



# Trends in Higher Education – and What You Can Do About Them

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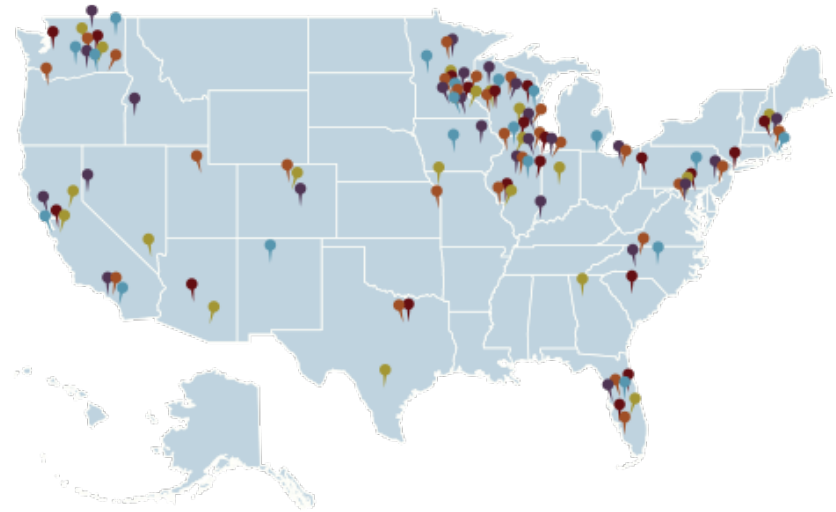
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# About CliftonLarsonAllen

- A professional services firm with three distinct business lines
  - Wealth Advisory
  - Outsourcing
  - Audit, Tax, and Consulting
- More than 5,000 employees
- Offices coast to coast
- Serving higher education for more than 50 years



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# Speaker Introduction



- **Bill LeClaire, CPA, Principal**

Bill has more than 25 years of experience and co-leads CliftonLarsonAllen's higher education practice. He is the past chair and founder for the Center for Nonprofit Excellence and Social Innovation, and has served on numerous boards of directors, including serving on an advisory board to the dean of a state university college of business for 20 years.



- **Don Loberg, CPA, Principal**

Don has more than 25 years of experience in our nonprofit and government group's audit practice, serving primarily higher education institutions. He has been leading CliftonLarsonAllen's higher education practice since 1999, while providing a variety of services to higher education institutions including audit, tax, and consulting.

# Learning Objectives

- Discuss and explain both new and old trends occurring in higher education
- Identify potential challenges and opportunities as a result of recent trends
- Provide insight as to what other institutions are doing regarding these trends



# State of Higher Education

- Student demographics
- The discounting game
- Media relations
- The transfer of wealth era
- Key employee demographics
- Politics and higher education
- The for-profit model
- Real time changes in regulations
- The union

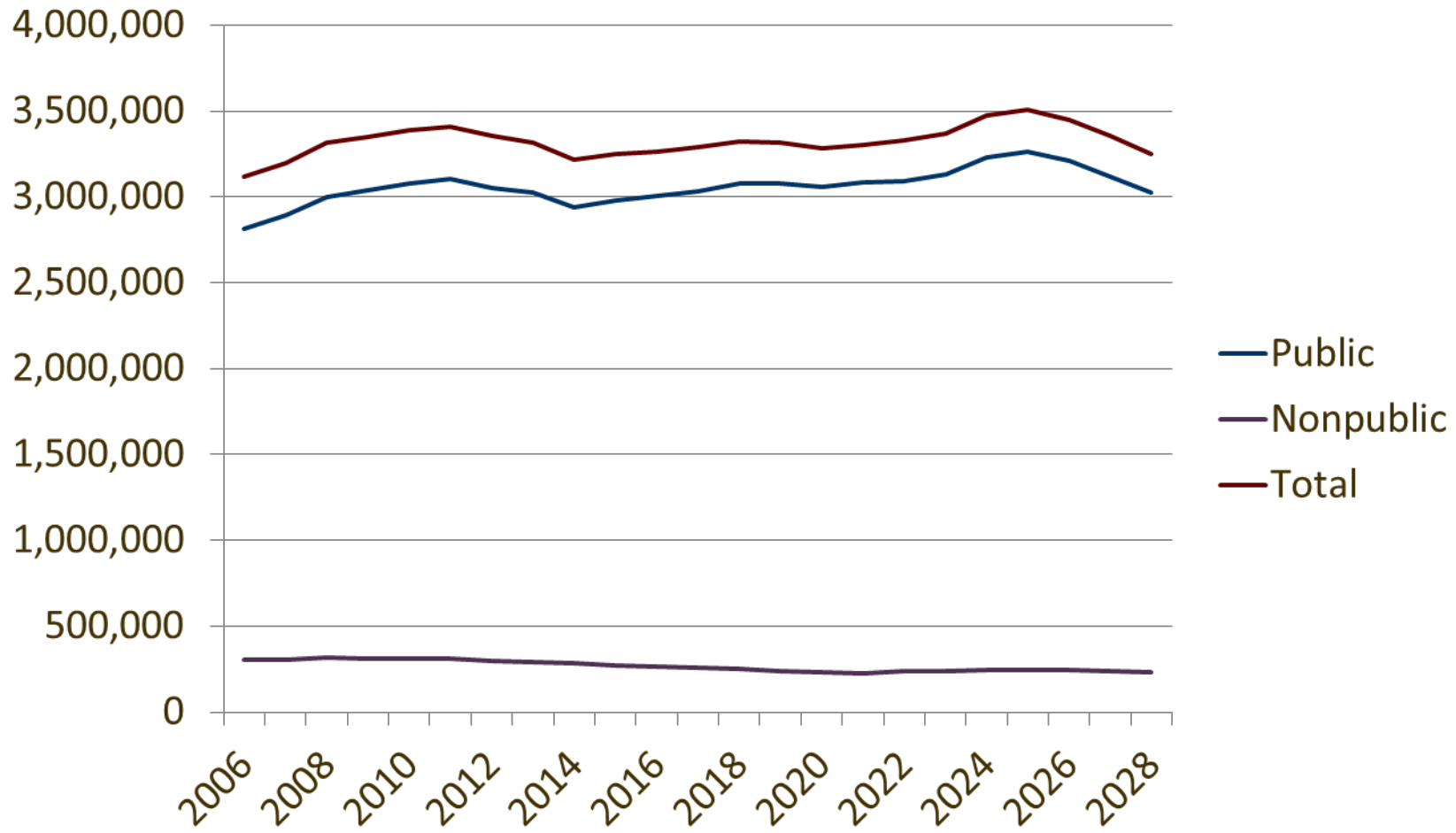




# Student Demographics



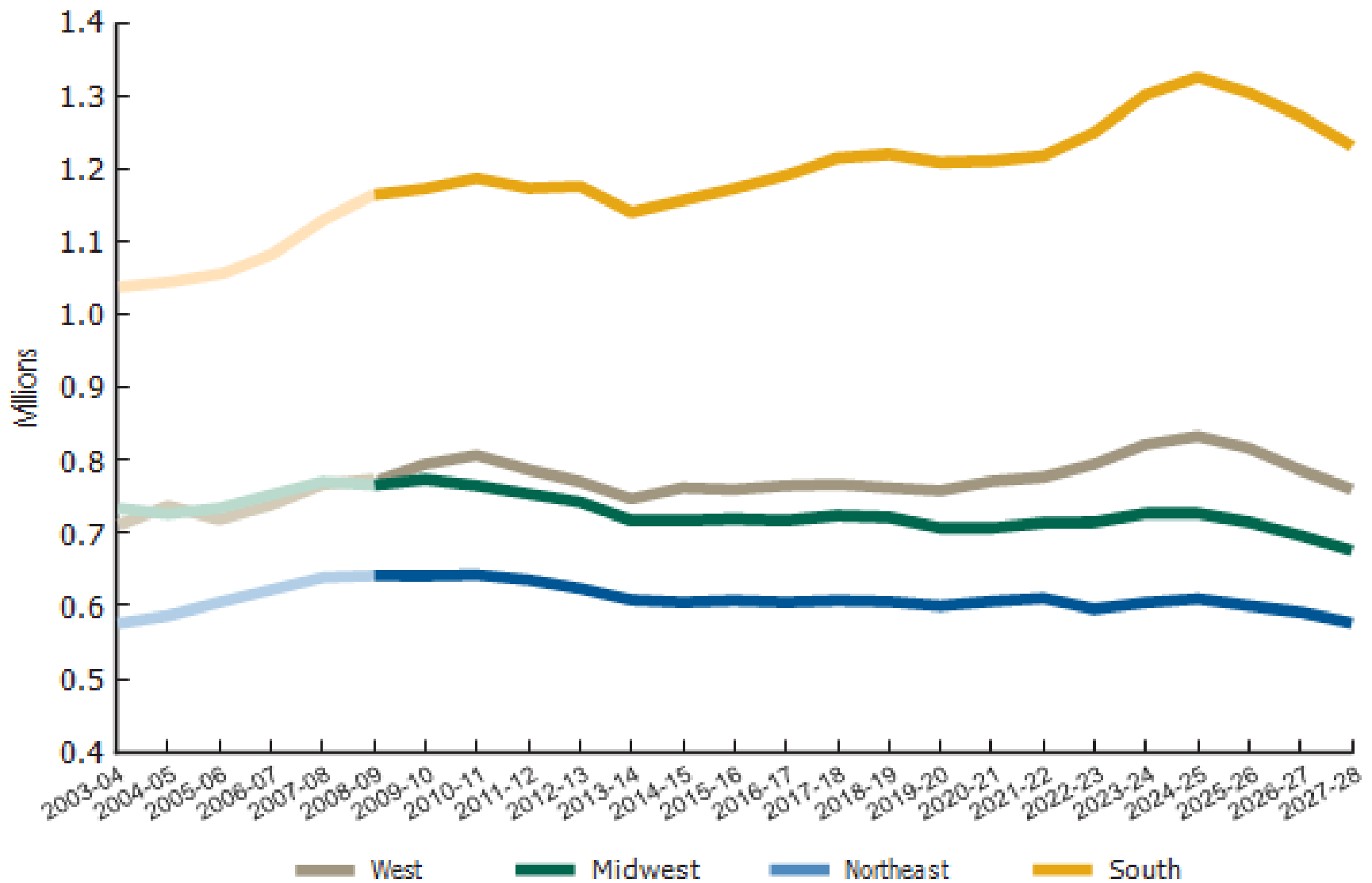
# Public and Nonpublic High School Graduates 2006 through 2028



Source: WICHE's Knocking at the College Door: Projections of High School Graduates, 8<sup>th</sup> Edition

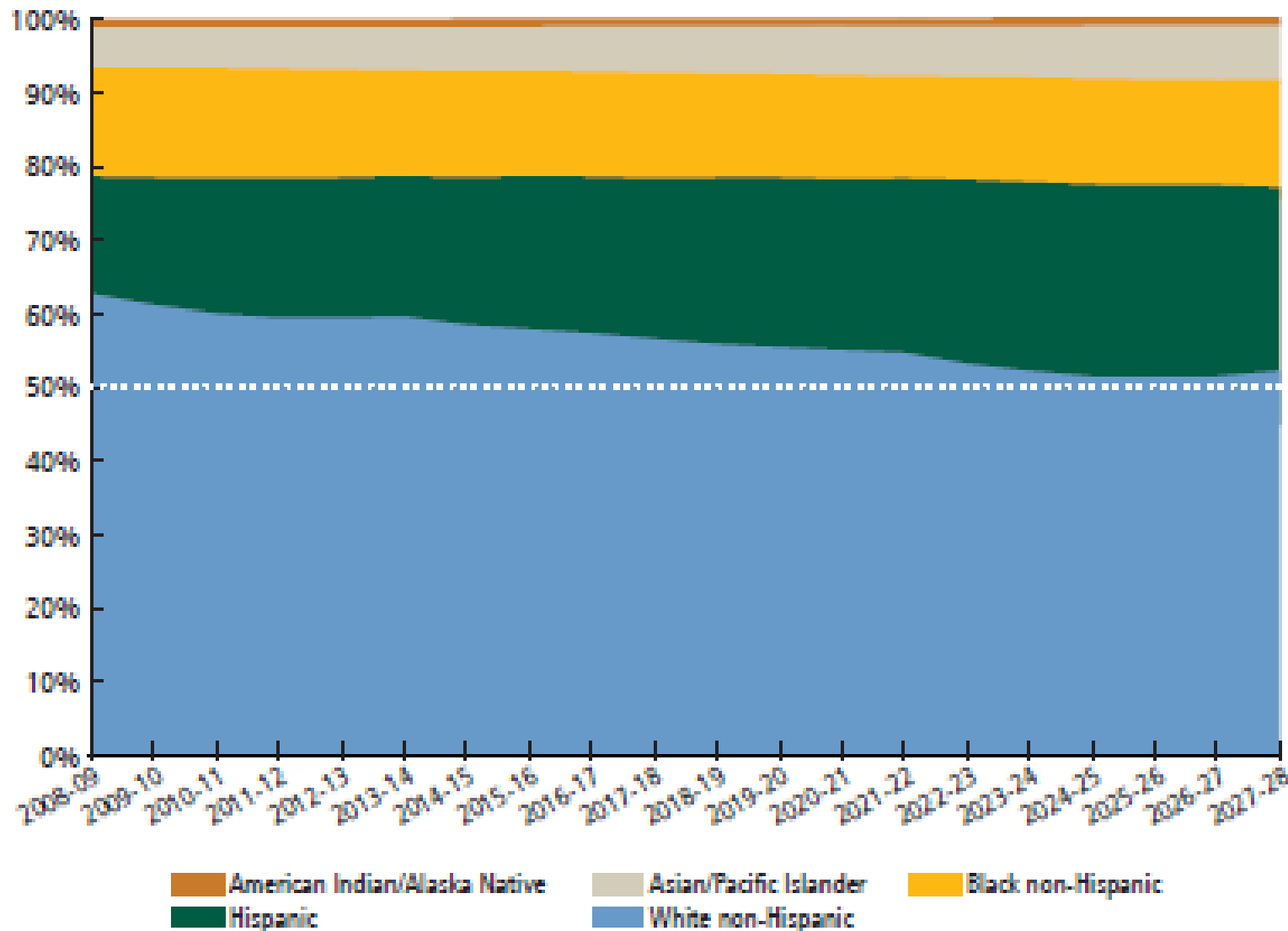


Figure 2.7. Public and Nonpublic High School Graduates, by Region, 1996-97 to 2008-09 (Actual) and 2009-10 to 2027-28 (Projected)



Source: WICHE's Knocking at the College Door: Projections of High School Graduates, 8th Edition

Figure 3.5. Composition of U.S. Public High School Graduates, by Race/Ethnicity, 2008-09 (Actual) and 2009-10 to 2027-28 (Projected)



Source: WICHE's Knocking at the College Door: Projections of High School Graduates, 8<sup>th</sup> Edition

# Example of 10 States and their projection of growth or decline in students

- Dwindling production (loss of 15% or more) – Maine, New Hampshire and Vermont
- Slowing production (losses between 5% - 15%) – California, Connecticut, Florida, Massachusetts, New Jersey and Pennsylvania
- Manageable growth (increases of less than 5%) – New York
- Swift Expansion (increases greater than 15%) - Texas



# Student Discounting

# The Discounting Game

- Colleges and universities utilize discounting for undergraduate admissions in a variety of means
  - Strategic alignment
  - Profitability
  - Program expansion
  - Social responsibility
  - Just plain: Growing FTEs



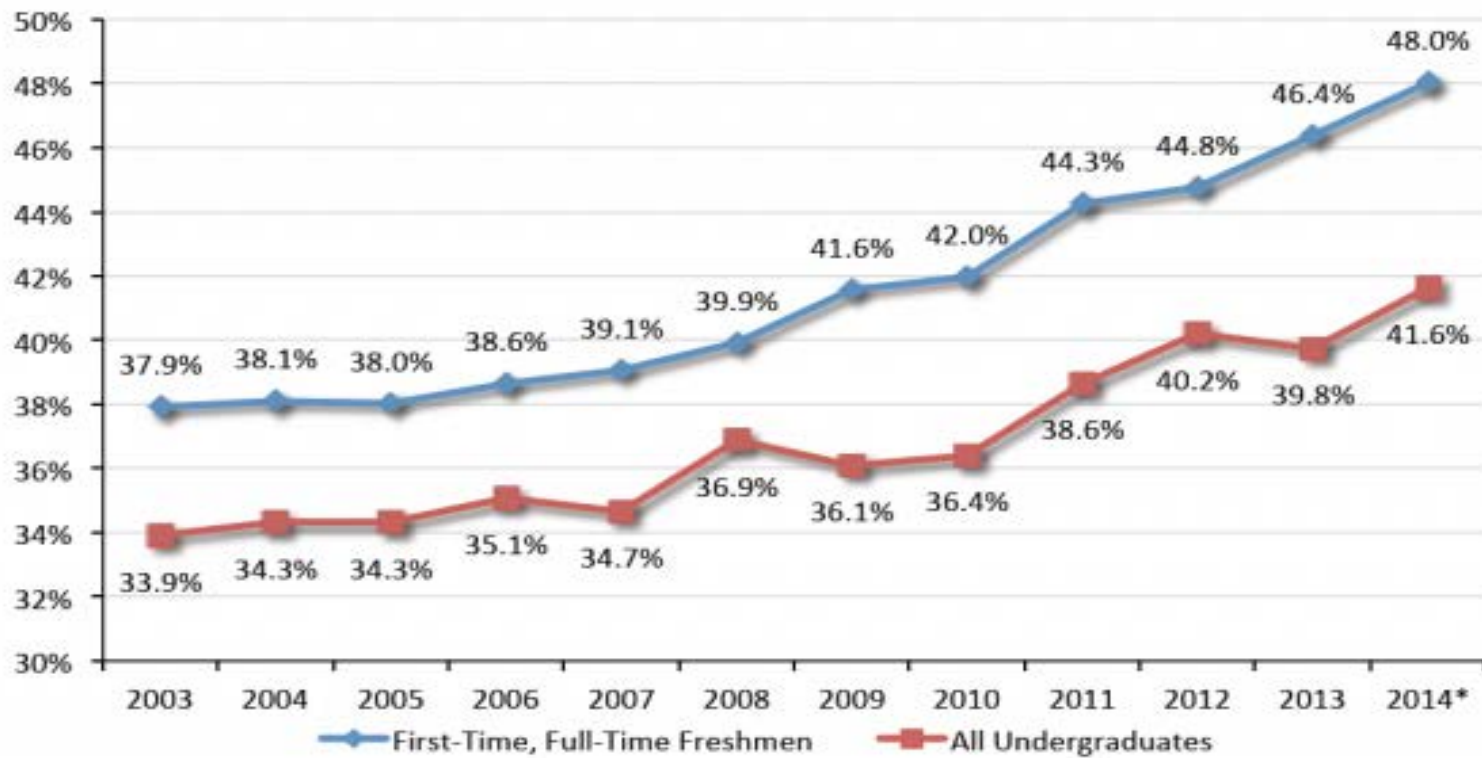
# The Discounting Game

- The errors of discounting
  - Consumer confusion (used car lot)
  - Lack of Purpose
  - Lack of sophistication
  - Lacking a business case
  - Lack of controls



# The Discounting Game

Figure 1. Average Tuition Discount Rate by Student Category<sup>4</sup>



Source: NACUBO Tuition Discounting Survey, 2003 to 2014.

\*Preliminary estimate.





# The Negative Media Blitz

- Costs are rising for student/parent and government
- Safety of consumer information
- Athletics are out of control
- The return on investment is not positive for many degrees
- Student safety

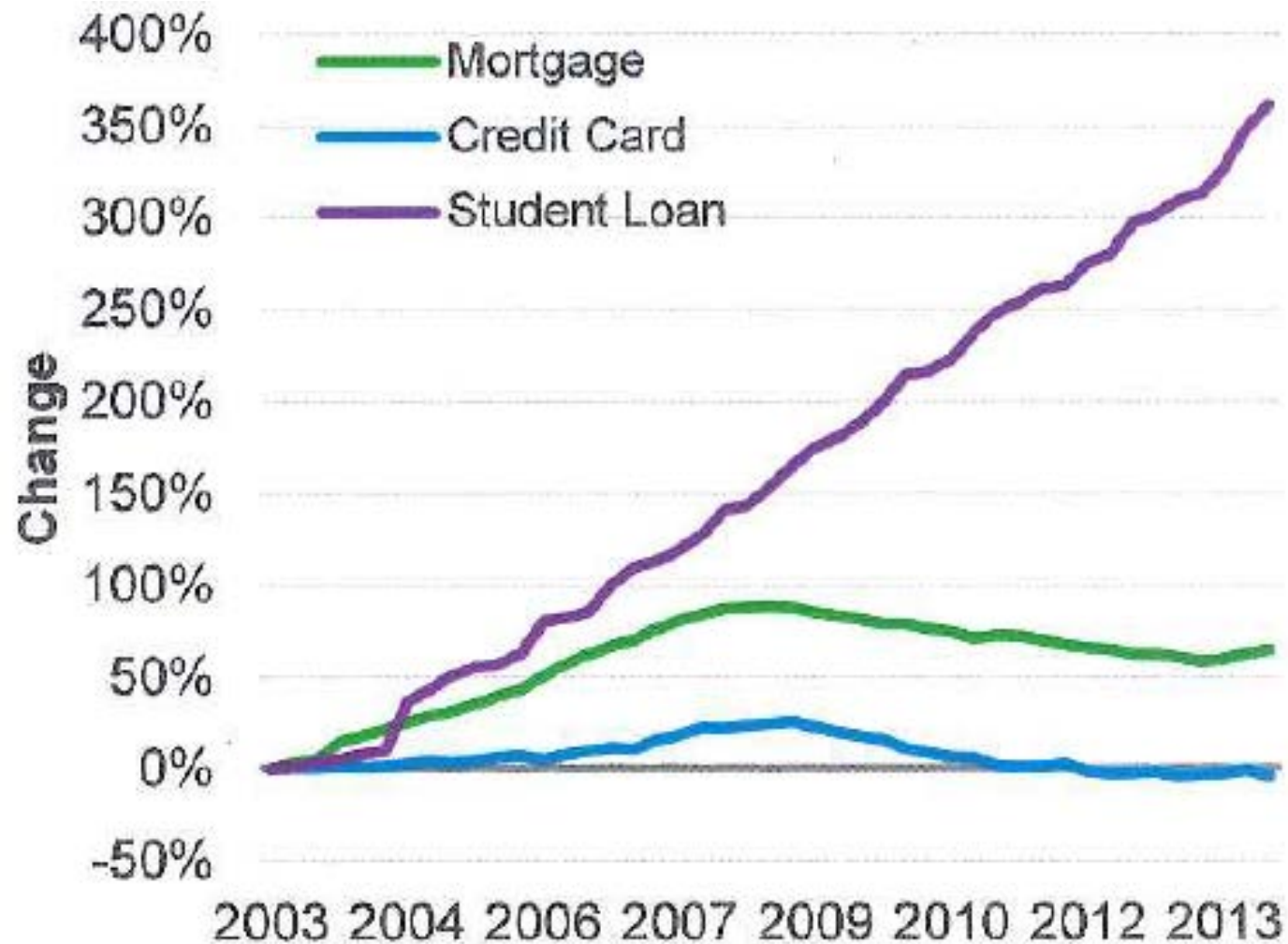


# The Negative Media Blitz

- Are the public relations of higher education failing?
- Is higher education easy to attack?
- Or is higher education entering the life cycle of health care 20 years ago?
- **Is the negativity even warranted?**



# U.S. Consumer Debt





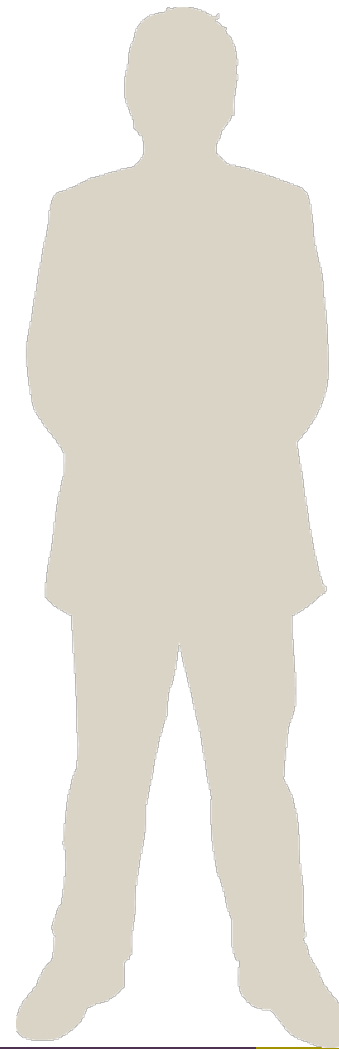
# The Transfer of Wealth Era

# Some Expert Estimations About Baby Boomers

Around \$11 trillion will be transferred from one generation to the next.

9 million of America's 15 million business owners were born in or before 1964.

Most business owners/individuals will wait to determine what they will do with their wealth

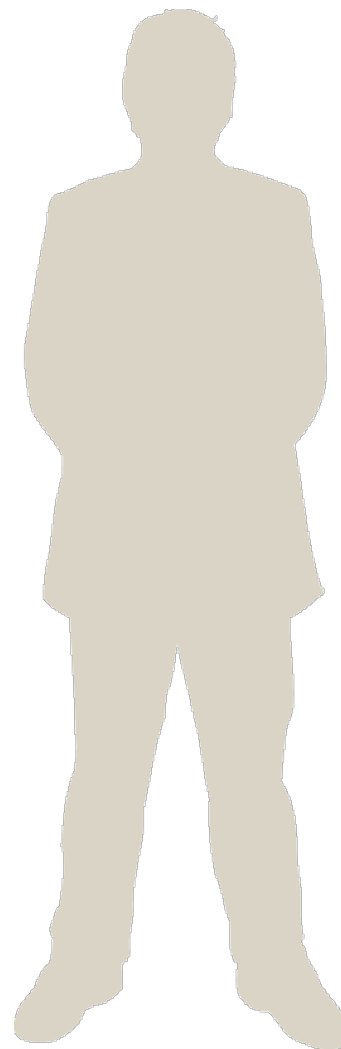


# Some Expert Estimations About Baby Boomers

The Average Age of Retirement is Approximately 64 and still rising

The economy is on an upswing and baby boomers are retiring

What legacy will the baby boomers want to leave?





# Key Employee Demographics

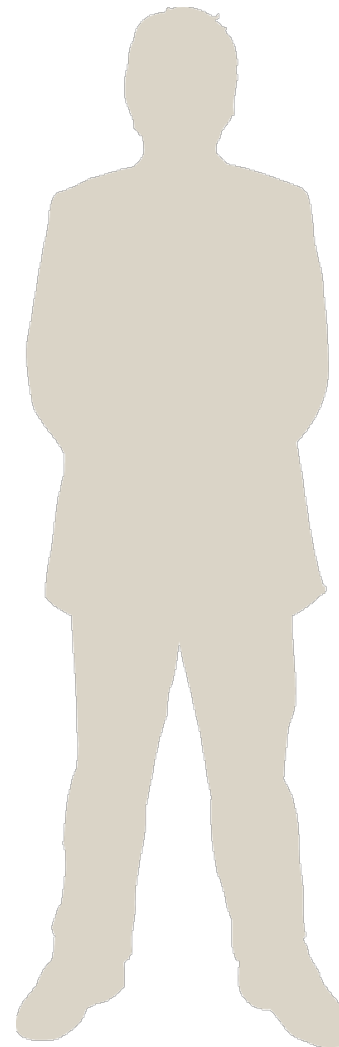


# Some Expert Estimations About Baby Boomers

The average age of retirement is approximately 64

The economy is on an upswing and baby boomers are retiring earlier

How do institutions prepare when the baby boomers leave?



# What is Happening in Transitions?

## Negative:

- Many more key positions are filled with people without industry experience (higher education/nonprofit/government)
- Bad hires that take five years to overcome
- Pay is going way up
- Institutional memory is being lost
- Processes are being missed as they were not documented



# What is Happening in Transitions?

## Positive:

- New energy, passion and excitement
- Re-evaluation of talent within department's
- Discovery of young talent
- Old school cultures are being challenged
- Major improvements in business acumen

# What are Elite Institutions Doing?

- Build succession plans where they can
- Hire for strategic change
- Allowing new key employee latitude
- Better transitions from at key positions
- Full documentation of controls, processes and policies





# How Do Politics Affect Higher Education?

# Regulatory Scrutiny

- IRS, ED, DHHS and many more . . . all are looking heavily at higher education!
- ED hired enough auditors to increase audits from 100 to 500
- IRS did a survey of the largest private colleges, then audited the high-risk institutions
- DHHS is doing their own audits and sending the investigations to the U.S. Attorney General



# Regulatory Scrutiny

- Other Regulatory “Hot Spots”
  - Foreign investments
  - Too much in endowments
  - International student-workers
  - Foreign vendors
  - Unrelated business income
  - State regulated activities

# What about the change in the Presidency?

- Under President Obama
  - Tens of billions of new spending on higher education with tax credits
  - Embraced and promoted the idea that post-secondary education is a must
    - ◇ For individuals
    - ◇ For the country's economic and societal well being
  - Consistent message about rising prices and questionable value blamed as convincing some that college was unaffordable
  - Attempted a failed plan to rate colleges, overreaching with regulation
  - All out regulatory “blitz” on for-profit colleges





# Obama plan would make community colleges nearly free for millions



President Obama greets audience members after speaking in Phoenix on Thursday; he has announced a plan to make community college fee-free for millions of high school graduates. (Saul Loeb, AFP/Getty Images)

# The Trump Effect?

**Nobody really has a clue what direction we are going!**

**But....**

**The Rumors are Boundless!**



# The Trump Effect?

- Federally backed student loans are coming back
- Trump intends to massively reduce the U.S. Department of Education (ED)
- ED is losing some of their most experienced leaders
- Federal support for grants and loans may get reduced
- Gainful employment will be eliminated or modified greatly- Remember Trump U!



# Trump Ideas for Affordability

- Cut costs to comply with federal regulations
- “Forced cut” in tuition rates
- Suggested ‘eliminating tremendous bloat’ in administration
- Labor relations
- Income based student loan repayment
- Use of endowments to cut tuition rates





# The For-Profit Model

# For-Profit Model

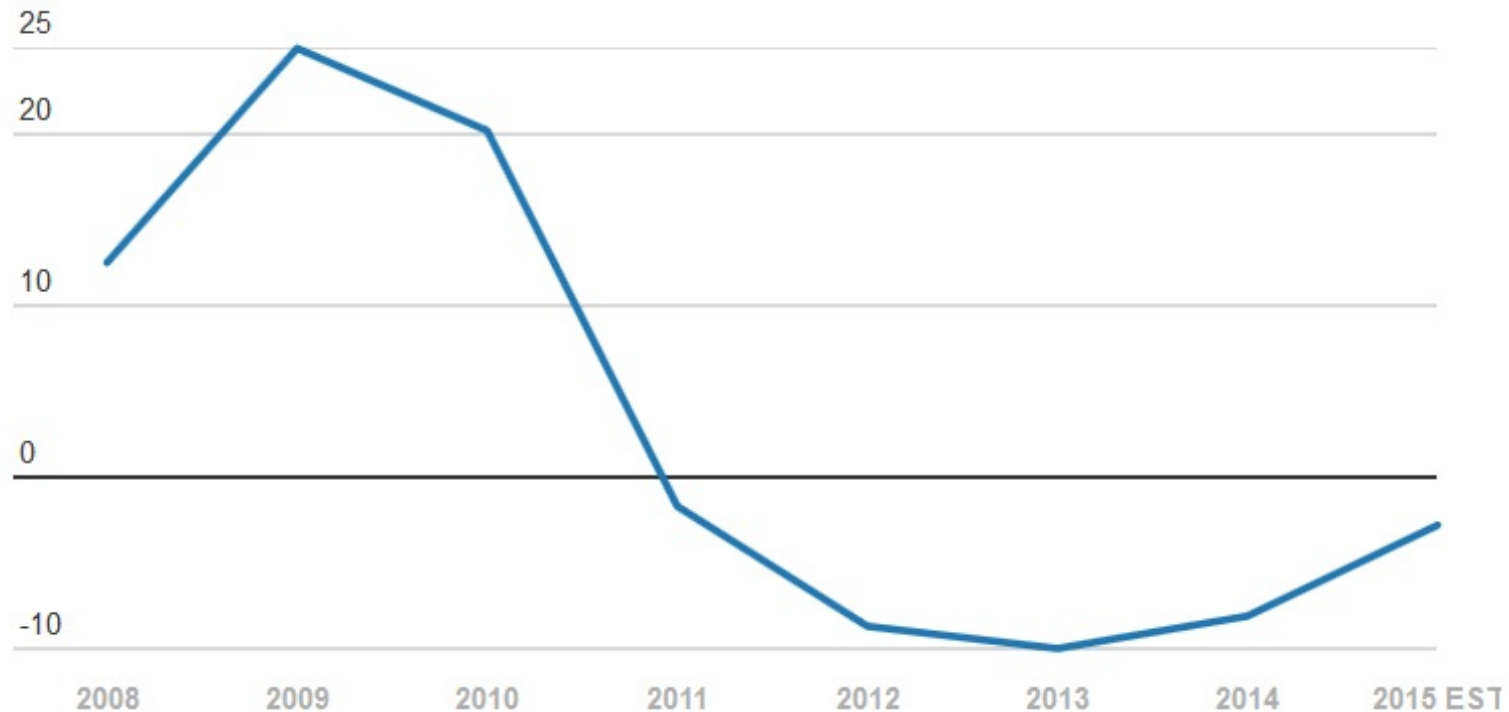
- The airline model
- Metrics on professor pay
- Rein in the benefits
- Location, location, location
- Adaptable to new programs
- Merge and acquire



# It Isn't All Positive

## Percent Change in Enrollment From Previous Year for 14 Publicly Traded For-Profit Colleges

Figures represent colleges' average enrollment figures through their fiscal year's third quarter.



Created with [Datawrapper](#)

Source: [Earning reports and BMO Capital Markets projections](#). [Get the data](#)





# Real Time Changes in Regulations



# Changes in Regulations and Laws

- Perkins is closed! Wait, it is extended.
- New FASB/GASB changes
- Gainful employment is on, then off, then on
- Now they can unionize adjunct professors
- New laws for doing business in each state
- When is the IRS going to do something!



# Changes in Regulations and Laws

- No internal capacity to stay current
- Institutions are doing risk based approach to changes
- Institutions may be out of compliance
- Costs are rising to meet the compliance changes
- Regulators are itching to find noncompliance
- Institutions are paying for the noncompliance



# Changes in Regulations and Laws

## University of Florida

had to pay back **\$17M** to the DHHS.





**The “Union”**

# The “Union”

The “Union” is:

A faculty community that works as one governing unit.



# The “Union”-The Positive

- How can the Union be positively utilized?
  - By identifying and creating buy-in with leadership; good informed decisions can be mutually worked on
  - Grant empowerment by providing choices to the union in order to allow their voice in decisions
  - Transparency between the union and administration
    - ◇ Share information, results and challenges clearly presenting factual impact
  - Build in kaison type mentalities in order for the union to build the path to success



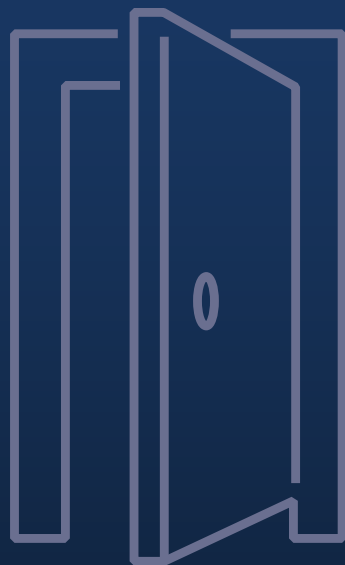
# The “Union”-The Negative

- How does negative Union mentality surface?
  - Can show in negative thoughts/comments over administrative decisions or ideas—can begin with only a small (but vocal) group
  - Emphasis on entitlement, not fiscal responsibility (irrelevant if a class/program costs more than it provides)
  - Creates paralysis among other staff by scaring them away from entrepreneurial thinking
  - Resistance to change; refer to the past for recommendations









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