PRESIDENTIAL PERSPECTIVES

a higher education presidential thought leadership series

2011/2012 Series: Strategies to Address the Rising Cost of Higher Education

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Foreword: Tim Goral
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Contents

Foreword

Tim Goral, Editor, University Business

This latest edition of *Presidential Perspectives*, brought to you through the generosity of ARAMARK Higher Education and the guidance of editors Marylouise Fennell and Scott Miller, comes at one of the most challenging times for higher education.

The overall theme, "Strategies to Address the Rising Cost of Higher Education," addresses a balancing act unlike any in recent years.

On the one hand, colleges and universities are challenged by record student enrollments. This stems from the largest graduating high school classes in history, as well as a growing number of adults returning to school to improve their skill sets in a soft economy or retrain for a changing marketplace. Normally, that would be a good problem to have.

On the other hand, however, college costs are outpacing inflation as well as personal income. Even adjusted for inflation, the average costs of attending a higher education institution are between 3 and 10 times higher than they were 30 years ago.

Moreover, institutions must continue to serve this growing demand for their services at a time when post-recession endowments are down, and state and federal funding is further reduced in every budget cycle.

Often, colleges and universities must compromise for the greater good. Programs get eliminated to the dismay of those who need them to graduate. In an attempt to deliver on their educational promise, schools must continue to recruit and retain talented faculty. Yet the cost of keeping prestigious professors on board often comes at the expense of full-time faculty in other areas. In fact, the number of underpaid adjunct faculty now exceeds that of full-time faculty for the first time in modern education history.

If ever there was a case to be made for a "perfect storm" scenario, this would be it. The question is how to weather this storm. Unfortunately, there is no one-size-fits-all answer.

Higher education in this country covers a vast landscape with nearly 4,000 institutions. They have similarities, of course, but they also each have their own unique circumstances, influenced by region, local economy, demographics, and more.

That is what this collection of 10 essays from presidents of colleges and universities around the country represents. Each of these leaders brings his or her own view to the question of how to address the rising cost of higher education.

Will you find the answers to those problems that keep you up at night spelled out in black and white on the following pages? Maybe. Maybe not. If it was that easy, the editors of *Presidential Perspectives* could dispense with a lot of bother and go home early.

What you will find here, however, are ideas. Ideas for rumination and discussion among your senior team members. Ideas that, it is hoped, will ultimately spark that "What if..." or "Why can't we try..." moment of inspiration.

You will learn about best practice strategies from leaders who have found their own ways through the storm, often through a painful process. But that "been there, done that" philosophy is what makes these essays worth the read. The experience that informs these pieces is the takeaway.

As you read this edition of *Presidential Perspectives*, you will undoubtedly find much to inspire you. You will likely find other ideas with which you disagree, and that's okay. That is how solutions are born.

So read on, and pay attention not just to the words on the page, but also to what is written between the lines.

Tim Goral, editor-in-chief of *University Business*, has been a member of Professional Media Group since 2000, when as features editor he joined the staff of District Administration, the publication for K–12 educators. He became editor of the company's higher education business publication, *Matrix* magazine, in 2001, and retained his editorial post when *Matrix* and *University Business* magazine merged in early 2002. In his nearly 20 years in national trade publication writing and editing, Tim has served in editorial posts for publications in the food and beverage, hospitality, and outdoor retailing industries. He is the author of "A Half-Empty Glassful of Optimism: The Path to Enlightenment Begins with a Road Trip."

Preface and Acknowledgements

Dr. Marylouise Fennell, RSM, Senior Counsel for Council of Independent Colleges

Dr. Scott D. Miller, President of Bethany College

The rising price of higher education is placing great pressure on students, parents, faculty, administrators, and legislatures. The associated publicity is drawing both wanted and unwanted scrutiny on an industry still wrestling with how to balance business acumen in an educational setting. In response, many colleges and universities are innovating and adopting unique solutions to show accountability for their actions and to increase the price-to-value equation of the cost of higher education. Authored by notable presidents whose institutions are in the forefront of innovation, the 2011-12 series of Presidential Perspectives tackles **"Strategies to Address the Rising Cost of Higher Education"** will focus on the innovations and best practices that colleges and universities are embracing to lower operating costs and address the rising price of Higher Education.

Now in its sixth year, Presidential Perspectives endures due to the generosity and innovation of ARAMARK Higher Education, a leading provider of award-winning dining, facilities management, and conference center services to colleges and universities. Each month a different presidential chapter is distributed electronically and posted on the Presidential Perspectives website (*www.presidentialperspectives.org*).

We are especially indebted to:

- **Chris Hackem,** President of ARAMARK Higher Education, for her support and sponsorship of this thoughtful leadership series
- **Bruce Alperin,** Senior Director, of ARAMARK Higher Education, for his vision, guidance, and countless hours in bringing this series to fruition
- **Martha Gaffney** and **Deidra Hall-Nuzum**, our special Assistants, who regularly read our minds
- **Annie Miller**, Scott's wife of 28 years, a dedicated supporter of education, who has loyally served a "First Lady" of three colleges

About the Editors

Dr. Marylouise Fennell, RSM, is an internationally recognized management consultant in higher education. Dr. Fennell specializes in independent higher education as a mentor, counselor, search consultant, and consultant to presidents, administrators, and boards of trustees of colleges and universities, as well as for-profit businesses that serve the non-profit sector.

Dr. Fennell brings a unique perspective to her specialty—namely, an intimate knowledge and respect of the presidency and higher education administration. She has served as President of Carlow University in Pittsburgh, Pennsylvania; served as Assistant Dean of the Graduate Division of St. Joseph College in West Hartford, Connecticut; and has been a tenured faculty member, Department Chair, Division Chair, founder and Director of the Counseling Institute, Director of the Pastoral Ministry Institute, and founder and Director of the Cross Cultural Counseling Symposium. Prior to these assignments, she served in teaching and clinical positions at the University of Hartford and Boston University. Dr. Fennell is the first graduate of the University of Hartford to be named a College President. In 1999, Governor Tom Ridge named Dr. Fennell a Distinguished Daughter of Pennsylvania.

Dr. Fennell is the Senior Counsel for The Council of Independent Colleges and has been the chief consultant for the Association of Private Universities of Central America. She has assisted the Central American Universities in the establishment of an accreditation system and is the author of the Central American Accreditation Guidelines for Excellence in Education. Dr. Fennell is presently serving as Executive Director of the Inter-American Consortium of Higher Education.

Dr. Fennell is a partner in the executive search firm, Hyatt-Fennell, Higher Education Services. She presently serves on numerous boards and has served as a trustee on more than 50 boards throughout her career. She was the first woman to be elected to the Board of Directors of the Duquesne Club, which was founded in 1873. Dr. Fennell has won many awards and received approximately 45 honorary degrees. She is widely published.

About the Editors

Dr. Scott D. Miller has served as President and M.M. Cochran Professor of Leadership Studies at Bethany College in West Virginia since 2007.

Now in his 21st year as a college Chief Executive Officer, Dr. Miller served for 10.5 years (1997–2007) as President of the College and Du Pont Professor of Leadership Studies at Wesley College in Delaware. He also has served as President of Lincoln Memorial University (1991–97). Before being named President there, he served as Executive Vice President (1988–91) and Vice President for Development (1984–88). A native of Pennsylvania, Dr. Miller is a former Director of University Relations and Alumni Affairs at the University of Rio Grande in Ohio and a former journalist.

Well known nationally for his contributions to higher education, he was one of 17 presidents nationwide featured in a Kaufman Foundation-funded book, The Entrepreneurial College President (American Council on Education/Praeger Series on Higher Education, 2004). Dr. Miller and the Wesley story were one of four amazing transformational stories featured in the book The Small College Guide to Financial Health (National Association of College & University Business Officers, 2002) and one of six featured in The Small College Guide to Financial Health: Weathering Turbulent Times (NACUBO, 2009).

He was extensively interviewed in The First 120 Days: What A New President Must Do (Jerold Panas, 2008). He is a regular columnist for College Planning and Management, The State Journal, and is the author of a widely distributed e-newsletter, "The President's Letter," which addresses a wide variety of higher education issues.

Dr. Miller earned his Bachelor of Arts degree from West Virginia Wesleyan College, Master of Arts from the University of Dayton, Ed.S. from Vanderbilt University, and Ph.D. in Higher Education Administration from Union Institute & University.

Both Drs. Fennell and Miller serve as consultants to college and university presidents and boards and are regular columnists to *College Planning and Management* magazine.

About the Publisher

About ARAMARK Higher Education

ARAMARK Higher Education is dedicated to excellence in facility, dining, and conference center services. They are committed to going beyond client and customer expectations to deliver superior, measurable, outcomes that are guaranteed. ARAMARK serves more than 600 colleges and universities throughout North America. Facility services offered include facilities maintenance; custodial; grounds; energy procurement and management; climate action planning and implementation; capital project management; and building commissioning. Dining services offered include master planning; culinary development and venue design; catering; and residential, quick-serve, and express dining concepts. For more information, please visit www.aramarkhighered.com.

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chapter **1:** **Tuition Discounting**

Issues of Transparency, Access, and Accountability

Tuition Discounting

Issues of Transparency, Access, and Accountability

Dr. J. David Arnold, President, Eureka College

Recent reports from the College Board and National Association of College and University Business Officers (NACUBO) note that tuition discounting is up, and net tuition is down, at many private institutions. After nearly three decades of high tuition prices and discounts, today's college and university president's face new challenges on how to best balance the relationship between price and discount in their particular market niche. The risk of negative financial results and the continued pubic and governmental scrutiny over "why college costs so much" combine to raise important questions about the future of tuition discounting as an enrollment management strategy. Is tuition discounting still a sound enrollment management tool or has it become a risky business practice?

In terms of background, the relative size of tuition discounting is related to the run-up in annual tuition increases at a greater rate than inflation that began in the early 1980s. First the élite, then aspirational institutions, discovered that the "Chivas Regal Effect" of consumers using price as an indicator of quality worked as well in the higher education marketplace as it did for liquor sales. Over the years, the revenue from these high tuition increases was also used to fund campus improvements and amenities to increase campus curb appeal and fund increases in faculty salaries—both of which created higher annual operating costs and debt.

In the early years of steep tuition increases, the "Overlap Group" of a select number of elite institutions met annually to coordinate their respective financial aid increases until this practice was identified as antitrust activity by federal investigators in the early 1990s. Although it varies from one college to the next, institutions now independently set discounts by some consideration of the following factors: financial need; students' achievement levels in academics, leadership, service, and athletics; and while direct linkages are prohibited by law, colleges also use discounts to build student demographic diversity.

"Today's college and university president's face new challenges on how to best balance the relationship between price and discount in their particular market niche."

These high tuition levels are an ongoing source of public concern and colleges and universities have responded to these concerns about costs, in part, by stating that most students do not pay the full cost of tuition—such as, students receive discounts. In fact, the relationship between costs and discounts raises questions of transparency, access, and accountability. To introduce some of these issues, I will use a case illustration from Eureka College.

Like many small church-related liberal arts colleges with modest endowments, Eureka's financial health and vitality is directly related to enrollment, thus, making it "tuition dependent." In 2003, after increasing tuition and reducing aid substantially, Eureka enrolled its smallest freshmen class in over a decade. This painful enrollment management lesson was that the combination of Eureka's list price and discount had crossed a price/ value threshold whereby Eureka was not either affordable to prospective students or competitive in terms of programs, facilities, and amenities found at higher-priced competitor private colleges.

To readjust the balance between tuition price and discounts, the "Eureka Idea" was developed in 2004—it reduced tuition list price from $18,700 to $13,000 and made financial aid more transparent to prospective students and their families by moving from packaged 'discounts' to an explicit array of academic scholarships for which students could calculate their own awards, without a financial aid officer. In sum, it is important to note that the Eureka Idea was not just a drop in tuition price; it was also a new approach to awarding financial aid.

Over the first seven years of the implementation of the Eureka Idea, Eureka's tuition discount rate was reduced by more than 50 percent and college enrollment increased by over 60 percent, setting records for total enrollment for five consecutive years. These positive results were due in part to effectively marketing the price and aid changes. Thus, for us at Eureka, the "Eureka Idea" was more than a mere price gimmick—it has become a customer-friendly, transparent approach to conducting financial aid business that is still relatively unique in the marketplace.

In contrast to the Eureka Idea, some institutions have successfully increased price, discounts, and enrollments at the same time, and some have unsuccessfully implemented tuition reduction programs—such as, lower price led to lower enrollment. Certainly, the probability of the success of any pricing tactic in higher education is particular to any college and university's marketplace, but, going forward, what can inform our collective pricing strategies?

First, after three decades, it appears that the practice of annually increasing tuition well beyond the rate of inflation is coming to an end for all but the most elite colleges and universities. Factors behind this game-changing trend include: the recent general economic uncertainty affecting families' ability to pay for higher education; and growing government oversight into tuition cost increases and the accompanying increasing levels of student loan indebtedness. Perhaps elite institutions with waiting lists of students willing to pay higher costs can continue to grow costs and discounts and enrollments at the same time, but most institutions will have to refine their approaches to pricing and discounts to produce predictable net tuition revenue in the years ahead.

Second, whether the sources of tuition discounts are funded or unfunded may receive more scrutiny in the years ahead. Ideally, all presidents would prefer to have an institutional endowment sufficient to fund all scholarships; however, especially at colleges with small endowments, financial support for discounts is also derived from the general revenues paid annually by the entire student body—so called “unfunded” discounts.

While it is not immediately clear how soon government oversight or journalist inquiry will drill down into the how discounts are funded, presidents should anticipate how they will respond to such inquires. For example, will the general public view unfunded aid as a “Robin Hood” function of using tuition funds from students with less financial need to support students with more financial need? A parallel can be also drawn to unfunded discounts based on student achievement (such as, academic, athletic, or others)—the less talented students pay more tuition than their more talented peers. How will this practice be viewed in terms of fairness by the general public in the years to come? As higher education leaders, are we as presidents completely comfortable with the nature of unfunded discounts?

Third, our current economic environment is likely to produce less government-funded student financial aid. At present, the outcome of Pell funding in the current round of federal budget negotiations is uncertain. State-funded aid is also undergoing reductions. For example, this year there were cuts to Georgia’s well-known HOPE scholarship program. With these reductions in government funding of student aid, colleges and universities will be challenged to adjust price and discounts for families with the least resources to pay for college costs.

Fourth, the United States Department of Education has released new “‘naughty and nice”’ lists of institutions based on tuition list prices and net percentage increases in tuition costs. An initial examination of the calculations and context used to create these lists strongly suggests that these lists will not bring greater clarity to the relationship between tuition costs and discounts.

In closing, the higher education sector, not journalists or government agencies, must prepare more compelling and cogent responses to criticisms about tuition costs and better explanations of tuition discounts. Beyond explaining “why college costs so much” to the public, the financial viability of tuition dependent/small endowment institutions hangs in the balance as they strategically adjust the relationship between tuition list prices and tuition discount packaging.

The preparation of a rationale to better explain college costs is not just a public relations exercise; it must also involve some degree of introspection by leaders about the assumptions behind enrollment management practices and the creation of more sustainable business models to support the collegiate enterprise. In sum and substance, the future of the tuition price and discount relationship will determine how we fund tangible assets like facilities and less tangible, but closely held educational ideals such as liberal education. As presidents, each one of us will need to discover the appropriate price/discount balance for our own institutions. The ultimate challenge is to sustain the level of academic excellence in American higher education that is still the envy of the world, yet ensure that a college education is accessible and affordable for future generations.

Dr. J. David Arnold, is serving his seventh year as president and professor of psychology at Eureka College in Eureka, Illinois. During his tenure at Eureka, the College created a strategic plan entitled “Growth with Integrity” that has achieved record enrollments and balanced budgets while reducing tuition/tuition discount and increasing net tuition revenue; launched the Ivy Project to achieve campus improvements, including the construction of a new residence hall; and doubled the percentage of alumni giving. Other recent achievements include the expansion of faculty resources, creation of visiting scholar and executive programs, and the implementation of a new organizational leadership program to attract non-traditional students.

Dr. Arnold formerly was vice president for academic and student affairs at Missouri Western State College. He also served as provost at St. John Fisher College and as a dean and grants officer at Clarion University. He started his academic career teaching psychology and writing at St. Lawrence University, where he was tenured and promoted before becoming an associate dean. Dr. Arnold has focused on forging connections between the curricular, co-curricular, and extracurricular spheres of students’ experience in learning communities, engaging faculty in strategic planning, and promoting the “teacher-scholar” model of faculty professional development at liberal arts institutions.

Dr. Arnold completed his undergraduate degree with honors at Bloomsburg University, graduate work at the University of New Hampshire, and summer post-doctoral study at the Institute for Educational Management at Harvard University.

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