

THE “NEW NORMAL” CONTINUES TO AFFECT INSTITUTIONS

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The higher education industry continues to go through changes that it has to manage in very purposeful ways. Several factors have converged to create an almost perfect storm that has taken some colleges and universities by surprise, despite the fact that there have been warning signs for years. Stagnant economic opportunities for families to afford the cost of college, the changing demographics of the nation as a whole, stretched resources, and ineffective funding models for some colleges and universities have created an interesting dynamic in the industry. Higher education institutions are resilient organizations that have weathered challenges before, but the convergence of these factors in a present day context has challenged a number of institutions to reevaluate how they continue to extend the legacies of their institutions. In the summer of 2014, the white paper, “Navigating the New Normal: Financial Imperatives for MSI Effectiveness, and Avoiding Financial Exigency” was published by the Southern Education Foundation. This article is a checkup on the themes noted in that paper to see if anything has changed. This article posits that changes are afoot, but not at a pace that would make boards of trustees and senior leaders feel any relief. The issue of race and diversity has joined the debate as well, and it can no longer be ignored. It is into this milieu that enrollment professionals have to operate, and there are perspectives they have to keep in mind. This article attempts to take the complex and break it down into the simple, to provide a context around which all campus constituents and stakeholders will have to contend in the weeks, months and years to come.

In the summer of 2014 I was asked by the Southern Education Foundation to write a white paper on the challenges that some Historically Black Colleges and Universities (HBCUs) and other Minority Serving Institutions (MSIs) are facing. The issues were

so glaring and top of mind that it took me approximately three hours to sit at my computer and right the main themes and outline for the paper. As startled as I was back then, the findings and realities did not surprise me. Additional research and documentation

resulted in the publishing of “Navigating the New Normal: Financial Imperatives for MSI Effectiveness and Avoiding Financial Exigency.” Little did I know the impact the paper would have on individuals who are administrators at MSIs. The target audience was trustees and senior administrators at these institutions. Given the response to the paper, the Southern Education Foundation transcribed it into a video tutorial, complete with a quiz that viewers can take. There was also a one-hour webinar that was hosted nationally. The idea was to saturate the higher education community with some very basic ideas that will assist trustees and administrators at these institutions. As a secondary benefit we also wanted to help educate the general public, especially the minority-serving sector of the higher education industry, about some of the issues that as a community we have to confront to keep these institutions viable.

Thanks to Mr. Anthony Ray, and Ms. Sonya Worell from the HBCU Nation Radio show, an interview series on their popular weekly show took the themes and tenets of the paper to a wider audience. It was not too long after those broadcasts that a number of my colleagues at Predominantly White Institutions (PWIs) shared with me that those same themes and tenets in the white paper and the interview series needed to be shared with an even wider audience. The issues discussed in the paper not only affected HBCUs and other MSIs, but there was an industry-wide concern about the topics discussed in the paper. To that end, presentations to the Association of Governing Boards (AGB), National Association of College and University Business Officers (NACUBO), Southern Association of College and University Business Officers (SACUBO), Eastern Association of College and University Business Officers (EACUBO), Council on Independent Colleges (CIC), and American Association of Collegiate Registrars and Admission Officers (AACRAO) have all taken place. We even started a roadshow with Dr. David Johnson, Vice President for Enrollment of Indiana University Bloomington. Dr. Johnson and I have given three presentations at conferences, and with every presentation, the questions become more engaging, because the tightening of the issues addressed in the white paper.

What was clear to me is that a nerve was struck, and even though the white paper only scratched the surface,

it underscored a challenge and highlighted that there might be fiduciaries (i.e., trustees) serving on boards of higher education institutions who do not understand how the finances of their institutions worked. We also learned that due to the silo nature of higher education institutions, there were individuals in admissions, financial aid, and other aspects of a campus that did not know how the overall finances of the college came together and how critical their roles are to the financial health of their respective institutions.

I share these opening paragraphs to state unequivocally that two years later after the paper was written, the same issues remain, and in some instances they are getting even more challenging. It is almost as if we hit pause for the past two years. That can be construed as an unfair generalization in some ways, but there is enough evidence to suggest that some key individuals who are a part of the industry simply do not understand what is going on. Newspaper headlines paint an interesting picture, and the explanations that institutions share about their financial health are looked at with jaundiced eyes, especially when they speak of financial health while in the midst of furlough programs for employees. That is one example of a greater dichotomy that seems to still be permeating the industry. Some will argue that it is time again to separate the “wheat from the chaff.” The question asked of me was simply, “Has anything changed since the summer of 2014?” The short answer is, “It depends.”

What I am attempting to do with this article is to update the contents of the white paper from 2014. The white paper focused heavily on net tuition revenue, and that is still relevant today; however, rather than simply talk about only that topic, I will expound upon some of the issues I see as a sitting chief business officer (CBO), especially as they pertain to small to medium-sized institutions that are heavily tuition dependent. There is no way to go through an exhaustive listing of all the issues, but I believe there are some larger items that will need focused attention. Interwoven into the article will be a focus on some things that I believe individuals can use as guides. I stress the word *guides* because each campus is different, and all have different cultures. The article closes with some simple take-aways for enrollment management professionals who are concerned about the financial health and well-being

of their institutions and how they can play a small role in moving the dialogue.

The Landscape

At the end of the movie *Transformers*, Optimus Prime utters the phrase “hiding in plain sight.” If you are someone like me who loves clichés and other merging of words and phrases to create impactful dialogue, this phrase sums up what has happened since the summer of 2014 to some extent. The variables that were mentioned in the white paper have solidified, and in some instances they have intensified, putting even more pressure on boards, presidents, and senior administrators to find permanent solutions (if they can is another story). So what has happened since the summer of 2014? We have seen tuition discounting for first-time freshmen at private institutions hit an all-time high of 48.6%, while the overall tuition discounting for all cohorts also hit an all-time high of 42.5% (NACUBO, 2015). To simplify the math and its overall meaning, let us round the 48.6% to 50%. That statistic tells us that for every dollar of revenue that an institution generates from its freshman class, only 50 cents is realized in cash. Loosely translated, if the rate of tuition increase is not sufficient to offset the increase in tuition discounting, there will more than likely be less cash to pay bills, and that lessening of cash has to be balanced against the overall needs (both capital and operating) of the institution.

I will quickly point out that there is a salient point that has to be made. The rate provided by the NACUBO discounting study takes into account funded and unfunded aid. Some in the industry will call that a “blended” discount rate. Therefore, there are some institutions that will not see a diminution in cash because it is funded by a source of cash in the form of endowed scholarships, and/or annual fundraising scholarship dollars. However, current trends seem to suggest that the majority of tuition discounting that is taking place is in the form of unfunded as researched by Dr. Jeremy Paul Martin in his dissertation entitled “Tuition Discounting Through Unfunded Institutional Aid at Private Baccalaureate Colleges.” He posited, “Analyses also found no significant changes in the ratio of funded and unfunded institutional discounting as

a result of the economic recession, though unfunded institutional discounting did increase from 27.3% to 32.3% from 2000 to 2009 (J. P. Martin, 2012).” In other words, there is no cash to get, or stated another way, such discounting is revenue forgone. Think of a car commercial when the advertised price is different from the actual price. In higher education, this is a slippery slope to get on because if the other variables do not materialize, or actual needs on campuses are not assessed, institutions will be on a path to financial exigency or, worse yet, closure.

Higher education institutions are resilient and they have to be in dire straits before the term *financial exigency* or, worse, the “c” word (closure) is mentioned. However, to start out the summer of 2016, three small-sized institutions have announced they are closing their doors; Dowling College, St. Catharine College, and Burlington College (Biemiller, 2016). In the summer of 2015 Sweet Briar College in Virginia was well on its way to closing its doors, until a last-minute fundraising effort by alumni kept its doors open (Gay Stolberg, 2015). If you think that this challenge is earmarked specifically for HBCUs and MSIs in the private sector of the industry, think again. Public institutions are being raked over the coals as well. A quick Google search will provide a plethora of issues at public institutions and their finances. States like Wisconsin, Illinois, Louisiana, and Kentucky have seen the names of some of their institutions make national headlines for financial issues. In the case of Louisiana State University (LSU), it was reported that they were going to flirt with the idea of financial exigency in order to reorganize their finances (“LSU Prepares Financial Exigency Plan,” 2015). That is a flagship state institution, and that option (which some would consider a nuclear event) was placed on the table. Due to dwindling public support for colleges, tuition discounting is also playing a role in maintaining enrollments. This situation has forced some to utter the expression “state located, not state supported.”

There are many who are asking, “What is going on? Why are we here? What can be done?” The solution is not a universal one in my estimation, because each campus is going to have to wrestle with its issues independently of others. For example, an institution might have to revisit its multiyear tuition modeling programs

because enrollment continues to have a “sawtoothed” reality that renders year-to-year projections inadequate or another might have to set a discounting policy based on how entering classes will be shaped and seated on campus. Regardless of the institution, the reimagining that is needed for some is a herculean task. Nevertheless, all strategies must pivot toward maintaining the academic and research missions of our institutions. For some, overall economic circumstances have played a role where focused attention is provided, while there are others who made some poor decisions and are now living with the consequences. Regardless of the circumstances that brought the industry (and individual campuses) to this point, below I lay out some of the issues that are going to be with the higher education industry for some time to come.

Anemic Net Tuition Revenue Growth

Net tuition revenue is the lifeblood of any higher education institution. This simple concept is one of the most problematic for some institutions today. The demographic and socioeconomic shifts that are still taking place are wreaking havoc on tuition modeling for campuses. The bright, highly motivated, and academically gifted students who are projected to come through the high school pipeline in the years to come seem to be coming from these households. In other words, the students are bright, but lack the financial resources to pay for college. Put another way, “where younger age groups get bigger, people are poorer. Of about 450 counties of significantly more younger children than older ones, about 330 have median incomes below \$50,000, compared with a median of \$52,762 nationally” (Lipka, 2014).

In order to respond to this phenomenon, institutions are having to raise their tuition discounting to assist these students. That is one of the primary reasons for the increasing discount rate. As a corollary, if everyone is trying to attract the same student to maintain academic profiles and graduation rates, there is a severe competition taking place in higher education to find ways to enroll those students. However, because this update is being written for a publication that will reach primarily enrollment personnel, the viewership must be aware that meeting predetermined enrollment goals, without paying attention to the rate

of tuition discounting is a recipe for budget disaster. Some offices look good because the goals were met, but the institution suffers in the short to intermediate term. That is a tension or a point of friction that many try to avoid, but we all know that we cannot fix what we won’t face.

This key aspect of an institution’s finances is a calculation of gross tuition revenue minus the discounted aid that is provided to recruit and enroll students. The net figure is one of the largest budget-balancing measures for an institution. For some major research institutions, elite private institutions, and the Ivy Leagues, this is not the main issue because of the size of their endowments, their low selectivity for applicants, and their highly diversified revenue streams. In other words, they have the resources to put toward their discounting strategies and can make adjustments and additional investments when necessary. However, the challenge is real for some small to medium-sized liberal arts institutions. They are not operating with large endowments or major annual donor campaigns; therefore, their discounting strategy is to simply discount the sticker price, realize less net tuition revenue, and by extension realize less in cash (in some instances). The old cliché, “The road to hell is paved with good intentions,” is a truism that many are no longer ignoring. The question becomes, how far am I willing to stretch to assist students to attend my institution? Or how much of a sacrifice am I willing to make without hurting the finances of my institution?

Since the summer of 2014, institutions are still finding it difficult to grow this key revenue element in their budgets. We also saw this past spring where over 160 institutions failed the annual Financial Responsibility Test from the Department of Education. In addition to that number, there are other institutions that have found themselves on Cash Monitoring from the Department of Education (Li, 2016). Accrediting bodies have also placed institutions on either probation or warning, and the primary reason given in so many cases is a financial one (Southern Association of Colleges and Schools Commission on Colleges, 2015). It is common sense to many. If your largest source of revenue is not growing, but expenses are growing at least at the rate of inflation, those said expenses are at some point going to outstrip revenues. Trustees and senior administrators have their work cut out for them

to balance budgets, strengthen balance sheets, and find the resources necessary to meet the missions of their institutions.

Swap or Slap?

The United States economy has been in an interesting place since the Great Recession of 2008–2009. This low-interest-rate environment has caused many smart people to be scratching their heads as to what to do with the interest rate swaps a number of institutions are carrying as a part of their debt financing strategies. An interest rate swap is “a transaction between two parties in which the first party promises to make a payment to a second party. Similarly, the second party promises to make a simultaneous payment to the first party” (Kieso, Weygandt, & Warfield, 2014). If this definition confuses you, it confuses a number of people who are serving on boards, and are not financial or accounting professionals. In layman’s terms, it simply means that an institution is trying to artificially (or synthetically) fix its interest payments on variable rate debt that it issued. In other words, the institution is “hedging” that if interest rates rise on its variable rate debt, its interest payments will not rise above the agreed upon rate of the swap. If the rates do in fact rise, the institution is in a position to benefit, or they are “in the money.” However, if the opposite occurs and interest rates fall, the institution is in a deficit position, or it is “out of the money.” Since the Great Recession, most of the floating to fixed interest rate swap agreements entered into by institutions are “out of the money” and it impacts both cash flows and balance sheet presentations because not only are institutions paying out more than they are taking in on the swap arrangement, they are also having to carry a liability on their books for these same swaps.

Therefore, it is a double whammy for many of the small to medium-sized institutions who cannot reconfigure their operating cash flows and budgets to meet the payments, and it also brings into question how swaps will be settled when debt maturity dates (especially for intermediate bonds) come due. What seemed to be a good idea prior to the Great Recession in many ways is now an albatross around the necks of less resourced institutions. Needless to say, these swap arrangements have to be managed as best as they can in the annual operations of institutions. Swaps are good

vehicles for managing financial risks on a campus, but if entered into lightly, or without the right expertise, coupled with a thorough understanding of the inherent risks, disaster could result. Since interest rates are not controlled by the institutions, they are going to have to wait to exit these deals; in the meantime, the challenge of being “out of the money” is an economic event that has to be managed. Trustees and senior leaders have to get a keen understanding of what is happening with the market values of these swap vehicles.

There are other treasury and cash management practices out there that are utilized by institutions, and they all serve a purpose. A number of institutions made good-faith efforts to improve their campus infrastructures to attract and retain students. Deferred maintenance (discussed below) had to be addressed, and that also required investments that were modeled into strategic goals and projections. Many of those facilities were financed with debt with an expectation that they will be funded from increased enrollments of freshman students and improved retention of upperclassmen students; in some instances the investments will be self-supporting (in that the debt would be serviced from the investment itself, while providing cash and revenue back to the institutions). The challenge is that some institutions (arguably small to midsized institutions) that took on debt to finance physical plant development did not see the aforementioned planned realities materialize. A good example of this is what we saw happen at Burlington College earlier this year. A strategy was put in place, but it was not economically feasible to maintain (Despart, 2016).

“A decade long spending binge to build academic buildings, dormitories and recreational facilities—some of them inordinately lavish to attract students—has left colleges and universities saddled with large amounts of debt. Oftentimes, students are stuck picking up the bill.” This opening paragraph to a *New York Times* article written by Andrew Martin sums it up perfectly (A. Martin, 2012). What some campuses are having to wrestle with now, is how to (a) manage the overall debt that was taken on for various and sundry purposes across the campus, also incorporating into that process a strategy for addressing the “out of the money” interest rate swaps if interest rates remain at these historic lows; and (b) develop a strategy around how not to get so

overextended in terms of debt servicing that it takes away from the operational needs of the campus. I can imagine that there are several campuses that are reevaluating the use of interest rate swaps going forward, but there is no silver bullet standard that can be applied. Each campus will have to assess their strengths, weaknesses, and other factors to determine a proper use for them going forward. I think the events of the Great Recession of 2008–2009 were game changers in some ways around how trustees, senior leaders, and others will approach debt and any accompanying derivative that is implemented to hedge risks.

Deferred, Preventative and Routine Maintenance Lines Are Blurred

Aging physical plants continue to be a concern for a number of institutions. This is especially true for those that were built in the early to mid-19th century. Big-ticket items such as roofs; boilers; chillers; heating, ventilating, and air conditioning (HVAC) systems; and building envelopes are all showing signs of wear and tear and have to be addressed. It sounds simple enough to identify the problem items and get them addressed, but this is easier said than done. What campuses are realizing now is the economic concept of *opportunity cost*. On any campus there is always the tension between dealing with the right now versus addressing the future. That tension is also compounded by the fact that the mission of the institution is to educate students, and that stands at the forefront. It stands to reason that the academy is of paramount importance in meeting the mission and objectives of the institution, but there is a cost associated with funneling funds solely to the academic enterprise. For many institutions that cost is called *deferred maintenance*. Just as the term suggests, maintenance on buildings has been deferred in order to invest elsewhere in the enterprise. Those who work primarily in the Facilities Maintenance area tell the campus on a regular basis that their work falls into three distinct categories: Preventative, Routine, and Deferred Maintenance. If the first two are addressed in a timely and effective manner, the third will be of less concern. However, as with so many other issues on campuses, there is a trade-off as to what gets done with the limited resources that are on hand.

The opportunity costs now have a real value attached to them, and the bill is coming due for many institutions—they can no longer afford to defer their maintenance on buildings and informational technology. Compounding this issue is that as net tuition revenue increases remain anemic, and fundraising for some institutions remains lackluster, sources of “new” cash to set aside for the physical plant are limited. The repairs that are needed are large-dollar items and will most likely force campuses to once again look at external debt (discussed above), or seek out new public–private partnerships (P3s) in order to modernize older buildings and to build newer facilities as programmatic needs grow within the academy and the overall student experience. Faced with all these options and possibilities, what is a trustee, president, or senior leader to do? How do faculty, staff, and students pull alongside to assist with meaningful feedback and ideas? These are the questions that many will have to wrestle with going forward.

Race, Diversity, and Inclusion

The protests from students this past fall have shone a bright light on the issue of race, diversity, and inclusion on campuses across the country. Each campus was different in terms of how the issues arose. There were different triggers. However, a common thread that ran through all of them was that students of color do not feel welcomed and sometimes safe at PWIs (Ingeno, 2013). Over the course of the fall semester of 2015 there were many different issues raised, and there were a number of attempts to address them—some satisfactorily, while others are yet to be resolved in a meaningful and collaborative way. If this issue is not addressed, there could be adverse consequences for institutions, both morally and financially.

The first cost might very well be in the form of image and notoriety around not being an inclusive campus. How will it look to have a campus that is made up primarily of only one race of students, faculty, and staff when the millennials who are coming through high school systems are the most diverse in the nation’s history. Scott Keeter and Paul Taylor from the Pew Research Center noted, “They are the most ethnically and racially diverse cohort of youth in the nation’s history. Among those ages 13 to 29: 18.5% are Hispanic;

14.2% are black; 4.3% are Asian; 3.2% are mixed race or other; and 59.8%, a record low, are white” (Keeter & Taylor, 2009). How odd will it look to see such a campus in our current day? If that is true for the students, what does that mean for faculty and staff as well. There are diversity goals that institutions set, but one of the issues exposed in the fall of 2015 was that of the lack of support for groups that have not historically been a part of a campus experience. It highlighted that many campuses that indicated they had visions for diversity simply had only ideas. The difference between the two seems to stem from the fact that a vision requires some form of sacrifice on the part of campus constituents to change versus an idea that comes along and might be adopted, but there really is no true buy-in because resources, time, and effort are not focused on getting it accomplished.

This line of reasoning seems to suggest that this is an issue for predominantly White institutions only. I prefer that this is an erroneous assumption. I am a graduate of Howard University (the Mecca, the Capstone, etc.) in Washington, D.C., considered by many in a comparative manner as the Black Harvard. I was also the Vice President for Business and Finance at Johnson C. Smith University, another HBCU, in Charlotte, North Carolina. I was also the Corporate Controller for the United Negro College Fund Inc., where we tried to open access to college education for minority students. I have watched how these institutions must find ways to extend legacies in spite of nostalgia and criticisms. The changing demographics are causing revisioning exercises on these campuses as well. “Faced with intense competition for their historically “safe pick” of students, HBCUs are becoming more like their non-HBCU peers, campaigning for the nation’s diverse demographics. HBCUs see this strategy as essential to growing enrollment and achieving a level of campus diversity that will make their institutions more appealing and their students competitive in the workforce” (Stuart, 2013). This is a reality that cannot be ignored anymore.

The second cost that many are not considering is that the recent events around race, diversity, and inclusion can have a chilling effect in the future on the financial health of the institution. Institutions have “wells” on which they have historically drawn for students. One could have stated a couple of decades ago that HBCUs

had a monopoly on African American students, but that is not the case anymore. The opposite might be true for PWIs, but with growing opportunities for minorities, and simply the changing demographics (the “browning” of America), that is no longer the case either. If historical norms are now usurped, attracting and retaining students on campus based on past data might be a challenge going forward.

I floated this possibility with some of my colleagues around the country during the heat of last fall’s protests. There was no empirical evidence to support such an assertion, but I believed that time would start to show some signs. Given the combination of those events in the fall, and coupled with the presidential election campaign rhetoric, a sense of safety is starting to emerge, and parents of students of color are starting to look at all options. Safety, fit, and care are now factors that are being considered as students of color look for colleges or universities to attend. At the time of this writing, at least three HBCUs have already come forward indicating that they are seeing enrollment increases. Virginia State, Southern University, and Shaw University have all indicated that they expect to have a larger freshman class in the fall of 2016. In the minds of many, this is merely a coincidence, but it is something that PWIs must take a look at.

Let us use a hypothetical example. An institution’s students of color account for approximately 25% of the student body population. In the most unscientific way possible, let us suppose that it lost 10% of our approximate 6,000 students (and they were all students of color who were looking for a campus environment where they will feel welcomed and safe), at a net cost (after tuition discounting) of approximately \$37,000. That amounts to approximately \$22.2 million. That figure does not include the losses that could be sustained from not having housing and room revenues. The total could easily top \$30 million. If such a scenario ever materialized, the trustees, senior leadership, and the entire campus would have to find ways to address it by either budget augmentation through alternative sources of revenue (which would be extremely difficult to do in a year’s cycle) or adjust its expenditures in a strategic manner.

This is an area of campus operations and strategy that is still in its nascent stage. There are some institutions

that can showcase that they are very diverse and have solved many of the issues noted last fall across the nation; however, the reality of the protests should be on the minds of all administrators for both the moral and financial aspects. On June 30, 2016, I was asked by NACUBO to take part in a national webcast entitled “CBOs’ Role in Race and Diversity.” I was joined by Mary Ontiveros from Colorado State University. The attendee listing was very impressive. The feedback was great, but what still gave me pause was the context of e-mails, messages, and impromptu conversations I had with colleagues within the higher education industry. There were a number of technical and legitimate issues that campuses face, but I was intrigued by the fact that they were willing to wait and see (or observe what is happening) before putting themselves out there. On the webcast I mentioned that Nike has a slogan that simply says “Just Do It.” I offered up a simple phrase as well for campuses in this area: “Do the Work.” That work is around active and thoughtful engagement about how these issues will affect campuses in the future, and how best can meaningful solutions be adopted on campuses. It is not going to be easy, but it can be done. My Division of Finance and Administration did just that and made a report to the campus (Hector, 2016). We were not experts, but we started the conversations with the hope that with additional engagement with campus constituents we could move the discussions to a collaborative effort to create a lasting framework that will make this issue top of mind for all stakeholders of the college.

Some Alternative Strategies for Success

If the largest source of revenue for some institutions is growing at a reduced rate when compared to previous years, or if it is ostensibly flat, institutions will have to find alternate sources of revenue, find ways to communicate expenditure reductions, or share information on the reallocation of resources.

If the debt profiles of institutions (both the amount of debt and the interest rate swaps attached to them) are with us for a while in the higher education industry, they will have to be managed against the various competing interests for funds on campus.

If our physical plants and technology platforms that are critical to the delivery of instruction, we have

to make sure they are functioning at the appropriate levels. Unfortunately, these investments will not carry a visible return on investment (ROI), for many of these costs are construed as costs of doing business. Despite that reality, they have to be addressed and placed into the funding discussions each academic year.

If race, diversity, and inclusion issues as they pertain to the legacy and future existence were not highlighted or engaged in on our campuses, they are critical now. Often, we search for moments, and then there are times when moments find us. We have been found now, and we have been called upon to address some very tough issues in the higher education industry today, and they are not going away anytime soon.

Rather than simply tackling these issues in the ways we have been accustomed to in the past, there must be a shift in thinking. Below, I offer some suggestions and guides for trustees, senior leaders, and campus constituents as a whole to consider inside the “new normal” in higher education.

THE MOLASSES DONOR

One of the largest alternate sources of revenue is fundraising from alumni, friends, corporations, foundations, individuals, and, in the case of major research institutions, sponsored programs. This is a phenomenon that will continue to have a key role in higher education on a prospective basis. It sounds simple enough, but some institutions are finding it increasingly difficult to find those “molasses donors”—the ones who give “slow and steady” just like how molasses flows. In other words, these donors are dependable. The Ivy League, elite institutions, and state flagships are still able to attract alumni donations that are very helpful to the bottom-line operations of those institutions; however, what about the small to medium-sized institutions that do not have that level of fundraising capacity? How do they cover the shortfalls that seem to be on the horizon? They have to do the work to grow their philanthropic enterprises. In recent weeks we have seen boards of trustees understanding this concept more and more. Paine College in Augusta, Georgia, is showing yet again that the board, leadership, and stakeholders have to get involved to provide much-needed resources for some institutions to remain viable. They raised approximately \$3 million

very quickly after their accrediting body, the Southern Association of Colleges and Schools (SACS), recommended in June of this year that their accreditation be revoked because of ongoing financial issues. They are appealing the decision (Carter, 2016). As mentioned earlier, Sweet Briar College undertook a similar campaign to save itself from closing as well.

The challenge that some institutions will face is to how to get fundraising to be a part of the culture of a campus, rather than being a series of events. If that is not challenging enough, garnering the right mix of fundraising (unrestricted versus restricted) presents its own challenges. If garnering purely unrestricted dollars is not feasible at this time, fundraising efforts need to focus on getting budget-relieving restricted gifts that feel like unrestricted.

All this seems simple enough but an institution cannot raise money to augment net tuition revenue if it does not invest in the institutional advancement unit(s). I can foresee that there might be tension brewing on a number of campuses concerning how to reallocate resources to fund institutional advancement at levels not seen before. This is a good debate to have. It is one that is needed, and I would say too long in coming. Regardless of the outcomes of the debate, fundraising is going to be an integral part of higher education funding for many years to come, and institutions are going to have to become more proficient at it.

OWNERSHIP, ACCOUNTABILITY, TRANSPARENCY, AND EMPOWERMENT (OATE)

If alternate sources of revenues must be investigated further, and it might require the reallocations of scarce resources, this is where trustees and senior leaders will earn their keep.

This is not an easy discussion because of all the competing interests for funds across campus. In some larger organizations, reallocating funds within divisions can be challenging. For example, to assist me on my campus with such hard discussions within my division, we introduced a simple acronym. I attempted to have my entire division adopt the acronym as tenets around how we will share and discuss information. The acronym is simply OATE (ownership, accountability, transparency, and empowerment).

Ownership

This is exactly what it means in our everyday lexicon. Leaders (not only in title) will have to name the issues that face their campuses, and own them to see them through to resolution. That is not to say that institutions have not been doing this already, but given the variables that we are seeing in the industry from a macro level, there needs to be greater alacrity around the steps toward solutions. A quote that I used in the white paper from 2014 is still relevant, and it is very poignant to underscore the issue of ownership:

The crisis that began in 2008 has caused governing boards to further examine higher education institutions' core governance and management practices. Boards and senior management are being challenged to effectively manage the institution's risks. These challenges, in turn, have required board members to request more information and reexamine the institution's governance oversight and processes. Without a comprehensive understanding of the risks inherent in an institution's activities within a risk framework, members of governing boards may not be in a position to understand those inherent risks. One of the basic questions recently asked of boards and senior management by various constituents is why no one evaluated significant strategic financial risks, and if they did, why did the evaluation not adequately identify the risks that resulted in challenges for the institution? (KPMG, Prager, Sealy & Co. LLC, & Attain, 2014)

How are leaders ensuring that this does not happen again? That leads us to the next tenet, accountability.

Accountability

If ownership of an issue is important, the outcomes or strategies adopted are equally important. The outcomes affect the institution, its faculty, staff, and students; therefore, this cannot be overlooked. There is always the temptation to say that we are going to accomplish select goals. They are placed in strategic plans and communicated broadly and widely, and everyone gets into a mode of executing to the best of their abilities. Given my almost 23 years in accounting and finance in both the corporate and higher education sectors, if there is not ownership of the process (as noted above), it stalls. Additionally, if there is no accountability for

measuring the outcomes, there will be missed opportunities for tweaking, re-imagining, and course corrections when necessary. We cannot afford to have ownership without accountability. The two go hand-in-hand; we often speak of getting on the same page but never truly defined in a collaborative way what the page looks like. Such a scenario leads to “everybody waiting for somebody to do something and nobody does it.”

If I am going to hold people accountable, the issues have to be clearly understood in their proper context. Not everyone is an accountant, CPA, or MBA, but if explained properly, it allows for rich and robust dialogue to take place. That leads us to the next tenet, transparency.

Transparency

This tenet is self-explanatory, but it still eludes some institutions. If we did a quick scan of campuses that recently experienced closings, furloughs, disruptions, and loss of accreditation, one common theme in the newspaper articles is that the campus constituents were taken by surprise around the financial maladies of the institution. When I was in public accounting, a colleague shared with me the following quote and encouraged me to always remember this as an auditor: “Liars figure; figures never lie.” Numbers will always paint a picture regardless of the narrative that anyone wants to put around them. When there isn’t transparency, this quote and its results become fodder for the water cooler discussions. It is my opinion that an informed campus is one that is better suited to engage in the necessary dialogues to assist in the solutions, and to put forward meaningful strategies around which the campus at large can coalesce and start working to resolve them. When people don’t know what is going on, they make stuff up. In today’s environment, it is paramount that open, honest, and robust communications must take place around the issues (especially financial ones) so that everyone is informed about the direction, overall financial health, and challenges yet to be overcome by the institution.

It is a good thing to have ownership, accountability, and transparency; however, I believe there needs to be a process in place where all stakeholders feel as if they have some skin in the game. That leads us to our last tenet, empowerment.

Empowerment

There is a difference between cooperation and collaboration. That is a simple but profound statement in attempting to understand some strategies that institutions can use to weather the storms of the “new normal.” I have come to learn that if the ideas and thoughts from the front line staff are incorporated into discussions at the highest levels of the institution, they often will be more impactful and generate the most loyalty and commitment to get it done. Those “diamonds in the rough” solutions sometimes come from the most unlikely of places within the organization. Making campus constituent groups act like stakeholders is going to be of paramount importance going forward, especially when decisions will affect personnel and the overall legacy of the institution. If we return to the newspaper reports of the surprise felt by many on campuses about financial matters, it is clear that there are ways to move decisions quickly, with the necessary support to sustain them. If people are aware and have opportunities to provide input, it allows for smoother discourse during the discussions.

This concept is one that is being hotly debated at the writing of this article because of the renewed interests in shared governance, adjunct unions, and, following the protests of the fall of 2015, meeting student demands. Believe it or not, they all have a financial impact that has to be assessed and quantified for budget purposes. Here again, campus leaders on their respective campuses must find ways to engage more holistically with the campus to chart new courses for the financial well-being of their institutions.

Conclusion

As you can see, higher education still has a number of issues to work through as it emerges from the doldrums of the Great Recession. The issues raised in the white paper from the summer of 2014 are not that much different from the summer of 2016. Some of these issues will still be with us in the summer of 2017, 2018, 2019, and beyond. What we are facing right now is an iterative challenge that trustees, presidents, and senior leaders must find creative ways to address. It is not impossible to do this work and do it effectively, but it is going to take three things: some humility to address all constituent groups, some tenacity to fix the things

that have been lingering for years that no one seems to want to face (especially around efficiencies and budget management), and, finally, some alacrity to get this done sooner rather than later. The socioeconomic and demographic patterns of the majority of high school graduates in the future seems to suggest that an institution's strategic plan must include these three elements (Center for Public Education, 2007).

Only time will tell, but the higher education industry did not get here overnight, and it will not be placed back on its proper footing overnight, either. The work and journey continues, but here are some practical takeaways for enrollment professionals:

1. Be inquisitive and ask questions around the enrollment targets. From those inquiries you should be able to see where net tuition revenue is trending and sound the alarm before it is too late.
2. Understand the revenue diversification of your campus. Find out what percentage is tied to student enrollment (i.e., tuition, room and board).
3. Get a thorough understanding of how much in discretionary spending is available to the campus in general. In other words, after salaries and benefits, debt service, and contracted expenses for the student experience are accounted for, how much money is available to be deployed to meet other expenses?
4. Take the time to understand what happens to the finances of your institutions if you stretch to bring in a class. Ask the fundamental question, is it worth the finances of the institution to arbitrarily hit a predetermined enrollment number utilizing increasingly unfunded tuition discounting?
5. Spend time understanding what the CFO/CBO and/or controller of your institution is trying to share concerning the overall financial health of the institution.
6. Find ways to get connected with retention efforts as well. Admissions staff are tasked with bringing in the class, but increasingly they are now being called upon to assist with retention because they know the students better in some instances. This is not only from an academic standpoint but relating to race, diversity, and inclusion as well.

I hope that the issues noted in this article will prompt you as enrollment professionals to broaden your scope of understanding and not focus only on your assigned task but to become more engaged and “vision carriers” who will help to underscore the need for fiscal responsibility, efficiencies, and effectiveness. Where some institutions find themselves today is challenging, but I am one of those eternal optimists who believe that they can be solved and improved upon.

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Hector began his career in public accounting with then big six firm Deloitte and Touche. There he specialized in independent power plants and nonprofit organizations. He then became Corporate Controller at the United Negro College Fund (UNCF), where he reformed a number of financial practices and policies, and was a key member of a team that created the initial budget for the \$1 billion Gates Millennium Scholars Program. After leaving UNCF, he became the Vice President for Business and Finance at Johnson C. Smith University. Working with then-president Dorothy Cowser Yancy, he created the first-ever unrestricted cash reserve of \$10 million in four years, almost doubled the size of the endowment during her tenure, and assisted with the reaccreditation of the university where it had no findings from its accrediting body.

At Ithaca College, Hector transformed the entire budgeting process to implement Zero Based Budgeting and oversaw the creation of a ten-year master facilities plan as well as the creation of the college's first-ever strategic plan for information technology. After protests in fall 2015 around race, diversity and inclusion, he created a weekly lunch-time discussion series that is now being adopted by other institutions. For these efforts, he was selected as a panel speaker on a national webcast on the topic of race, diversity and inclusion by the National Association of College and University Business Officers (NACUBO). He appears on a number of radio talk shows, webcasts and podcasts where he speaks fluently and unashamedly about the issues facing higher education today.