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Insights

Future(s) of Higher Education:
How universities can survive—and thrive—in a new era

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Trends in Higher Education Finance and Funding

Overall funding for public higher education is rising; however, this is mostly due to increased state support while the underlying fundamentals of student enrollment and tuition falter in the face of declining federal stimulus.

Federal Stimulus is eroding

➢ Stimulus funds accounted for 3.2% of state and local funding for higher ed in FY21

➢ Last year federal stimulus decreased by 38% from $3.58B (FY21) to $2.2B (FY22)

State support is increasing

➢ An 8% increase from $97B (FY21) to $105B (FY22) compared to 1% the prior year

Tuition revenue is declining

➢ Inflation adjusted FY23 tuition rates declined with pre-inflation increases ranging from 1.6% - 3.5% pending IHE type vs. ~ 8% inflation rate

➢ FY22 tuition recorded declined by 3.2%; the 2nd largest decline (in dollars) since 1980

➢ Theses declines are due to increased financial aid and minimal top line tuition growth

Financial aid is increasing

➢ Fin Aid increased nearly 10% or $1.1B from FY21 to FY22 and increased per student FTE by 8.8% from FY20 to FY21

➢ Disparities by state persist with four states awarding under $100 per FTE and four states awarding over $2000 per FTE

Net FTE student enrollment is declining

➢ Enrollment declined by 3% last year (a loss of over 320K student)

➢ This is the largest decline on record after 10 straight years of decline.

➢ 2-year institutions took most of the losses (-6.1%) vs. 4-year institutions (-0.9%)

Sources: 1) State Higher Education Executive Officers Association (in cooperation with Illinois State University). (2021). Grapevine: FY 2022
2) State Higher Education Finance (SHEF) Report FY21
3) Trends in College Pricing and Student Aid 2022, New York: College Board.
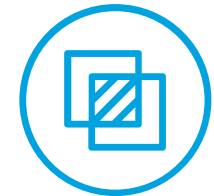
Key challenges going ahead..

Continued decline in enrollments but not expenses

Breaking point in tuition increases seems inevitable

High probability of another economic downturn/recession

Rise in budgetary competition

Rethinking the structure of educational institutions

A single model may not suffice…

Different models could work in different systems depending on economic needs, educational circumstances and Institutional choices.

Let us look at some possible models…

Five potential models for the 21st century university

1 ❯ **Sharing University**

2 ❯ **Entrepreneurial University**

3 ❯ **Experiential University**

4 ❯ **Subscription University**

5 ❯ **Partnership University**

Model #1: Sharing University

As capabilities and collaboration increase, more innovative solutions and increasingly complex challenges could be addressed.

Campuses can link student and administrative services to realize efficiencies of scale and/or capitalize on the expertise of institutions.

Repetitive activities can either be automated or outsourced to a single institution within the system, enabling the other campuses to focus resources on more strategic activities.

"Partnerships are something we need to work harder on. Can we share faculty? Can we partner with private institutions?"

Jeb Spaulding, Chancellor, VT States College System

Model #2: Entrepreneurial University

Specialization by individual institutions in areas such as undergraduate education, health sciences, professional graduate programs, or research.

Degree programs and curricula can be centrally influenced through the definition of clear goals by the system and institutions.

System offices would play an elevated role in planning, active monitoring of progress, and providing information to support investment decisions.

"In any university, you can find people who are right at the cutting edge, who understand why that's important, and who have the courage to maintain their beliefs and the importance of being at the cutting edge, and they will pull others along."

Mark Rosenberg, President, FIU

Model #3: Experiential University

Integrates work experiences deeply into the curriculum, with students toggling between long stretches in the classroom and the work world related to their area of study.

Gives students and employers a chance to evaluate fit before committing to a full-time position.

Technology could support students who are off campus in taking classes, meeting with advisors, and collaborating with peers.

"We need to do a much better job of understanding the ultimate convergence between career, technical, vocational, and baccalaureate education...How we build enduring partnerships in the community that give us credibility and value."

Mark Rosenberg, President, FIU

Model #4: Subscription University

Reimagines a college education as a platform for continual learning that provides students with multiple opportunities to develop both soft and critical technical skills throughout their lifetime.

Students would start higher education earlier by taking dual-enrollment or early college courses while still in the K–12 system.

Students could dip in and out of the system throughout their lives to gain and update their knowledge and skills as needed.

"I am excited because we are beginning to get out of our rigid way of thinking, so that we understand everybody doesn't need a four-year degree."

Freeman Hrabowski, President, University of Maryland, Baltimore County

Model #5: Partnership University

Extends the annual budgeting cycle across a window of several years, making it easier for institutions to plan and make strategic investments.

Guarantees a certain level of funding to campuses/colleges over multiple years (absent extraordinary circumstances) in exchange for agreements on tuition limits, cost savings, increased collaboration, and private fundraising."

"Right now, as a university president, you're living from budget to budget. Departments are squirreling away funds. I could imagine moving to three-year budgets. That would give some more consistency."

Mark Yudof, former President, University of California system

But we need some pre-requisites…
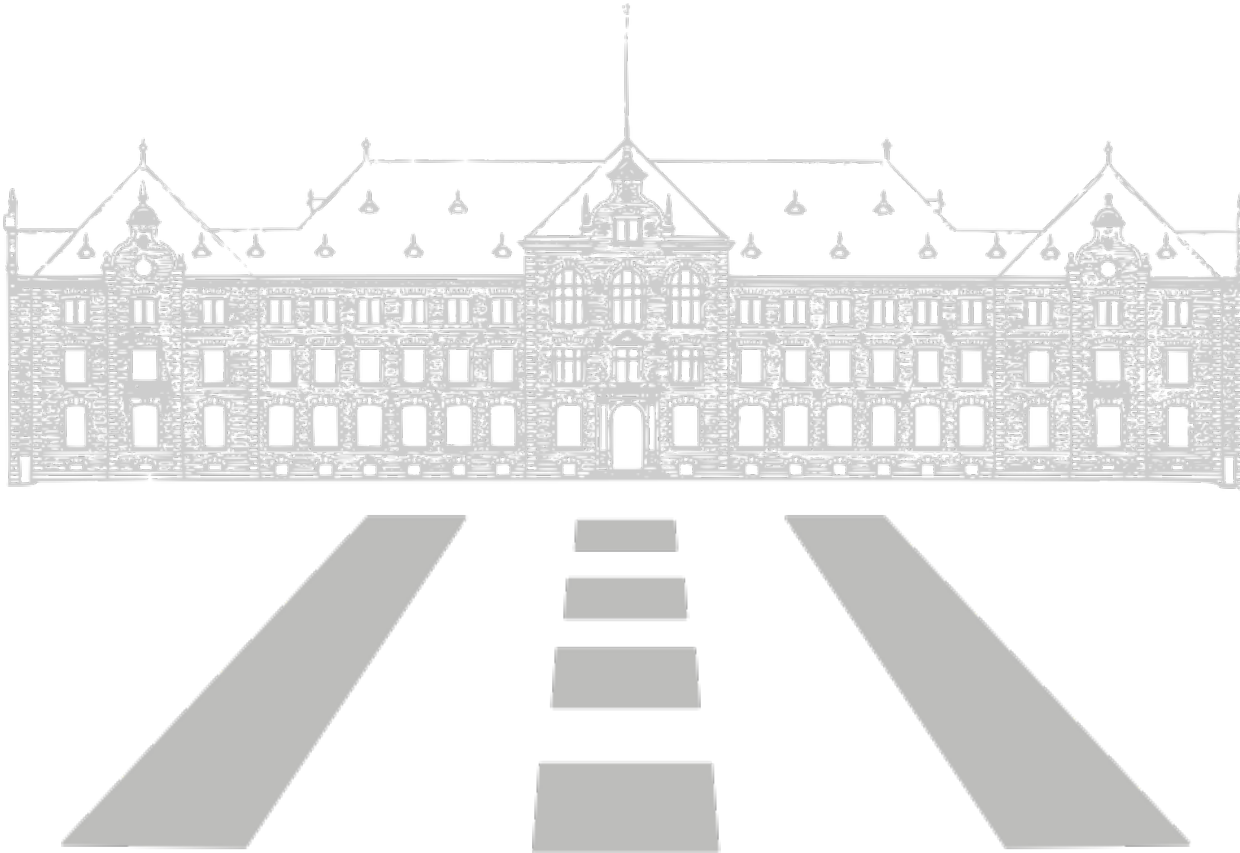
- ☐ effective leadership
- ☐ a renewed focus for the system office
- ☐ an institutional culture that puts the student at the center
- ☐ revised financial models and incentives
- ☐ clear and frequent communication

Hybrid campus – what? why? And why now?

What is the hybrid campus?
The hybrid campus transcends our current idea of blended education into a more holistic vision for delivering everything an institution offers from academic advising to courses to career services. This approach, which sits between the physical and digital worlds, is what students (and prospective students) have come to expect outside of the college campus. **The features of a hybrid university will make it a more student-centered university.**

Why the hybrid campus?
A hybrid approach allows universities to transcend the classroom and transform their operations, creating a foundation for higher education that can help institutions remain flexible and agile to learners who have differing needs, react rapidly to shifting demands for skills and competencies in the labor market, and to address the fiscal and demographic challenges that lay ahead.

Why the hybrid campus now?
A shift to broader concept of a hybrid campus could build more flexible institutions, expand access, and improve outcomes by:
- Allowing universities to respond to student demand while personalizing the campus experience.
- Enabling institutions to expand their breadth of programs at a lower cost, improving their competitive positioning.
- Breaking down barriers to access and reaching a broader, more diverse population of students.
- Encouraging innovation and continuous improvements in teaching and learning.
- Employing data and analytics to shape student support services and programs and inform interventions.

Three shifts to the hybrid campus

### A rethinking of the academic portfolio

- Establish a nimble governance approach while maintaining quality
- Deploy next-gen tech and training
- Create new alliances and collaborations
- Revise the academic calendar

A reshaping of campus work, workforce, and workplace

- Rearchitect existing workflows based on leading practices
- Identify the work that is core to your mission
- Develop a robust technology infrastructure
- Build a supporting data structure and analytics tools

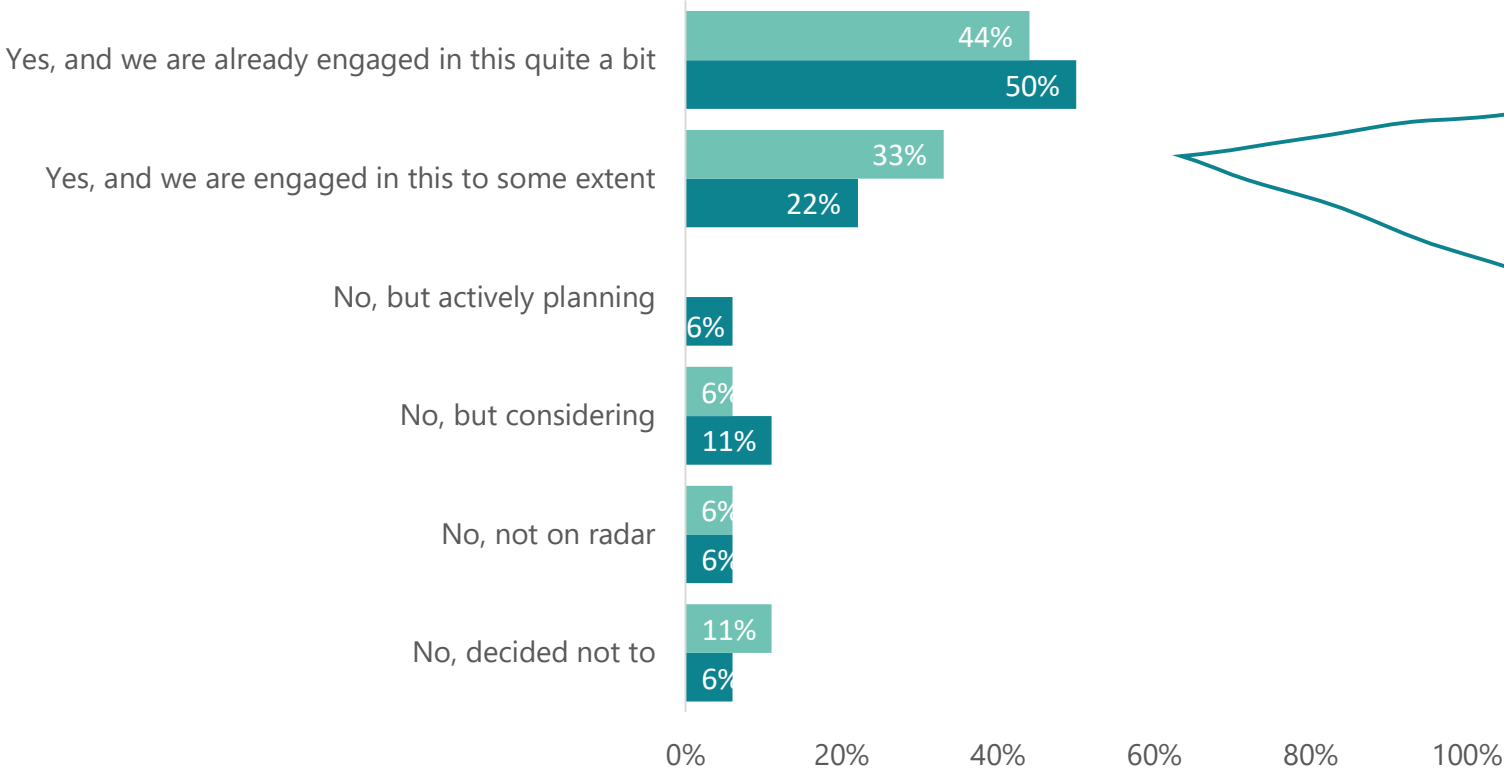### Redefining the students' experience for lifetime learning and success

- Build virtual communities
- Create a technology-enabled student experience (e.g., advising, career services, wellness)
- Design new collaboration spaces for students
- Build deeper ties with alumni
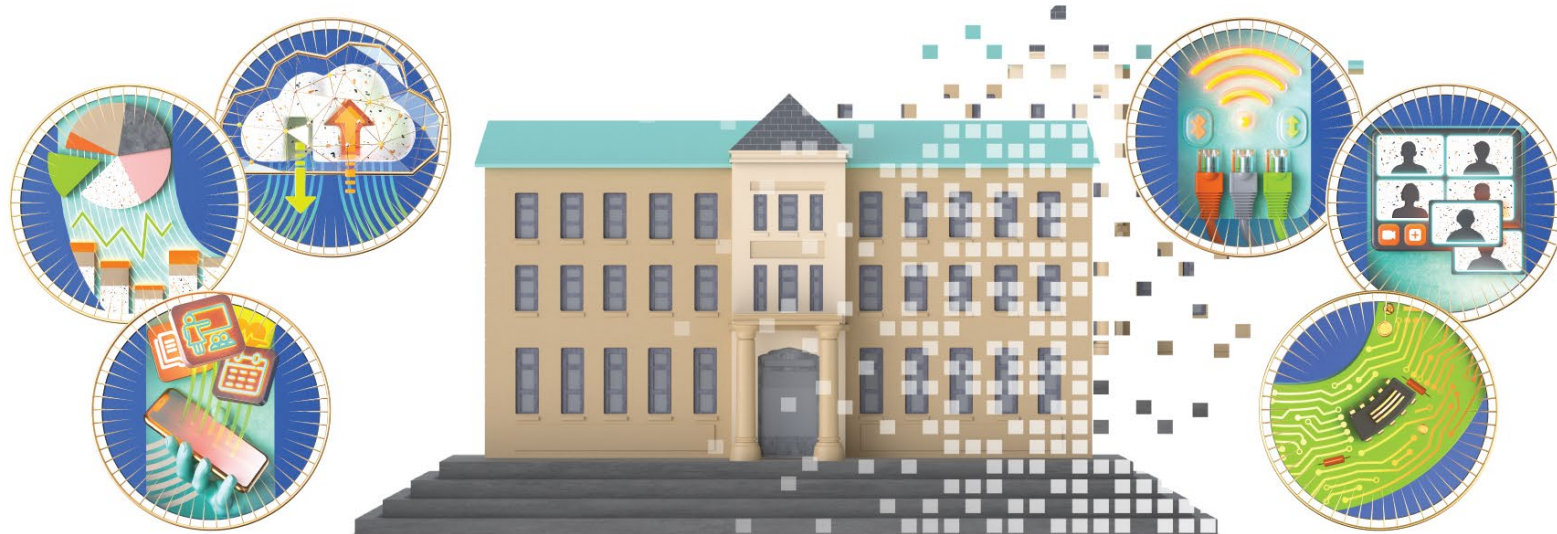
Source: Deloitte Analysis

Hybrid education is on the minds of most university leaders…

"Is your institution considering…"

Yes, and we are already engaged in this quite a bit
- 44%
- 50%

Yes, and we are engaged in this to some extent
- 33%
- 22%

No, but actively planning
- 6%

No, but considering
- 6%
- 11%

No, not on radar
- 6%
- 6%

No, decided not to
- 11%
- 6%

0%   20%   40%   60%   80%   100%

■ Offering a combination of fully online classes, hybrid classes, and fully face-to-face instruction?
■ More classes that combine an online component with face-to-face instruction?

> **72%** of institutions are engaged in setting up classes that combine an online component with face-to-face instruction and **77%** offer a combination of fully online classes, hybrid classes, and fully face-to-face instruction classes.

Source: The Forum for a New Era in Higher Education survey

Shift #1: A rethinking of the academic portfolio

What's happening?

- Colleges and universities are envisioning the future of their institutions.
- It's clear that students want flexibility and an in-person experience in some way.
- Hands-on, experiential learning will become more important in a reshaped job market.

Making the move towards hybrid

- Rethink the academic calendar to cycle students beyond the traditional semester schedule.
- Build short-term degrees and certificates and "credegree" programs where a student graduates with both a traditional degree as well as an industry-recognized skill.
- Organize alliances with other universities to share courses in low-enrollment but critical courses and create a robust undergraduate research network.
- Connect with employers to offer internships in both short and long-term stints during the semester and over the summer.
- Accelerate the adoption of hybrid education by identifying format-focused content.

What's next?

- Adopt a campus-wide approach to the Learning Management System (LMS) so it can be used as the "backbone" of the Hybrid Campus.
- Consider the next-gen Student Information System that manages students as lifetime constituents.
- Embrace new governance processes and structures that provide speed and agility to institutional decision making.
- Build support and training for faculty members to redesign their courses for the Hybrid Campus.

Case study: University of Central Florida

While the concept of hybrid education is a new approach for many institutions during the pandemic, the concept of blending online and in-person coursework has been somewhat routine at the University of Central Florida for more than **two decades**.

Soon after the Orlando institution offered online courses in the mid-1990s, university officials noted many of the students taking the classes weren't distant learners but rather local students who liked the convenience and flexibility of virtual learning. As a result, the university added a blended format, what it calls **"mixed mode,"** in which the class meets face to face only once a week, and the rest of the work is shifted online.

Today, **90 percent** of the university's 59,000 undergraduates take **blended or online classes**. Students at UCF give the highest marks in satisfaction surveys to mixed-mode courses.

Lessons learned

- Plan for students to "swirl" between online and in person
- Support faculty when designing their courses
- Expect better space utilization, but not huge savings
- Changes are needed for student study spaces

Shift # 2: A redefining of the students experience for lifetime learning and success

What's happening?

- The post-pandemic economy will require more reskilling and upskilling.
- Institutions are positioned to provide training and education in small and large chunks if they think of themselves as serving learners throughout their life.
- Serving learners in this manner requires institutions to rethink their current student experience and embrace elements of the hybrid model.

Making the move towards hybrid

- Enhance academic advising with e-advising and virtual sessions.
- Build a virtual community that compliments the in-person campus.
- Extend well-being services to the virtual world and convey a more expansive definition.
- Offer virtual career fairs and extend virtual career advising to alumni.
- Create call centers and develop virtual chatbots to offer improved customer service in admissions, financial aid, and advising.

What's next?

- Assess and then double down on those in-person activities that truly deliver value to students and alumni.
- Identify common definitions for student data across campus and metrics to measure student success.
- Create roles that monitor, respond, and improve on key moments along the student journey.
- Design "third-place" spaces that establish space away from classrooms where students can access social synchronous learning experiences.

Areas in which institutions are actively implementing the hybrid model....

Telemedicine

Counseling/ mental health/ wellness

Academic advising

Financial aid advising

Job placement

Experiential learning (clinical rotations, field placement)

Tutoring/ learning resources

Office hours

Student clubs

Orientation

Source: The Forum for a New Era in Higher Education survey

Case study: Georgia State University

Georgia State University has achieved impressive gains when it comes to **student success** over the last 15 years, and its strategies are often cited by other institutions trying to improve their own retention and graduation rates.

Since 2003, the university's graduation rate has **risen by 23 points, to 55 percent**. Those gains were made in part by robust data analytics that led to shifts in advising and instruction. While much of Georgia State's services were delivered face-to-face, they were also built on a **"digital backbone,"** allowing the university to more easily pivot to hybrid models when the pandemic hit.

Lessons learned

- Use data to improve student outcomes
- Offer student services that can be delivered virtually in a hybrid format
- Employ automation tools to enhance the student experience
- Remote work offers opportunities to rethink work

Shift #3: A reshaping of campus work, workforce, and workplace

What's happening?

- Universities are evaluating which capabilities and services need to be delivered in person and when services are more convenient or effective if delivered through a hybrid model.
- This approach gives students, faculty, staff, and other stakeholders the ability to engage in the format that best supports their needs at a point in time.

Making the move towards hybrid

- Re-architect existing workflows and push outside the bounds of a department view to better understand how work should be performed across campus.
- Develop a robust technology infrastructure to support hybrid and virtual interactions.
- Build the supporting data infrastructure to support a culture of facts that can be used to understand which methods work.
- Provide greater access to Wi Fi for students, faculty and staff by supporting connectivity at home when needed.
- Develop and deliver training for faculty and staff to use new tools effectively.

What's next?

- Support the workforce transition and consider capabilities in and around the university that are needed to move to a hybrid model.
- Identify areas where talent is scarce today and develop a plan to close the gap over time.
- Roll-out additional capabilities and tools to improve the speed and quality of services.
- Adapt the workplace to extend beyond physical campus boundaries and organize work around networks of teams focused on their mission of supporting students, faculty, and other stakeholders.

Re-architecting work

List of questions to be asked by executive leadership and governing boards when re-architecting work:

o How can we remove the silos to better support students and faculty?
o What specialized skills and services could be provided more evenly across campus at scale (e.g., cyber security, instructional design, sponsored accounting)?
o How can we make data an "institutional asset" and not the property of any one silo in the institution?
o As more work is done virtually and collaboration occurs across boundaries, how can we share accumulated knowledge?
o How can we harness the collective intelligence of people working across the institution to identify and roll out leading practices?

Success factors when building the hybrid campus of the future

Strong and visionary leadership is required from the president as well as vice presidents of every major area of campus from academic and student affairs to technology and human resources to set a vision for the Hybrid Campus in their own context, then align resources and establish the roadmaps.

Put the student at the center of decisions about where to invest in hybrid capabilities. The result is an institution that not only serves existing students well but also helps expand its market to more students. Including those outside the traditional student population.

Employ a data and technology strategy that understands what should be done face to face on campus and what can be moved online. These data and systems are also helpful to show what approaches are working and to make proactive decisions on how to support students and direct further hybrid efforts.

Explore new financial models and incentives. One barrier to change is often the cross-subsidies provided by certain functions on campus, such as revenues from housing assisting other areas. As universities evolve their hybrid offerings, financial models and incentives need to be aligned.

Clear and frequent communication of the vision of the Hybrid Campus is required. To support a move to hybrid, there should be clarity of purpose for why change is needed and how it better supports students, achieves desired outcomes, and provides flexibility for the university faculty and staff.

Contact us

Our insights can help you take advantage of change. If you're looking for fresh ideas to address your challenges, we should talk.

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