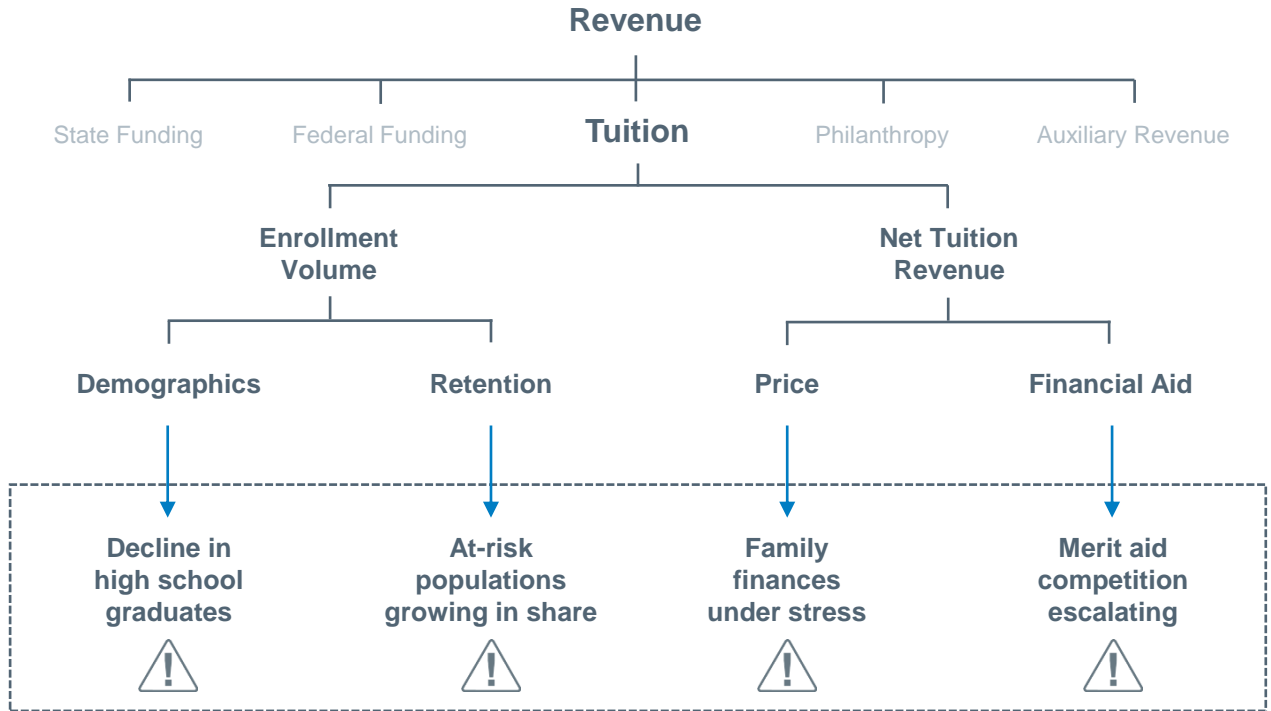
1) Shaded areas indicate recessions

2) "Educational revenues" includes state and local support for higher education (minus support for research, agriculture, and medicine), and net tuition and fees. It does not include federal grants or contracts.



What Got Us Here Won't Get Us There

Revenue “Tailwinds” Can't Be Relied On Going Forward

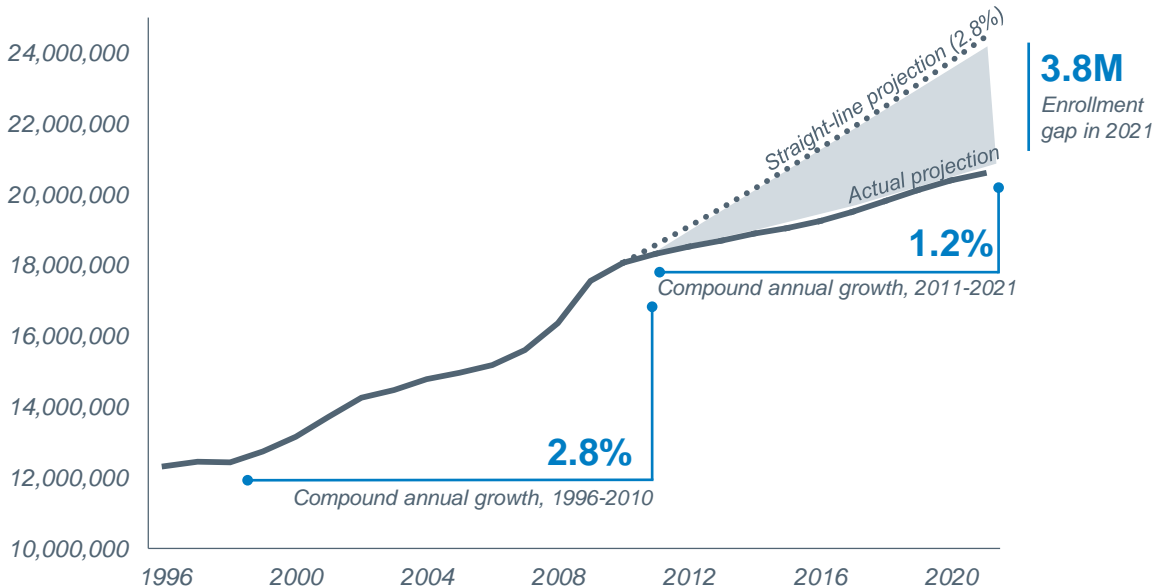


Mind the Gap



Enrollments Will Continue to Grow, But at a Slower Rate

Total Fall Enrollment, Title IV-eligible Institutions, 1996-2021 (projected)



1) Includes total enrollment (undergraduate and graduate)

Source: National Center for Education Statistics, Projections of Education Statistics to 2021, Jan 2013; National Center for Education Statistics, "Table 214," Digest of Education Statistics; Education Advisory Board interviews and analysis.



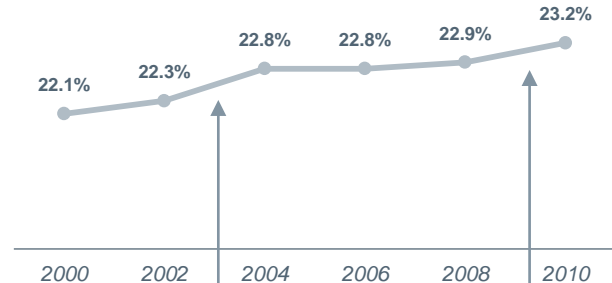
Location Matters, Still

But Some Regions Will Face Significant Demographic Headwinds

Net Change in High School Graduates, 2012-2022



Percentage of Freshmen Studying Out of State, 2000-2010



*Despite nationwide interest in out-of-state recruitment, **total pool of out-of-state students barely increasing***

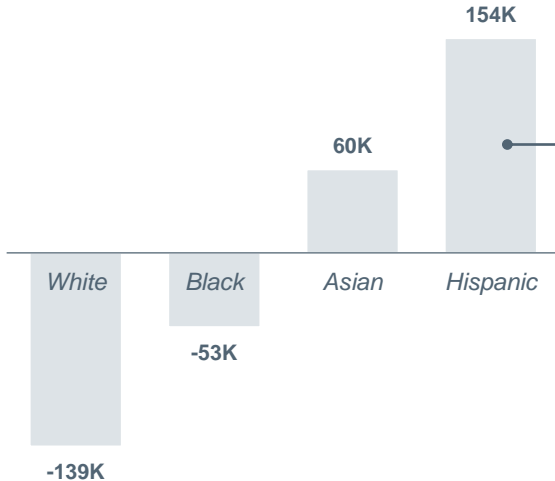
1) Percentage of freshmen studying out-of-state was calculated across nonprofit four-year institutions that reported student residence and migration data to NCES in each listed year.



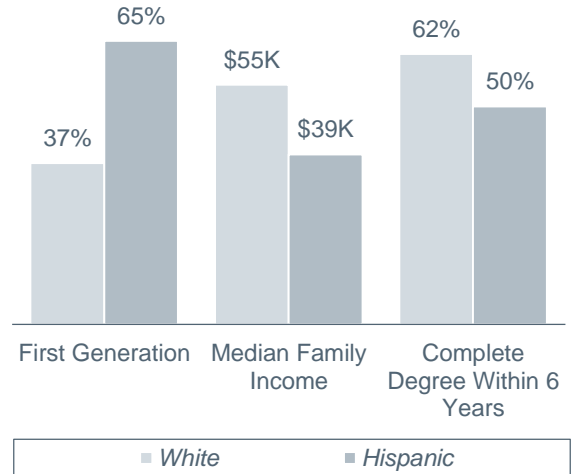
Shifting Student Mix

Demographics Will Require Greater Investment in Student Success

Projected Net Growth in High School Graduates by Race, 2011-12 to 2021-22



Distinct Challenges Facing Hispanic Students Remain, Despite Recent Gains





How We're Responding

Delaying the Demographically Inevitable

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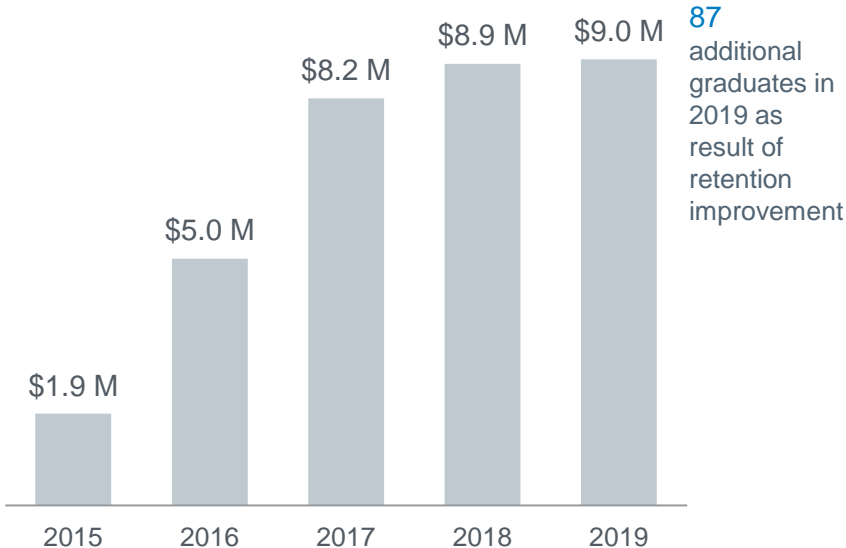


Student Success as Revenue Generator

Improved Retention the Greatest Revenue Opportunity for Most Universities

Projected Revenue Gains Due to Improved Retention

Public Doctoral University, Enrollment 15,000



Model Inputs

Total Enrollment: 15,005

Net Rev Per Student: \$18,760
(net tuition and fees plus state appropriations)

Revenue gains compound over time as incrementally retained students continue through the system

Assumed Retention Improvement

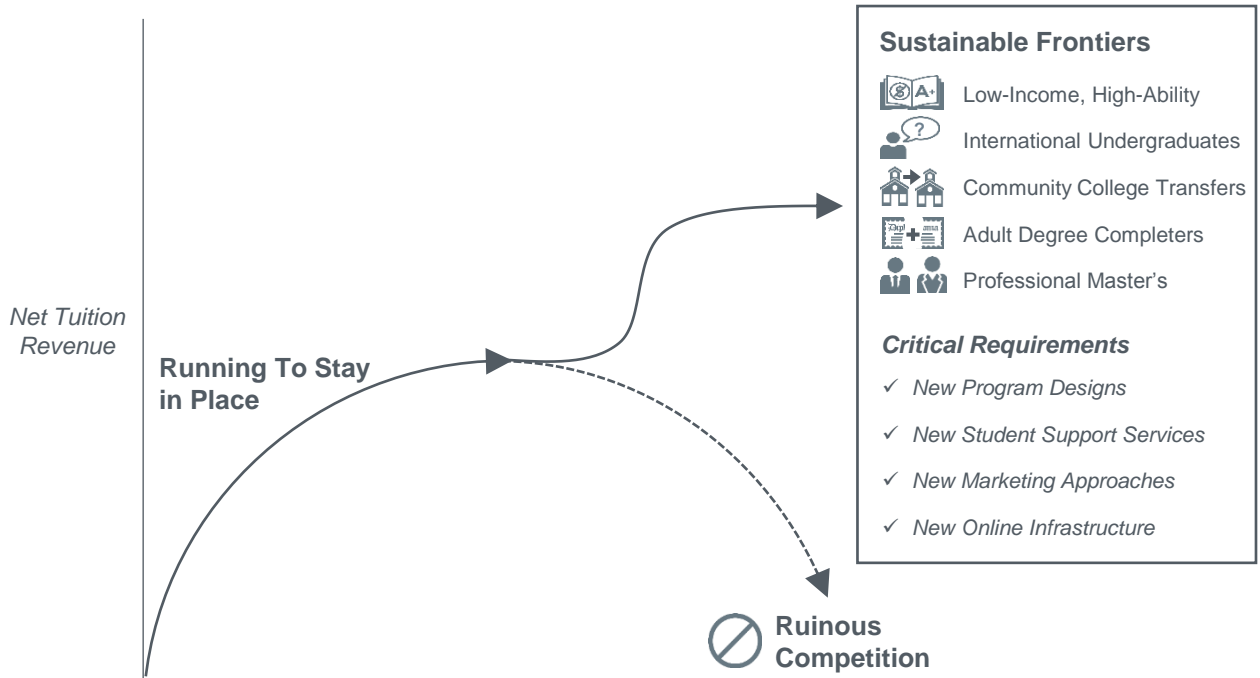
0-29 credits	2% total over 3 years
30-59 credits	2% total over 3 years
60-89 credits	0% total over 3 years
90-119 credits	0% total over 3 years
120+ credits	0% total over 3 years

Diversifying Tuition Revenue

Recalling Last Year's Research on "Future Students, Future Revenues"

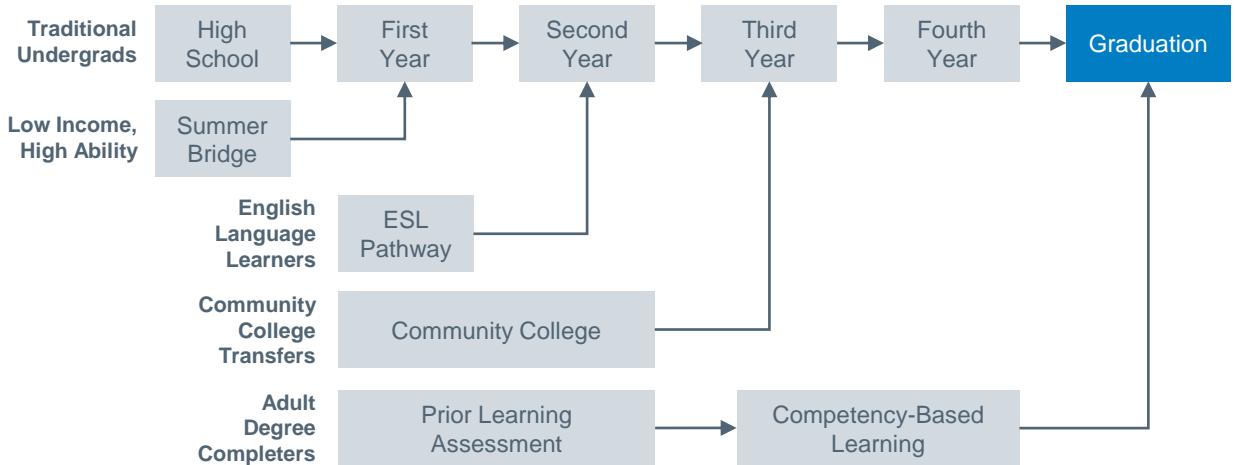


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Pathways to Success

A Model for Recruiting and Graduating Non-Traditional Students



Advantages of Pathways

- Widen recruiting funnel
- Increase diversity
- Assess readiness
- Improve success rates
- Maintain selectivity
- Generate revenue

Online for Whom?

Differentiating the Major Market Segments



Residential Undergraduates

Opting for Convenience and Enrichment



Professional Master's Students

Investing in Career Advancement



Adult Degree Completers

Looking for Fast, Flexible Degrees

Goals

On-Time Graduation
Exploration

Promotion
Career Change

Salary Bump
Personal Fulfillment

Typical Program Structure

Summer Sessions
Hybrid Courses

Part-Time
Project-Based

Competency / PLA
Accelerated Programs

Selection Process

Location
Reputation
Cost

“Search and Shop”
Reputation in Industry

“Search and Shop”
Cost
Convenience

Choosing Where to Compete

Five Emerging Student Segments



The Blame Game

Pundits, Practitioners Trade Accusations As Prices Rise for the Poor



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Institutions Rob From the Poor, Give to the Rich?

“There is compelling evidence to suggest that many schools are... **using Pell Grants to supplant institutional aid [for] financially needy students**, and then **shifting these funds to help recruit wealthier students.**”

*Stephen Burd
Senior Policy Analyst, New America Foundation*

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States and Rankings Mania to Blame

“I don’t think everything you see here is intentional as much as it is **a response to the ranking race, and declines in state support** that are getting institutions to look for other forms of revenue.”

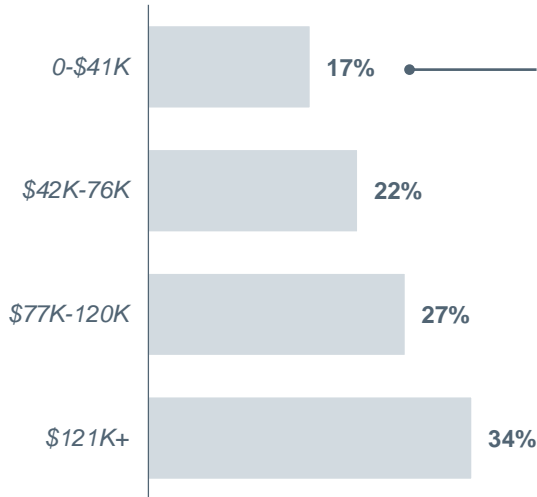
*Michael Reilly
Executive Director, AACRAO*

Source: Stephen Burd, “Undermining Pell: How Colleges Compete for Wealthy Students and Leave the Low-Income Behind,” New America Foundation, May 2013; Kevin Kiley, “Merit Consideration,” *Inside Higher Ed*, May 8, 2013.

A Greater Supply Than Previously Thought

Significant Numbers of Low-Income Students Have High Ability

High-Ability Students by Income Quartile



35K

Number of low-income students who scored in top tenth on SAT/ACT

8%

Percentage of the above who apply to schools commensurate with their test scores

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Once they apply to a selective college, “there is no statistical difference in their probability of enrolling or in their progress toward a degree.”

Caroline Hoxby and Christopher Avery

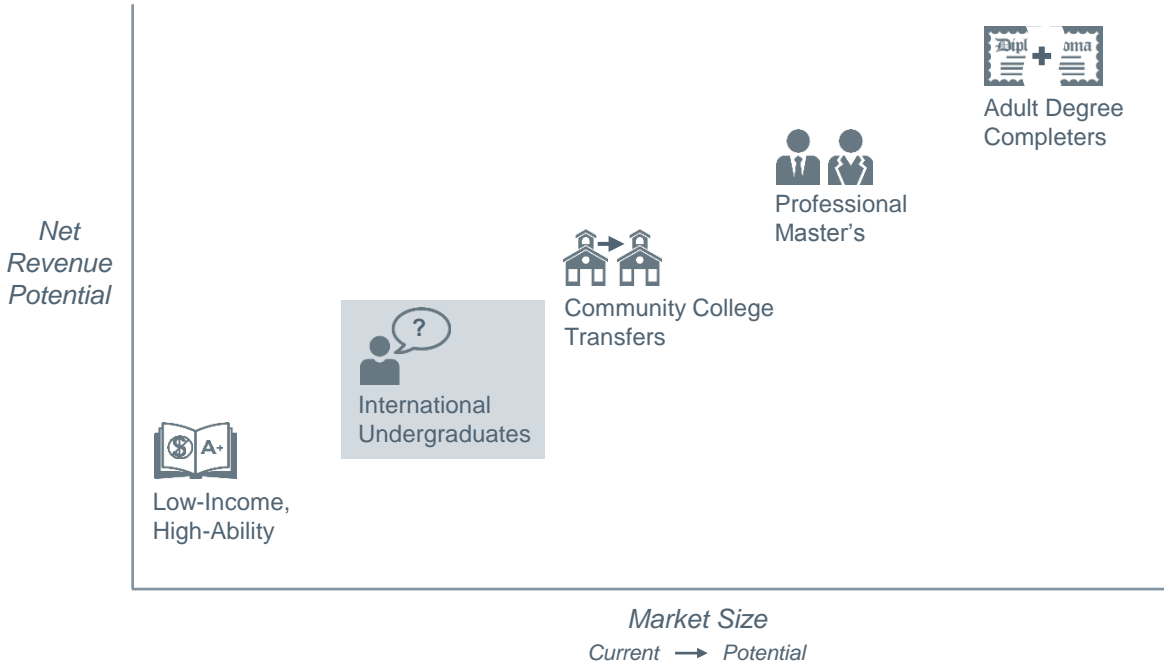
1) “High-ability” students are those who scored in the top 10% on the SAT I or ACT.

Source: Caroline Hoxby and Christopher Avery, “The Missing ‘One-Offs’: The Hidden Supply of High-Achieving, Low-Income Students,” National Bureau of Economic Research, December 2012; Education Advisory Board interviews and analysis.



Choosing Where to Compete

Five Emerging Student Segments



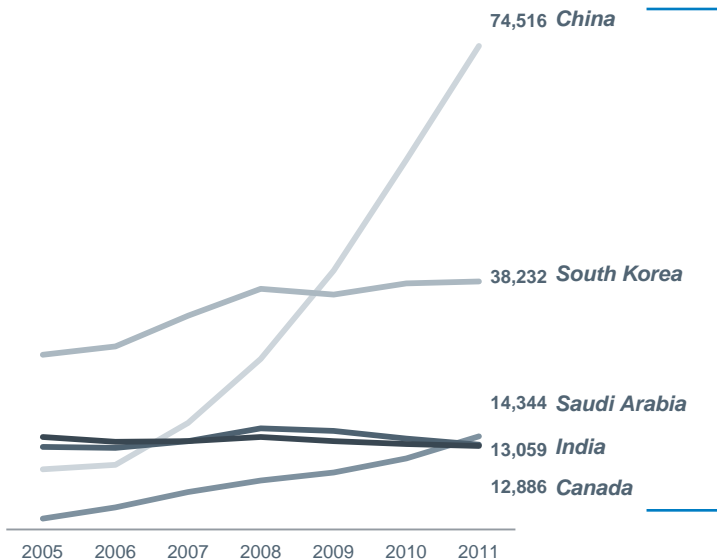
Looking for Revenue

Doctoral Share Declines as More Students Pay for Bachelor's and ESL



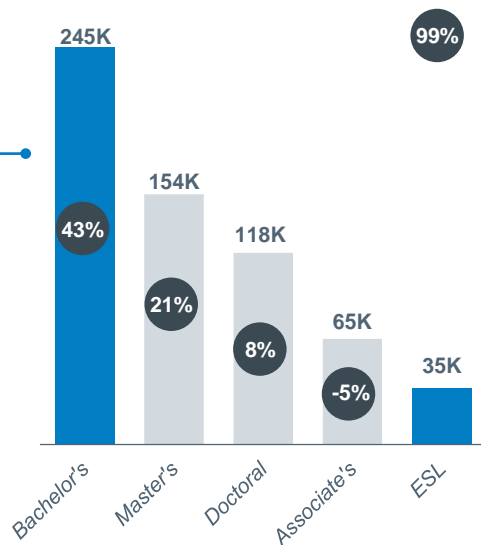
Growth Dominated By Chinese Students

International Undergraduate Enrollment by Nationality



Growth Driven by Fee-Paying Undergraduates

Increase in International Enrollment and Growth Rate by Level, 2006-2011



Source: National Center for Education Statistics, *IPEDS Data Center*; Institute of International Education, *Open Doors 2012*; Education Advisory Board interviews and analysis.



Too Few or Too Many?

For Most, Expanding Capacity a Greater Challenge Than Recruiting

Do we have enough capacity?

- Seats in high-demand programs
- Classrooms and laboratories
- Student residence accommodations

Are we ready to serve them?

- English language support
- Academic advising
- Immigration compliance
- Career services

Is the campus culture ready?

- Faculty sensitivity training
- Intercultural staff
- Student attitudes
- Religious tolerance

Will they adjust to our culture?

- Academic integrity standards
- “Ghettoization” of international students
- Reluctance to seek counseling

“

“You need to ramp up gradually. We moved faster than the campus was emotionally ready for. When we got to 6-7% international students, people started to push back.”

*VP for International Programs
Public Research University*

“

“Even bringing 500 new students has had an impact on the student health center, counseling, and the registrar. It created a ripple effect on campus.”

*VP for Enrollment Management
Private Master’s University*



Choosing Where to Compete

Five Emerging Student Segments

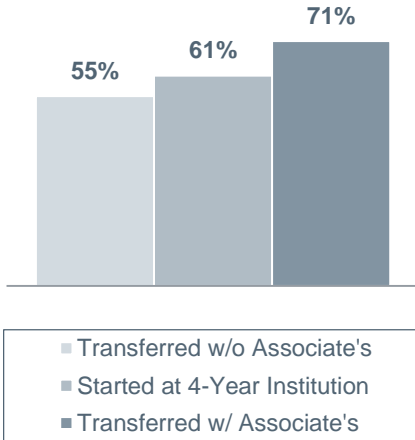


Better Than Your Freshman

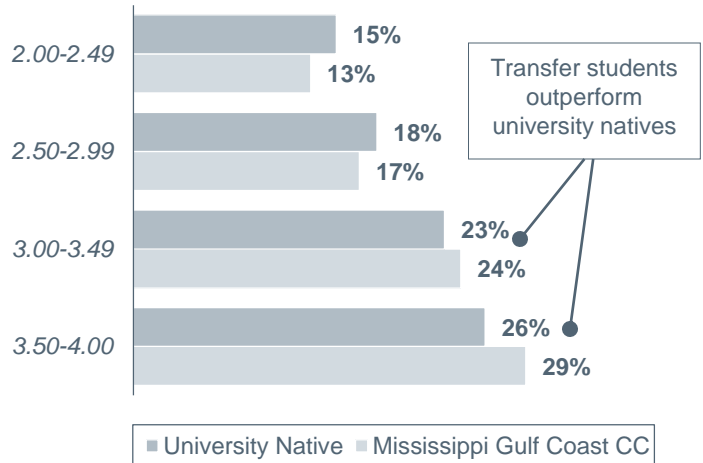
Transfers Often Exceed "Native" Student Performance



National 6-Year Graduation Rates by Transfer Status, 2006 Entering Cohort



GPA of MGCCC Transfers at Mississippi Public Universities



Source: National Student Clearinghouse Research Center, "Transfer Outcomes," and "Completing College: A National View of Student Attainment Rates"; National Center for Education Statistics, Beginning Postsecondary Survey; Education Advisory Board interviews and analysis.

Building a Sustainable Pathway for Transfers



Investing in Flexibility, Relationships, and Support Services



Choosing Where to Compete

Five Emerging Student Segments



Driven by Both Supply and Demand

Why Master's Degrees Are Increasingly Popular

Ready Supply from Universities



Generates enrollment revenue as core markets stagnate



Protects selectivity and brand of core programs, including bachelor's



Not subject to caps on undergraduate tuition



Makes use of lower cost, more flexible instructors

Growing Demand from Students, Employers



Delivers specialized skills for increasingly technical roles



Provides practical experience that eases entry into workforce



Allows midcareer professionals to keep pace with upskilling



Offers shorter, less costly alternatives to traditional graduate degrees

Not Just “Working Professionals”

Designing Programs to Serve Distinct Market Segments



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New Program Types Require New Capabilities



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A Contrast To Traditional Master's Programs

Professional Masters Students

New Program Requirements

In Fast-Changing Industries



Faster Program Approval

Strongly Focused on ROI



Rigorous Market Research

Long Out of College



More Flexible Admissions Requirements

Evaluating Multiple Programs



Student-Centric Program Design

Shopping Online



Online Marketing and Recruiting

Working Full-Time



Flexible Delivery Modes

Expect 24/7 Support



Working Adult Support Services

Looking to Rise within Their Org



Leadership Development

See Masters as Route to a Specific Job



Career Placement

Choosing Where to Compete

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The Best Hope for Meeting Completion Goals

Foundations and Governors Pin Hopes on Degree Completers



Lumina Leads the Completion Charge



Percentage of Americans with “high-quality degrees or other credentials”

38% → **60%**
2010 2025

States Add Their Own 2025 Pledges

- **Colorado** plans to double the number of degrees produced in its state system
- **Arkansas** pledges to double the total number of degree holders in the state
- **Tennessee** “Drive to 55” would increase proportion of citizens with higher education by >20 points by 2025



Non-Traditional Students are Non-Negotiable

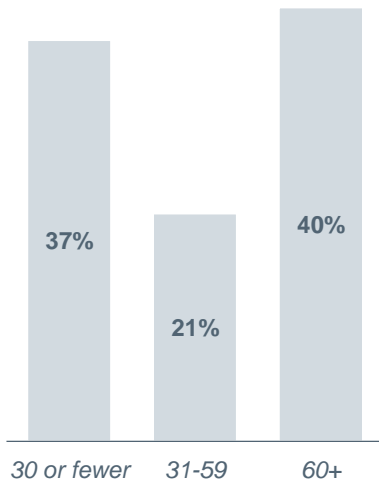
“While the specifics and timeframes of these goals may differ, one thing is true across the board: none of them will be met by only improving the ‘traditional’ education pipeline. States and institutions will also have to increase the number of adults who earn a postsecondary degree.”

*Patrick Lane, Demaré K. Michelau, and Iris Palmer
WICHE/HCM Strategists*

Credit Where Credit Is Due

Prior Learning Assessment Critical for Adult Student Success

Percentage of Degree Completion Students by Previous Credits Earned



Graduation Rate for Adult Students by Prior Learning Status and GPA

