EVOLVING ECONOMIC MODELS FOR HIGHER ED

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For most, the academic year just concluded, which often signals the time to reflect and contemplate how to address challenges and opportunities for the upcoming year in what remains a constantly changing higher education landscape. You are likely feeling pressure to help your institution evolve, continuously innovate, and deliver compelling learning experiences — all while balancing costs, maintaining quality, and ensuring long-term viability in a world where expectations for your institution are increasingly higher. That's no small order.

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As you plan your strategies for the upcoming year, we hope this collection of articles centered around the topic of evolving economic models in higher education provides you with the information and resources needed to make informed decisions. For more information on our approach, please visit edservices.wiley.com.

Sincerely,

Greg Finkelstein
Managing Director, Wiley Education Services
Senior Vice President, Wiley

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Introduction

For many decades, colleges and universities counted on certain economic models to sustain them. For public institutions, that meant steady appropriations from the state and modest tuition revenue. For private institutions (leaving aside the fortunate few with large endowments), that meant a steady stream of tuition-paying students, producing enough revenue to operate the college and subsidize those students unable to pay. For public and private research universities, that meant ever-increasing budgets for federal agencies that fund scientific studies.

These days, those models are challenged as never before, with states walking away from support for public higher education, and students fickle in their choices and insistent in many cases on deep discounts off of sticker price at private colleges. Questions are being raised in some quarters about the value of degrees. And federal research funds are relatively flat and facing possible cuts.

The articles in this booklet explore how these shifts are playing out at different colleges and universities. And the articles examine strategies – some succeeding and others on which the jury is still out – to respond to these changes.

Inside Higher Ed will continue to cover these issues, and welcomes your comments on this compilation and your suggestions for future coverage.

--The Editors
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Discounting Keeps Climbing

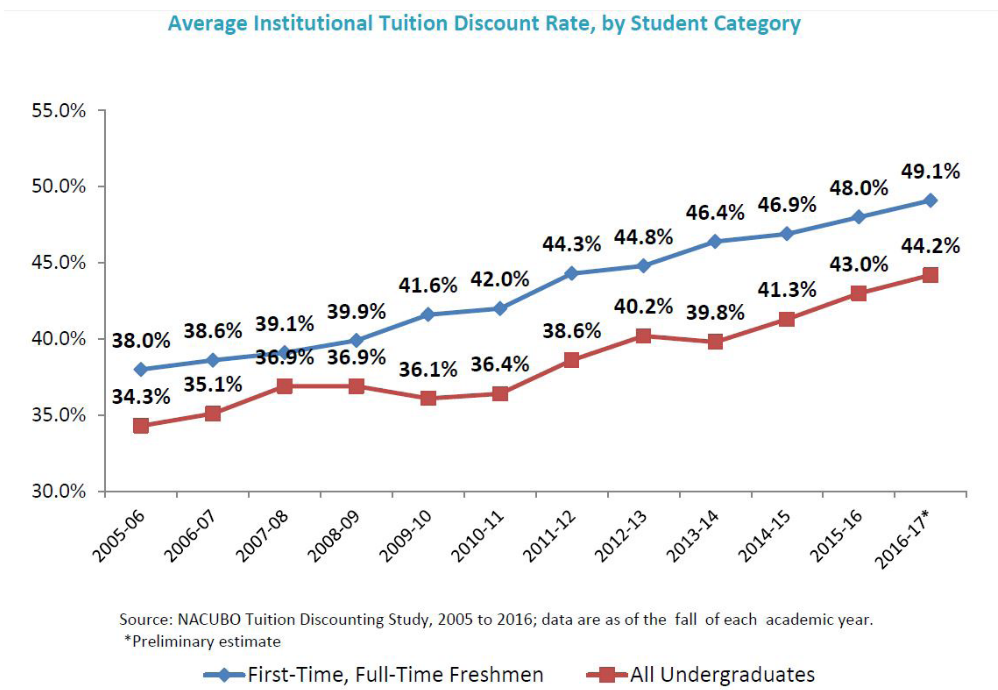
By Rick Seltzer // May 15, 2017

The average first-time, full-time tuition discount rate edged even closer to 50 percent in 2016-17 as net tuition revenue and enrollment struggled.

Tuition discounting at private colleges and universities is up again. Tuition revenue is straining to keep up. And enrollment is weak.

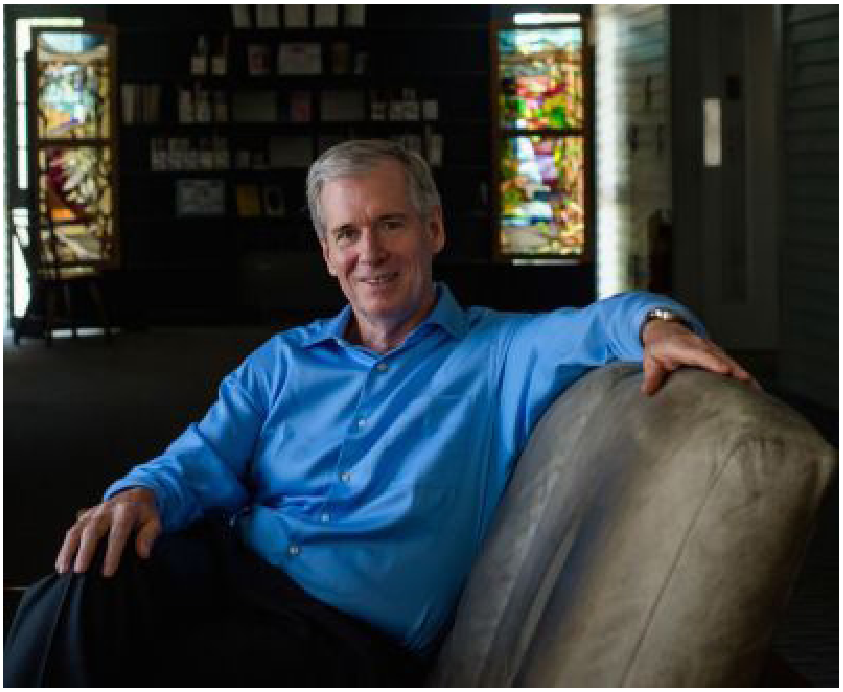
Those are the top takeaways from the 2016 Tuition Discounting Study from the National Association of College and University Business Officers. [The latest version of the annual study](), which was released today, provides a look at how much colleges and universities are awarding students in scholarships and grants -- and how much they are effectively undercutting their own tuition and fee sticker prices. It also offers a glimpse at how such tuition discounts affect other key measures of college and university financial health.

The latest findings show no break from long-established trends of rising tuition discounting. The headline average institutional tuition discount rate for first-time, full-time



students hit an estimated 49.1 percent in 2016-17, up from 48 percent the previous year. For all undergraduates, the average institutional tuition discount rate rose to an estimated 44.2 percent, up from 43 percent.

Both rates are all-time highs for the NACUBO study, breaking records [set after preliminary estimates came out in last year's study](). The tuition discount rate is defined as institutional grant dollars as a percentage of gross tuition and fee revenue. In other words, a 44.2 percent average institutional discount rate for all undergraduates means that more than 44 cents of every dollar in gross tuition revenue that colleges and universities counted never made it to the bottom line because it was dedicated to financial aid.



Kevin Quigley, president of Marlboro College

Two major trends have been driving the increased discounting, according to Ken Redd, NACUBO's director of research and analysis. Students and families have continued to have higher financial needs in the years after the Great Recession than they did before it. And competition for new students is growing as demographic trends point to a declining number of high school graduates in many parts of the country.

"There's nothing I can see on the horizon that will lower or dissipate those two trends," Redd said.

The latest Tuition Discounting Study included survey responses from 411 private nonprofit four-year colleges and universities that are NACUBO members. A majority, 318, are small institutions -- defined as colleges and universities mostly conferring associate and bachelor's degrees and with total enrollment of fewer than 4,000. Another 37 are doctoral-degree-granting research universities, and 56 are comprehensive institutions that grant master's and doctoral degrees and have enrollment above 4,000 students.

Tuition discount rates were highest among small institutions and lowest for comprehensive universities. The estimated average institutional tuition discount rate for first-time, full-time freshmen at small institutions was 50.9 percent in 2016-17. The rate for all undergraduates at small institutions was 45.1 percent.

At research institutions, the first-time, full-time freshman discount rate was 44.2 percent, while the rate for all undergraduates was 44.1 percent. At comprehensive institutions, the freshman rate was 42 percent and the rate for all undergraduates was 39.2 percent.

Many individual institutions post higher-than-average rates, though.

"About a quarter of institutions have rates well above 50 percent," Redd said of the freshman discount rate. "So while the average hasn't crossed 50 percent, a good number of schools have already crossed that point."

Across all types of institutions surveyed, the percentage of first-time, full-time freshmen receiving institutional grants rose to an estimated 87.9 percent in 2016-17. That was up from 87.2 percent the year before. The average institutional grant for such freshmen rose to be worth 56.3 percent of tuition and fees, up from 55.4 percent.

Meanwhile, 78.5 percent of all undergraduates received institutional grants in 2016-17, up from 78.2 percent the previous year. The average institutional grant for all undergraduates increased to 50.9 percent of tuition and fees, up from 49.9 percent.

Net Tuition and Enrollment Struggles

Increases in tuition discounts haven't occurred in a vacuum, of course. Colleges and universities raise their sticker prices as well. Yet data in the study indicate that aid to students has risen fast enough to essentially cancel out any effect from higher sticker prices.

In 2016-17, estimated average net

tuition revenue per full-time freshman increased by 0.4 percent. That 0.4 percent gain was outpaced by the rate of inflation as measured by the Higher Education Price Index, which was 1.8 percent in the 2016 fiscal year. It was also down from an increase in net tuition revenue per freshman of 1.5 percent the previous year and the lowest rate of increase since 2011-12, when net tuition revenue per student fell by 0.3 percent.

The small institutions discounting the most saw the smallest increase in net tuition revenue per freshman. Small institutions reported an average net tuition revenue increase of just 0.2 percent per freshman in 2016-17. Research institutions reported an average increase of 2.6 percent, and comprehensive institutions reported an average increase of 2.1 percent.

> … [M]ost private colleges get the bulk of their operating dollars from tuition and fee payments from families. When that number declines, you actually are seeing an indication of some financial stress at these schools.

"If you adjust for inflation, many schools are actually seeing real decreases in net tuition revenue," Redd said. "That's important, because most private colleges get the bulk of their operating dollars from tuition and fee payments from families. When that number declines, you actually are seeing an indication of some financial stress at these schools."

Across all undergraduates and all institution types, the average change in net tuition revenue per undergraduate was higher, increasing by 1.5 percent in 2016-17. That's a larger increase than the year before, when net tuition revenue per undergraduate increased by an average of 0.8 percent. But it was still slightly below the 1.8 percent rate of inflation.

The rise in discount rates did not seem to be enough to bring in additional undergraduates. Well over half of survey respondents, 57.7 percent, said their institutions experienced a decline in total undergraduate enrollment between the fall of 2013 and the fall of 2016. Just over half, 50.2 percent, said they experienced a decrease in enrollment of freshmen. A large portion, 39.1 percent, reported decreases in both total undergraduate and freshman enrollment.

Respondents largely blamed students' sensitivity to prices, increased competition and changing demographics for losing enrollment. Chief business officers at institutions that had lost first-year enrollment were asked why they believed it fell. The price sensitivity of students was the top response, named by 68 percent of respondents. Increased competition and changing demographics came in next, each being cited by 57 percent of respondents.

A decrease in the number of 18- to 24-year-olds in their region was named by 37 percent of respondents, and 37 percent also pointed to a decrease in yield rate. Only 17 percent of respondents said they lost students because their institution had become more selective, and 8 percent said they lost students because they decreased institutional financial aid. Just 6 percent pointed to a purposeful decision to balance prior-year enrollment results, and 6 percent cited an intentional decision to lower the number of students.

Among respondents at institutions where freshman enrollment grew, most believed it was because of improved recruitment or marketing strategy -- 65 percent. Other reasons frequently cited included an increase in institutional financial aid, named by 48 percent of respondents, and an increase in overall demand for that institution, named by 44 percent. Improved admissions procedures were also named by 44 percent. Just 16 percent of chief business officers said their institutions benefited from changing demographics, and only 2 percent said they decreased selectivity.

Sustainability Questions

Respondents were clearly worried about the sustainability of their tuition discounting strategies. Less than half, 44 percent, said their discounting strategies are sustainable in the long term. Another 32 percent said their strategies are sustainable in the short term but not in the long term, and 20 percent would only say their strategies are sustainable in the short term. Even so, only 9 percent were willing to say their strategies are not sustainable. (Respondents could select multiple answers about their strategies' sustainability, so the responses do not add up to 100 percent.)

It's easy to label discounting practices as problematic in the abstract. But for private college leaders trying to build a large enough student body in a competitive environment, it's a different story. Discounting can be an important tool or a necessity.

"We offer an incredibly generous financial aid package, and someone else increases it by $10,000 or $15,000," said Kevin F. F. Quigley, president of Marlboro College, in Vermont. "We talk to the students or parents and they say, 'We love Marlboro, we love what you do there, but they just sweetened the pot by $10,000 or $15,000.' What can you do about it?"

Marlboro is in many ways an extreme example of the pressures placed on small colleges. It enrolls only 300 undergraduates and 150 graduate students on average. Its undergraduate tuition discount rate is 66 percent.

The college's discount rate has been pushed up by a recent effort to boost enrollment and academic standing by offering full scholarships to a high-achieving student in every state. The effort helped boost the college's incoming class from 50 in the fall of 2015 to 71 in 2016. The class entering for 2017 isn't finalized but will likely be smaller, in the 55- to 60-student range, Quigley said.

The every-state scholarship program required a high amount of investment and effort, such as marketing across the country. With returns diminishing in its second year, it will be revamped for the future. Still, it is an interesting -- if unusual -- case in the discussion about discounting's sustainability.

"The first year with a new program, a new initiative, the community got really excited," Quigley said. "But then you move into the second year, and it's not the new thing. I also think other institutions are discounting to a greater extent, so all of a sudden that's gone. So, like everybody else, we're developing a new plan."

The continued rise in discounting reflects a number of trends, according to Richard Ekman, president of the Council of Independent Colleges. Many students attending college today come from lower-income families than those that attended a generation ago. Many colleges and universities are also making efforts to dedicate aid to such students, so they are able to attend college, he said.

"The other thing to keep in mind for private institutions is that tuition discounting isn't the whole story," Ekman said. "Presidents and boards of trustees put such a premium on raising money for scholarships."

Yet most colleges and universities have not historically been able to rely on funding from endowments for the bulk of the institutional financial aid they offer.

In 2015-16 just 12.4 percent of total institutional grant aid was funded by endowments. It's a relatively small portion, although it's up from the year before, when 11.3 percent of institutional grant aid was funded by endowments.

Other Findings

The NACUBO report also wades into the controversial debate about need-based aid versus non-need-based aid. It notes that much of the non-need-based aid -- or merit aid -- that institutions award goes to meet students' demonstrated financial need.

Need-based aid made up about 41 percent of all undergraduate institutional grant dollars awarded in the fall of 2015, the last year for which data were available. Non-need-based aid used to meet need made up an almost equal share -- 38 percent. Non-need-based aid not used to meet need made up 22 percent.

In other words, 79 percent of aid awarded went to meet need, regardless of whether that aid was classified as need based or merit based.

As more institutions raise sticker prices, the share of students with financial need will likely rise, the report says. Therefore, more students will need aid before they can enroll, and students will care little whether grant dollars are classified as need based or non-need based, it says.

Many would disagree with that assessment, including Stephen Burd, a senior policy analyst with the Education Policy program at New America. Lumping non-need-based aid going to financially needy students with need-based aid is putting a positive spin on the way rising discounting and higher sticker prices affect students, he said in an email.

> "...[S]aying that the money is going to students with financial need is a bit misleading.... [S]tudents who come from families making $100,000 or more a year may show need when attending colleges that have a total yearly cost of attendance of $70,000."

"It's important to point out that at expensive private colleges, fairly well-to-do students can have some financial need because the prices are so high," he said. "So just saying that the money is going to students with financial need is a bit misleading. In other words, students who come from families making $100,000 or more a year may show need when attending colleges that have a total yearly cost of attendance of $70,000 (including tuition and room and board, which most four-year private college students pay)."

That echoes a complaint frequently lodged against institutions with high sticker prices and high tuition. Critics argue high tuition enables institutions to say they are meeting calculated financial need for students from middle- and upper-income families when they could instead be dedicating more resources to students from poorer families.

Survey respondents were also asked about the strategies they used in the 2016 fiscal year to increase net tuition revenue. A wide majority, 71 percent, said they used recruitment strategies. Retention strategies and financial aid strategies were also used by large majorities, 69 percent and 63 percent, respectively.

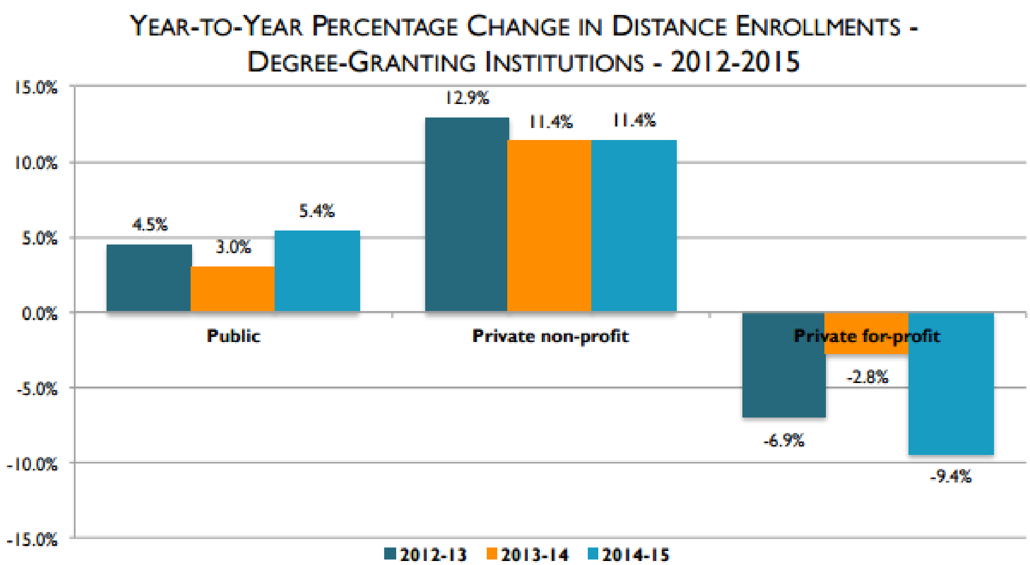
A third of respondents said their institutions changed or added academic programs, and 22 percent said they changed or added facilities. Almost one-fifth, 19 percent, reported using tuition pricing strategies, and 9 percent said they tried no new strategies. ■

https://www.insidehighered.com/news/2017/05/15/private-colleges-and-universities-increase-tuition-discounting-again-2016-17

‘Volatile’ but Growing Online Ed Market

By Carl Straumsheim // May 2, 2017

Online enrollment continues to grow as the total number of students in college shrinks. The growth is particularly strong at private nonprofit colleges, report finds.



In fall 2012, the University of Phoenix soared above other distance education providers. At the time, more than 256,000 students took at least one online course there -- nearly 200,000 more than the next institution on the list. Southern New Hampshire University, by the same metric, ranked 50th.

Three years later, Phoenix still topped the list, but the number of students taking at least one online course there had dropped by nearly 100,000. SNHU, meanwhile, had seen a roughly fivefold increase, climbing 46 spots to No. 4.

The two trajectories illustrate how the distance education landscape changed between fall 2012 and 2015. While many distance education pioneers in the for-profit sector, such as Phoenix, have seen dramatic declines, private nonprofit institutions such as Southern New Hampshire have made significant gains.

But those extremes don’t tell the full story. For while overall college enrollment has declined since the U.S. emerged from the recession following the financial crisis, online enrollment continues to grow across all sectors of higher education, data show.

In fact, about two-thirds of all colleges reported that their distance education enrollments grew from 2012 to 2015. The share is highest among private nonprofits (68 percent), but not that much higher than among for-profit (63.9 percent) and public institutions (63.7 percent). And the 3.9 percent year-over-year growth rate reported in fall 2015, the most up-to-date enrollment data available, is the highest observed during that four-year period.

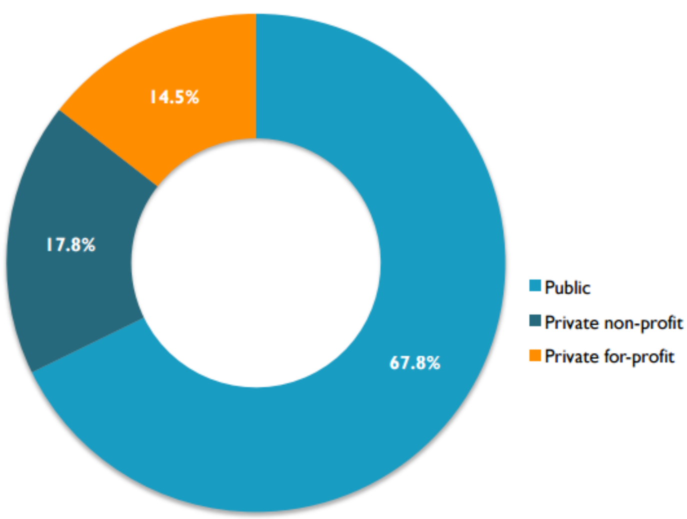
The findings come from [Digital Learning Compass](), a report analyzing federal higher education enrollment data, produced by the Babson Survey Research Group, e-Literate and the WICHE Cooperative for Educational Technologies.

Jeff Seaman, co-director of the Babson Survey Research Group, said the top-level numbers showing growth across all sectors mask "volatility below the surface." He pointed to the online enrollment growth at private nonprofit colleges, up 40 percent in 2015 compared to 2012, as one example.

The report doesn't explore the factors behind the private nonprofit colleges' success in the online education marketplace (though the Babson Survey Research Group plans to do follow-up reports this year), but Seaman floated two hypotheses: it could be that those colleges are benefiting from large for-profit colleges losing students, he suggested, or that the private colleges' online programs are just now reaching a point where the institutions are able to enroll a large number of students.

Pete Boyle, vice president of public affairs for the National Association of Independent Colleges and Universities, said in an email that he believes both hypotheses have had an impact, but that he leans toward the latter -- that online programs have matured.

TYPE OF INSTITUTION - STUDENTS ENROLLED IN DISTANCE EDUCATION COURSES - 2015



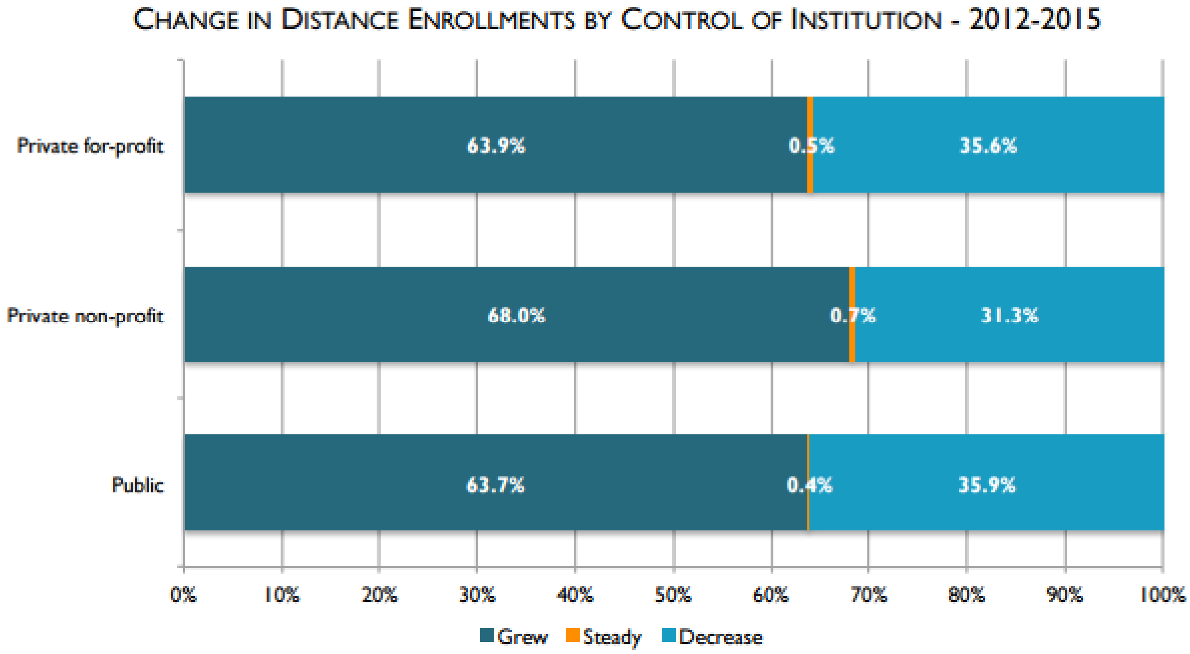
"A key part of that maturation would be how to make online pedagogically sound," Boyle said. "One could argue that for-profits jumped in with not enough substance, while private nonprofits focused on the substance first. Institutions developed programs that had pedagogies that faculty could incorporate into the regular curriculum/mission of the institution. So, there was a maturation in that sense."

The enrollment growth at private nonprofit colleges means the sector has passed for-profit colleges as the second-largest in the distance education market. Public institutions still teach the majority of online students: 67.8 percent, according to the 2015 data. Of the six million who studied online in fall 2015, 4.1 million attended public institutions, one million private nonprofit colleges and about 871,000 for-profit institutions.

The findings also challenge the narrative that the for-profit sector, broadly, is in decline. While online enrollments at most of the institutions in that sector grew in the 2012-15 time frame, the growth was erased by declines at institutions such as Phoenix and Ashford University, both of which have faced scrutiny from the federal government.

Over all, the for-profit sector lost 191,300 online students from fall 2012 to 2015. While the government won't release the next batch of enrollment data until next year, estimates suggest the for-profit sector has [continued to shrink]().

Steve Gunderson, president and CEO of Career Education Colleges and Universities, a trade group representing for-profit colleges, said the sector "grew too much too fast" when it attempted to capitalize on increased interest in higher educa-



tion during the recession. "We had terrible outcomes, and we paid a price for that," he said.

Gunderson said the for-profit sector will be better off if it focuses on training students for careers rather than competing with other types of colleges to offer "online liberal arts education." CECU last year changed its name from the Association of Private Sector Colleges and Universities to emphasize that focus. Before APSCU, the organization was known as the Career College Association.

"Any kind of civil war between the different sectors is an absolute waste of time and energy," Gunderson said. "There is more demand than any one of our sectors is going to be able to meet on its own." ■

https://www.insidehighered.com/news/2017/05/02/report-finds-growth-volatility-online-education-market

Fine Print and Tough Questions for the Purdue-Kaplan Deal

By Paul Fain // May 30, 2017

University's boundary-testing deal poses a test for its accreditor and could set new precedents about online education and the role of public universities.

Calling Purdue University's acquisition of Kaplan University bold might have been underselling. Depending whom you ask, the deal is either an exciting evolutionary step for public higher education or a dangerous threat to it.

Experts agree, however, that the outcome of Purdue's big bet on online credentials through the purchase of a for-profit institution could set precedents that will reverberate far beyond Indiana.

"It's a real crossroads moment for higher education," said Peter Smith, an endowed professor at the University of Maryland University College and a former U.S. representative whose long career in the academy includes stints at public and private institutions as well as a recent role at Kaplan.

Mitch Daniels, Purdue University's president, announcing deal with Kaplan

Smith compares the possible influence of the Purdue news, which first broke last month, to the MOOC craze of five years ago -- specifically the shift in how selective institutions view online courses -- and to the employee education partnerships forged by Arizona State University with Starbucks and by Southern New Hampshire's competency-based College for America with its participating employers.

Yet before the new Purdue online institution can begin making its mark, federal and state regulators and the Higher Learning Commission will have to review the arrangement struck by the land-grant university to acquire Kaplan University and its 32,000 students, 15 campus locations and 3,000 employees.

The trickiest part, a broad range of observers said, will be the scrutiny by HLC, which is the regional accreditor for both Purdue and Kaplan.

That belief is based in part on the clout wielded at the state level by Purdue and its president, Mitch Daniels, a former Republican governor of the state and a national political figure. Indiana's government already passed language in a budget bill to lay the statutory groundwork for the new public institution. And the state's higher education commissioner has spoken positively about Purdue's move.

As a result, most expect smooth sailing during Indiana's consideration of the deal.

Predicting how reviews by the accreditor and the feds might go down is more difficult. Several key aspects of the university's structure have not been publicly disclosed and may stay private. Likewise, some of what is known crosses into new territory, particularly that the as-yet unnamed university combines enviable competitive characteristics of both public and private nonprofit universities, with a 30-year contractual service relationship with a for-profit that will no longer offer federal aid-eligible credentials.

On the federal side, however, the political zeitgeist is a major factor, observers said. The Trump White House is unlikely to pump the brakes on Daniels's gambit, many said, given its stated interest in alternatives to the traditional four-year degree and about displaced workers in the Midwest who might attend Purdue's new online programs.

"They'll be framed legally and in regulatory terms, but they'll be primarily political," Smith said of the reviews. "The future for both parties is bright."

Even so, the Higher Learning Commission faces a challenging task as it kicks the tires of the new institution.

Faculty members at Purdue have raised a broad range of concerns about the deal, including complaints about shared governance for the new university and not being notified about the negotiations with Kaplan until an hour before the news went public.

In addition to weighing faculty concerns, HLC has been ground zero for contentious fights over sector-crossing partnerships and attempts by for-profit institutions to convert into nonprofits, both of which could relate to the accreditor's review of the new university.

"Any way you look at it, this is going to trigger a very careful review," said Judith Eaton, president of the Council for Higher Education Accreditation.

HLC at times has been tugged in two directions, perhaps more so than other regional accreditors. The commission has been criticized for allegedly not doing enough to crack down on bad-actor for-profits as well for failing to adequately support innovation.

"They're in a position where they feel very vulnerable and they're working with these anomalous institutions that nobody had in mind when regional accreditation was put together," said Sally Johnstone, president of the National Center for Higher Education Management and a former vice president for academic advancement at Western Governors University.

Russ Poulin agreed. And the director of policy and analysis for the Western Interstate Commission for Higher Education, Poulin said the HLC review will be where critics of the deal make their stand.

"They're going to be under tremendous pressure from both sides on this. I wouldn't want to be in their shoes," he said. "No answer is the right answer for them. Somebody's going to be upset."

Quasi-Public?

A focus area for regulators and the accreditor in their scrutiny of the new university will be its public character, which is a twist on the traditional public institution in ways that are both controversial and clever, experts said.

The budget Indiana's governor signed -- on the day Purdue and Kaplan announced their deal and had it approved by the university's governing board -- included language that established the new university as a public institution, but with unusual exemptions that will allow it to operate like a nonprofit corporation.

The university will be designed to fit the state's recently created legal definition of a public benefit corporation, a nonprofit business that values societal returns -- in this case educating students, many of them low income -- as well as revenue.

The new institution will not, however, be a typical 501(c)(3) organization, Kaplan officials said. That means the new university won't have to publicly disclose information that most private colleges do.

For example, it appears that the former Kaplan University will not be required to file the annual Form 990 tax form with the U.S. Internal Revenue Service, which includes information about a university's compensation, revenue and expenses.

Likewise, the budget language exempts the new university from a few public-record and open-meeting laws, because it is not technically a public agency, as the Lafayette *Journal & Courier* first reported. The institution, however, will be obligated to provide information about finances, academic programs and student outcomes to the state's higher education commission, upon request.

Despite these changes to the typical regulatory requirements for a public university, the new state law also says the university will be "considered to be a governmental entity equivalent to the state for purposes of U.S. Department of Education regulations."

Purdue did not respond to questions for this article. Asked about the looming regulatory and accreditation process, a university spokesman said, "We have gathered our necessary background and data and anticipate moving forward."

In unveiling the deal last month, Purdue said it was creating a "new global public university." The institution will not receive state funding, Purdue said, with its revenue instead coming solely from tuition and fund-raising. (The university's students could receive financial aid from the state and the federal government.)

Daniels, in a presentation to the university's trustees, said the new institution would pose "virtually no financial risk," presumably meaning to Purdue or the state. He has reinforced that message in conversations with faculty members.

Yet the federal government places less financial scrutiny on public institutions because states are considered to be their fiscal backers. This commonly cited legal concept means the "full faith and credit" of a government entity is on the hook to cover a public agency's debt and other monetary obligations.

> "This isn't going to be a public university. The faculty doesn't see it as being to the benefit of faculty, students, the university or the state of Indiana."

For example, the federal borrower-defense rule that goes into effect soon is more lax with its fiscal requirements for public institutions, such as not requiring them to take out letters of credit due to perceived financial vulnerability or in response to allegations of misconduct. Private nonprofit and for-profit institutions are subject to those requirements, however, as a hedge against taxpayers eating the costs of forgiving student debt or other expenditures when a college shuts down.

In addition, the new university will take on Kaplan's student loan portfolio, according to former department officials, as well as that liability, which could carry some risk.

The new Purdue institution's degree programs also will not be subject to the federal government's gainful-employment regulation, which only applies to nondegree programs at public and nonprofit institutions. Kaplan has shut down five programs that would have run afoul of that rule. Likewise, the new university will not be required to get at least 10 percent of its revenue from nonfederal sources, as for-profits must.

'Existential Threat'

Bob Shireman is a senior fellow at the Century Foundation who, in his time as an Education Department official during the Obama administration, helped lead a crackdown on for-profit institutions. Recently he's been critical of the conversion of some for-profits into nonprofits, saying the colleges merely changed tax status while continuing to enrich company officials.

The new Purdue institution poses an "existential threat to public education," Shireman told National Public Radio shortly after the deal was announced. His criticism of the deal drew the ire of Daniels, who called out Shireman personally during a meeting with faculty members.

Shireman hasn't backed down from his assessment. In fact, he says he's more concerned after having a month to review some of the deal's fine lines.

How can the department consider this new institution to be a public university, Shireman asks, if it's structured as a limited liability corporation that poses virtually no financial risk to the state?

Some faculty members share Shireman's concerns.

"This isn't going to be a public university," said David Sanders, an associate professor in the university's department of biological sciences who is the chair of the University Senate, which earlier this month passed a resolution that called on the university's Board of Trustees to rescind any decisions about the new university.

"The faculty doesn't see it as being to the benefit of faculty, students, the university or the state of Indiana," Sanders said.

HLC tends to focus heavily on faculty concerns, experts said, particularly with regard to academic offerings. This reflects the traditional view that, under shared governance, faculty members play an essential role in the quality control of the programs a college offers.

Another possible issue is that Kaplan will run a large portion of the university's nonacademic functions for the foreseeable future. While Kaplan and Purdue describe the for-profit education company's role with the new university as being of the "back office" variety, those contractual services include marketing and advertising, admissions support, financial aid administration, technology and human resources support, accounting, and facilities management, according to an 111-page financial document Kaplan's publicly traded holding company filed last month with the U.S. Securities and Exchange Commission.

The broad partnership with a for-profit education company and the lack of adequate assurances that the new university will put academic quality before revenue is a dangerous combination, Shireman said. "It undermines the core of what a public institution is."

Reading the Fine Lines

Purdue did not pay for Kaplan University up front.

According to a simplified description of the terms of the complex deal, Kaplan could be reimbursed for the costs of its support services and also get a 12.5 percent cut of the new university's annual revenue, but only after the university's operating costs are covered.

The university will be overseen by a five-member governing board, Purdue has said, with four members coming from Purdue's board and one from Kaplan University's.

Shireman and other critics worry that Kaplan will be able to exert control over the new institution's decision making, an assertion that both Kaplan and Purdue vigorously contest. Likewise, some fear the university's nonexclusive operations deal with Kaplan means prospective students could be directed to other institutions that Kaplan might contract with as a type of online program management company.

Part of the concern about control relates to documents about the deal that have not been made public, specifically various appendices listed in the SEC filing. Given the new university's unusual public benefit corporation status, it's not clear that those documents will be released. But HLC should get them as part of its review, accreditation experts said.

If the new university maintains the record of its actions, rather than Purdue, it likely would not need to comply with public-records requests, said Zachary Baiel, a West Lafayette resident who is the president of the Indiana Coalition for Open Government.

"We're going to have an unaccountable nonprofit organization run an arm of Purdue University," Baiel said. "If the public can't understand what's going on, how can that be public?"

Yet to some, a separate nonprofit with operations outside its parent public university is a promising innovation. That's because public universities tend to move slower than for-profits and private colleges with the creation of academic programs or in reacting to student demand -- both of which are drags on an online institution.

Kaplan's corporate filing includes references to the new university's "key academic and operating policy guide," which is listed as an appendix. The filing said the guide includes mutually agreed upon rules for admissions standards, enrollment requirements and student advancement or academic term structures.

If the new university makes any "material departure" from the policy guide, according to the filing, such a change could "change the assumptions on which the parties based the economic terms in this agreement." In such a scenario, Kaplan could determine that it would experience a "significant adverse impact," which would trigger an evaluation process that's described in another nonpublic document. If Kaplan believes such an impact will decrease current or future revenues by $5 million or more, the evaluation process could lead to Kaplan being compensated for that adverse impact. (See image from filing, below.)

> "Like any university, the programming mix will evolve over time as we evaluate which programs are best suited to meet the needs of our students and the communities we serve. We believe there are areas of expertise within Purdue that will be helpful as new programmatic areas are considered."

Shireman said it appears that an academic decision by the new university, such as to tighten admissions requirements for a program, could result in such a payment to Kaplan. As a result, he said, Purdue would have a financial incentive to hold off on making potential improvements to the formerly Kaplan-controlled academic programs.

Purdue said that it began communicating with HLC about the deal in February, just a few months after the first discussion between Purdue and Kaplan about the acquisition, which occurred in mid-November. In addition, Purdue said it anticipates that the transaction will be viewed as a change of control, which triggers a specific type of review by the accreditor.

Kaplan last August received a 10-year renewal from HLC, after a comprehensive accreditation review company officials said generated positive findings. (HLC does not publicly release most of its review documentation.)

"This is a change of control and not a change in the institution itself, and we do not have any plans to change the programmatic mix initially," Purdue said in a written statement it released when the deal was announced. "Like any university, the programming mix will evolve over time as we evaluate which programs are best suited to meet the needs of our students and the communities we serve. We believe there are areas of expertise within Purdue that will be helpful as new programmatic areas are considered."

Shireman said HLC should look hard at whether Purdue will have appropriate control over the new institution's academic programs. Kaplan and Purdue, however, have said Purdue will have total control. And if the new university makes changes that lead to a material departure payment, a Kaplan official said that would just change the timing of how the company gets paid for the sale of its university chain, with those fees being part of a gradual payoff rather than a buyout, which is possible after six years, according to the agreement.

Similar questions of control have tanked other partnerships between nonprofit and for-profit institutions, most notably HLC's 2013 decision to essentially close Ivy Bridge College, a partnership between Ohio's Tiffin University, a private institution, and Altius Education.

Some critics of that decision said it was influenced by politics, specifically the desire by the Obama administration and congressional Democrats to go after for-profits. Altius, which subsequently shut down, sued HLC, and that lawsuit remains active.

Experts said HLC will need to tread carefully around its Ivy Bridge decision if it approves the Purdue-Kaplan deal. Likewise, the failed bid by Grand Canyon University to become a nonprofit could be a factor. HLC last year rejected the for-profit's application, in part because the accreditor said the new nonprofit entity would cede too much control to a separate for-profit services division.

Setting Precedents

The deal's first step toward approval by the federal government and HLC likely will be the filing of a pre-acquisition review form with the Education Department. That should happen within a few weeks, a Kaplan official said.

The U.S. Department of the Treasury and the IRS may not have to conduct a review of Kaplan University's changing corporate or tax status, experts said, if the state's definition of the new university as a public benefit corporation is accepted.

Next up would be the Indiana Commission for Higher Education, which is slated to review the university's creation this summer. HLC's review will follow. It's unclear how long that might take, and a spokesman for the accreditor said the agency does not know enough about Purdue's intent at this point to discuss the potential process.

"I hope HLC recognizes the precedent-setting aspect of this deal," said Ben Miller, senior director for postsecondary education at the Center for American Progress and a former Education Department official.

It's a safe bet that many across higher education see the potential impact of Purdue's move.

Greg Ferenbach and Mike Goldstein are two Washington-based lawyers who have been at the forefront of working with colleges on public-private partnerships and nonprofit conversions. In a blog post for their firm, Cooley, they said Purdue's "full-throated entry" into online education will encourage other, similar institutions to follow suit.

"The political winds appear to have shifted from a hostile regulatory environment to one that may be more favorable to such partnerships. And, given the considerable stature of the parties, we give this one better odds to close than other recent efforts despite the already emerging efforts to derail it," Ferenbach and Goldstein wrote, adding that "we expect it will go through in the end, and when it does (and perhaps before, if the ringing of the phone is any indication) others will surely follow."

That's exciting news to many observers, including some Purdue faculty members, who like that the university appears to be sincere about affixing its brand to an open-access online institution aimed at working adults -- Kaplan's average student is 34 years old, compared to the 20-year-old who is the typical student at Purdue's residential campus in West Lafayette.

Michael Poliakoff, president of the American Council of Trustees and Alumni and a former member of the federal panel that oversees accrediting agencies, said he hopes HLC has internalized the bipartisan message that accreditors should be open-minded about new models.

"This is something that we should embrace," he said. "This really is exactly what we want colleges to do."■

https://www.insidehighered.com/news/2017/05/27/regulators-and-accreditor-begin-review-purdues-boundary-testing-deal-kaplan

Georgia's Next Stab at Efficiency

By Rick Seltzer // April 19, 2017

As consolidation efforts continue, the public university system sets its sights on assessing campus and systemwide administrative costs and performance.

After gaining recognition for repeatedly pulling off mergers between its colleges and universities in recent years, the University System of Georgia is turning its scrutiny toward the administrative setup at its campuses and system office.

System Chancellor Steve Wrigley announced a new comprehensive administrative review process Tuesday that will have the 28-institution, 321,551-student system searching for efficiencies and improved processes. The move marks a major initiative for a new chancellor who took over in January for the retiring Hank Huckaby, who drew widespread attention for consolidating 14 of Georgia's colleges and universities into seven since 2011.

Georgia is far from the only state to seek administrative efficiencies. But given how aggressive the system has been in consolidating campuses, its efforts are likely to be closely watched to see how the latest effort fits with its still-unfolding consolidations. The system is currently pursuing another pair of mergers approved at the beginning of this year that will fold four institutions into two.

The administrative review does not mean that Georgia will avoid consolidations in the future, Wrigley said. Rather, it complements the system's consolidation push.

"It is the next step beyond the consolidation efforts," Wrigley said. "It fits nicely, because we have had an emphasis on trying to keep administrative costs as low as possible and trying to realize savings on the administrative side."

The review is set to examine administrative functions in all departments across the university system and its campuses. It will not include core faculty activities like teaching and research.

Steve Wrigley, chancellor of the University System of Georgia

Goals are to find savings opportunities in more efficient processes, realigned positions and restructuring and centralizing some operations. Savings could then be put toward student support services and academics, keeping up with the latest practices.

"Higher ed has changed a lot in the last 10 to 12 years," Wrigley said. "Students have changed. How it is organized has changed. How students learn, off-line offerings -- so many things have changed."

A 16-member Comprehensive Administrative Review Committee will lead the effort. Two phases are planned. The first will scrutinize the university system office and four to six other colleges and universities to be announced at a later date. Remaining institutions in the system will be examined in the second phase, expected to start in the fall of 2018.

Each phase is planned to take between eight and 16 months. The second phase could be split into additional phases.

System leaders don't yet know how much money they expect to save. They acknowledge job cuts and position eliminations are possible.

Since the review process is expected to stretch over multiple years, leaders hope many positions will be able to be eliminated by not filling vacant jobs that open up when an employee leaves. But they are not yet prepared to rule out layoffs.

The review comes after Georgia's state auditor recently reviewed college costs in the state. The cost of attending a public college or university in the state rose 77 percent in a decade as per-student state appropriations dropped amid an increase in enrollment, Georgia's HOPE scholarship made smaller average awards and colleges and universities increased fees, it found.

The system's budget is approximately $8.4 billion in the current fiscal year. It receives approximately $2.2 billion in state appropriations.

Georgia's public institutions face some financial pressures, as do all public colleges and universities, Wrigley said. But he said the auditor's review and financial pressures were not the sole reasons for pursuing an administrative review.

"I don't really think about it as fiscal pressures leading to other decisions," Wrigley said. "I think we need to think about it from a different standpoint, and look at the cost side in every possible way."

> "My hope is that this is an opportunity to say, 'Now that we have gone through these round of consolidations, and now that the landscape of higher education is changing, are we being as efficient as we can be?"

Wrigley also pointed out that he has been a part of University System of Georgia leadership since 2011 -- former Chancellor Huckaby hired him that July as executive vice chancellor, and he was at the University of Georgia before that. As a result he has a familiarity with presidents and other administrators in the system who might otherwise balk at the review effort from a new chancellor.

"I don't know that it would be the same as somebody coming in from outside and launching something like this," he said. "We've talked about it off and on, and we've talked with our presidents about it. There was an awareness that we'd be going down this path and that it is the next step beyond the consolidation efforts."

Taking a hard look at system and institutional administrations makes sense for an organization that has gone through as much change as the Georgia system, said Thomas Harnisch, director of state relations at the American Association of State Colleges and Universities.

"It looks like they're pursuing a multipronged strategy," Harnisch said. "Georgia has been the national leader in pursuing intercampus efficiencies through mergers, so it makes sense that they would also seek out intracampus efficiencies."

Some states have formed steering committees to guide their administrative reviews, and others have hired outside consultants, Harnisch said.

Georgia is asking the newly formed steering committee to review the effort's methodology, look at its project phases and analyze data gathered.

The committee's members include university presidents, other administrators, a student and a faculty member. Kelly McFaden, an associate professor of social foundations of education at the University of North Georgia and the chair of that university's Faculty Senate, is the faculty representative on the steering committee.

McFaden believes that a well-functioning administration helps faculty members in their jobs, she said. Her aim is to make sure changes put in place are good for faculty members and the system as a whole.

The University of North Georgia was created in a consolidation completed in 2013. Consolidations have typically been said to have saved money and increased efficiency -- the University System of Georgia has estimated that its consolidations resulted in a collective savings of $24.4 million. But some have voiced concerns that they resulted in combined universities with too many administrators left over from each constituent institution.

The administrative review is a chance to examine that issue, McFaden said.

"My hope is that this is an opportunity to say, 'Now that we have gone through these round of consolidations, and now that the landscape of higher education is changing, are we being as efficient as we can be?'" McFaden said. "I mean revisiting how the administrative structures were combined at the time of consolidation."

The chair of the University System of Georgia Faculty Council, Elizabeth Desnoyers-Colas, wants to find out more about the review. Desnoyers-Colas is also an associate professor of communications at Armstrong State University, which is in the process of being consolidated with Georgia Southern University.

"We don't know what criteria they are using to do this review of administrators," she said. "We don't know what questions they're asking."

Still, faculty members generally welcome the step, she said.

"I do suspect some of the colleagues I've talked to have the same questions," she said. "I think they welcome the step and would like to know more about it and how it's going to work." ■

https://www.insidehighered.com/news/2017/04/19/university-system-georgia-announces-new-administrative-review

Tuition Matching, Take 2

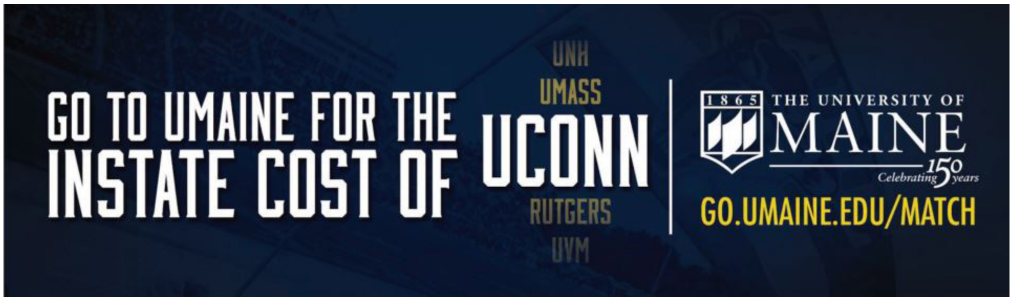
By Rick Seltzer // May 11, 2017

University of Maine sleds uphill by trying to draw students from faraway California and Illinois with program matching in-state flagship rates of other states, but sees yet more gains from New England.

The University of Maine went fishing for students out west for the second year of its flashy tuition-matching program targeting new first-year students from out of state.

It won a small number of additional commitments from far-flung Illinois and California. But the efforts didn't yield nearly the number of student commitments that the program continues to attract from nearby states, which are tuition-matching targets for the second straight year. The program's growth rate has slowed for those closer-to-home states but still represents a significant boost for a cold-weather locale facing sharp declines in the number of expected high school graduates in coming years.

The university's much-touted Flagship Match program might not be able to expand exponentially into the future. But data from its second year suggest it might create lasting gains in enrollment -- from nearby New England states, at the very least. It's a success driven by simplicity, according to Jeffrey Hecker, provost of the University of Maine in Orono.



The University of Maine's Flagship Match program includes aggressive advertisements.

"My enrollment-management guy calls it 'the sizzle,'" Hecker said. "One of the things that's appealing about the Flagship Match is the simplicity of it. We list our criteria. We say, 'If you make it, you're going to get this scholarship.' I think that's appealing to a lot of parents."

The University of Maine drove up out-of-state enrollment last year with Flagship Match, a merit scholarship program that offsets tuition and fees paid by out-of-state students taking 15 credits per semester. The program is designed so that a first-year student from one of several other states can attend the flagship University of Maine in Orono for the same tuition and fees as they would pay if they attended the flagship campus in their home state. The scholarship is renewable for up to four years.

The program is designed to work on the idea that students will be willing to travel to attend another state's flagship campus if they do not have to pay sharply higher out-of-state tuition rates. Students might be attracted to the idea of attending college out of state. Or they might not have gained admission to their state's most selective flagship campus and would rather attend Maine's flagship than another, less-selective public institution in their own state.

For the University of Maine, the program is a way to attract new students to a state with a plummeting number of high school graduates. It is also a chance to increase selectivity and boost net tuition revenue by bringing in out-of-state students who pay higher tuition and fees than do in-state students. Flagship Match students don't pay the full out-of-state student rate, but they still pay rates that are higher than Maine's in-state tuition and fees.

For example, take a Flagship Match participant from Massachusetts -- the state that sends the most students to Maine. An undergraduate student from Massachusetts would normally pay $29,498 in tuition and fees to attend Orono in the 2016-17 academic year. But the Flagship Match scholarship is worth $14,527 for Massachusetts students, bringing tuition and fees down to $14,971. That's the same amount it would have cost that student to attend the flagship University of Massachusetts Amherst, before factoring in any financial aid that university would offer. That sticker price is still more than the $10,628 a Maine resident pays in quoted tuition and fees.

Full Flagship Match awards are available to students with a minimum grade point average of 3.0 and an SAT score of at least 1120 or an ACT composite score of at least 22. Maine also offers $9,000 awards to students with lower GPAs and test scores.

The University of Maine started the program in fall 2016 with an $8.5 million aid budget, offering it to students in Connecticut, Massachusetts, New Hampshire, New Jersey, Pennsylvania and Vermont. Those states did not report seeing their enrollments drop off significantly as a result of the new competition. But the University of Maine still reported significant success for its 2,230-student freshman class. Out-of-state commitments for the fall rose by more than 50 percent as of last May.

The university did not lose a larger share of commitments than usual during its summer melt period, Hecker said. Summer melt last year was slightly more than 10 percent across the university, about the same as rate it had been without the Flagship Match program.

Commitments across the six original states continued to rise for fall 2017, according to new data the university released. They grew at a slower pace, however.

As of May 2, 2017, confirmations for first-year students to enroll in the fall from the original six Flagship Match states had grown by 17 percent over the same time in 2016, to 1,022. That was a slower rate of growth than experienced from 2015 to 2016, when freshmen confirmations from the six states spiked by 55 percent -- to 873 -- under what was then a new program.

In 2017, confirmations from Connecticut students still rose significantly, jumping by 45 percent to 172. Massachusetts was the most popular Flagship Match state for the second straight year, with confirmations from students there rising more slowly, by 10.6 percent, to 565. More students from Pennsylvania and New Jersey also committed in 2017 than did in 2016.

Students from Vermont committed in roughly the same number -- 38 in 2017 versus 39 the year before. Commitments from New Hampshire dropped by 20 percent to 82.

Hecker believes New Hampshire was an outlier because of a new program guaranteeing that full-time first-year Pell Grant recipients will pay no tuition to attend the University of New Hampshire. About a fifth of the University of Maine's Flagship Match students were Pell eligible in 2016.

"Application numbers were close to the same, but the confirmations were down," Hecker said of New Hampshire students. "I'm quite confident that is what's happened."

Commitments for fall 2017 arrived in much smaller numbers from California, Illinois and Rhode Island, the three states added to the program this year. As of May 2, 19 students committed from California, up from 10 last year. This year 11 Illinois students committed, up from five last year. The same number of Rhode Islanders -- 32 -- committed in 2016 and 2017.

Rhode Island was added to the program in large part to make it available throughout New England, Hecker said. He theorized that Maine might not have drawn Rhode Island students because the flagship universities in Maine and Rhode Island are closer in terms of selectivity than are the flagships in Maine and other states. The University of Maine tends to be less selective than other states' flagship universities.

On the other hand, administrators viewed California and Illinois as trials this year. Both were attractive because they charge in-state students significantly higher tuition and fee rates than does the University of Maine. Yet they are also notable in that their flagships are much more selective than the university in Orono.

Even the less-selective universities in the UC system, like Merced and Riverside, admit sharply lower percentages of applicants -- and applicants with much stronger transcripts -- on average, than does the University of Maine.

So Maine administrators did not dedicate too many resources to the two states in their first year.

"We were, in a way, testing the waters," Hecker said. "We didn't do very many of the traditional recruiting things there. We did a very little bit of advertising."

But after seeing some small successes in the first year, the University of Maine will likely increase its investment in recruiting in the two states going forward, Hecker said.

Admissions experts were not surprised to hear that the University of Maine is attempting to compete with other states' universities on price. Nor were they surprised that the Flagship Match program's growth slowed in its second year and as it was extended farther from home.

Bill Hall is the founder and president of Applied Policy Research Inc., an enrollment and pricing advising firm. APR often works with private institutions, but Hall has also had clients like the State Student Assistance Commission of Indiana and the Minnesota Community College System.

"This year in particular was not a year to go out nationally looking for growth," Hall said. "We're operating against a backdrop of generally slack demand."

Demand tends to be worse the farther northeast you go, Hall said. Maine is fighting demographic trends with a strategy that started out entirely focused in the northeast. Plus, it's sledding uphill in trying to bring students from California to Maine.

"Getting people to move from warmer climates to cold areas is always difficult," Hall said.

The University of Maine's first-year commitments from within the state this year fell significantly, dropping 8.5 percent to 1,235. Some of that drop is because of a declining number of high school students in Maine, Hecker said. The university also cut a program largely made up of in-state students that allowed students who did not meet admissions standards to matriculate at the University of Maine. Additionally, some other campuses in the Maine university system, like the University of Southern Maine in Portland, are attracting students, Hecker said.

Over all, the university's 9,300-student undergraduate enrollment is about 30 percent out-of-state students. The goal is to increase it to 40 percent, Hecker said.

Other key indicators at the university have remained largely the same or changed only slightly with the continuation of the Flagship Match program. The mean SAT score of students confirming for the fall 2017 freshman class increased five points, to 1149.

The confirming freshman class remained largely white -- about 89 percent in both 2016 and 2017. The out-of-state tuition discount rate ticked up by two points, to 39 percent.

Administrators don't count on 50 percent annual growth from the program, Hecker said. But they do believe they can add more students from Illinois and California.

"It won't be anything like we had this year in Massachusetts and Connecticut," Hecker said. "But given what we saw in year one, we think there's room for growth there." ■

https://www.insidehighered.com/news/2017/05/11/university-maine-sees-slower-growth-second-year-flagship-match-program

Drew's Downgrade

By Rick Seltzer // March 31, 2017

Ratings agency dings small university for spending big after a new president took over. As focus shifts to a budget deficit, question becomes whether Drew can cut spending while growing enrollment.

MaryAnn Baenninger inherited a budget deficit when she came to Drew University in the summer of 2014. The next year, the small private university's deficit grew.

And that was by choice.

Drew spent more as Baenninger sought to put money into the university's campus, students and employees. The university issued its first raises in about five years. It hired a respected enrollment guru and increased its financial aid spending. It renovated the dining hall.

The spending was a change for Drew, a pricey university to the west of New York City in Madison, N.J., which had been preparing for budget cuts following several years of dropping enrollment before Baenninger arrived. But, according to Baenninger and members of her administration, the spending helped to keep talented staff and faculty members from leaving, improve student retention and increase applications from prospective students.

Drew University

"We were losing kids on the food, for God's sake," Baenninger said. "Our salaries were going downhill. Now they're going up."

Recently, however, the spotlight has shifted to Drew's deteriorating financial situation. Moody's Investors Service drove home that point this month by downgrading Drew's bonds for the second time in 15 months. Moody's dropped one series of bonds from Ba3 to B2 and two others from Ba3 to B3, sinking them farther into junk territory and signifying that they are highly speculative.

Moody's pointed to operating deficits that are expected to last longer than previously projected, along with a competitive student market constraining possibilities for short-term revenue growth. It said Drew has no more unrestricted liquidity left and would have to rely on loans and distributions from temporarily restricted endowment assets for working capital. Moody's also assigned a negative rating outlook.

"The negative outlook reflects our expectations that the university's financial performance will remain challenged over the next few years, which will continue to erode the remaining spendable cash and investments, making a return to financial stability very difficult," Moody's analysts wrote.

The downgrade came after Drew administrators realized they would be running a deficit for a year longer than they had originally anticipated, according to Baenninger. The university will be carrying deficits into 2021-22.

Now, cuts are clearly necessary, Baenninger said. But she still thinks her strategy of spending early was the right one.

"It is really hard," the president said in an interview this week. "But what we chose to do -- and I feel very strongly that this is the only way it would work -- we chose to invest first, learn about the institution with our new team and our new CFO. Learn about the institution, and then deploy the cost savings so we weren't inadvertently cutting things that would hurt us more."

The question Baenninger faces now is whether enough fat can be cut from Drew to free money for seemingly competing needs. The university must do more to balance its budget. But it also wants to find a way to invest in new programs. At the same time, it needs to prove wrong concerns about the competitive student market by attracting more students and more tuition dollars.

MaryAnn Baenninger, president of Drew University

Drew is not alone in those questions -- small liberal arts colleges across the country have been forced to figure out how much they can cut, how much they will have to change and where they can grow to stay afloat in a difficult market. For Drew, Baenninger believes the answer has to involve growth -- even in the midst of coming cuts.

"I still view Drew's structural deficit problems as revenue problems -- that is, over all, we're not spending more than an institution of our type should be spending," Baenninger said. "But particularly because our enrollment wasn't stable and our retention was low -- strikingly low for an institution of our type -- we weren't bringing in the revenue that we should bring in."

Where to Cut, Where to Invest?

In Baenninger's first year, working under an operating budget she inherited, Drew spent $84.6 million but only brought in $73.5 million in revenue. The next year, fiscal 2016, spending rose to $90.4 million, rising faster than revenue, which increased to $76.7 million. That means Drew's operating deficit increased by $2.6 million, from $11.1 million to $13.7 million -- the deficit amounted to 15 percent of spending.

With Drew on pace to continue its deficits in the current year, Baenninger has been increasingly discussing cuts and how to financial balance. The way forward will likely include significant administrative cuts, skewing university spending away from its administration and toward academics.

Drew has been offering voluntary early retirements and is restructuring its academic administration in moves expected to save millions. The university will be keeping a tight capital budget -- it does not plan any borrowing -- and looking for ways to control benefit costs.

"Our cost-savings plan, which will be unfolding over the next six months, will cause us to be able to create a very, very different cash-flow situation very rapidly," Baenninger said.

At the same time, Drew is evaluating programs it can add -- as many as dozens across its three colleges over coming years. It is in the process of adding a media and communications program. And it plans to add to a group of programs that have students spending semesters in New York City.

The university is looking into fields like public health and data science for new undergraduate concentrations. And its Theological School and College of Liberal Arts have been working with consultants on potential new programs and strategic planning.

"What we are looking to do is create these opportunities that define liberal arts with a career," Baenninger said. "It's not something that sounds particularly innovative or unique, but these are things that Drew didn't do before."

'You Have to Have a Depth of Applicants'

New programs mean little if Drew can't draw students. Perhaps the most crucial part of the university's recovery plans revolve around boosting enrollment and retention. Robert Massa, senior vice president for enrollment and institutional planning, is in charge of those tasks.

Massa is known for his work at Dickinson College in Pennsylvania, where he raised applications, enrollment and revenue at a time when the college had a new president. He's in a situation now that looks strikingly similar. He started working at Drew as a consultant shortly after Baenninger was hired. A few months later, in February 2015, he signed on full time.

Drew had previously looked at its financial situation and cut from student aid, Massa said. But he believes those financial aid changes brought unintended negative consequences, hurting the university's market position and leading to more students leaving because they had large gaps in their financial aid packages.

Enrollment bottomed out, Massa said. In the fall of 2014, weeks after Baenninger arrived, the first-year freshman class was as small as it had ever been, at 302 students. That was despite a freshman discount rate of 58 percent, well above the national average for private colleges, which is about 50 percent.

Yet when Massa arrived, leaders made the decision to spend more to attract students.

"The only lever I could pull, because applications had declined, was the financial aid lever," Massa said. "We had made a decision that we needed a critical mass, and the discount, we'd have to drive that up."

The university's first-year tuition discount rate spiked to 67 percent in the fall of 2015. But freshman enrollment rose, too, hitting 357. Total undergraduate enrollment rose from 1,482 in the fall of 2014 to 1,514 in the fall of 2015.

Drew's freshman discount rate and enrollment ticked down slightly this year to 62 percent and 350 as of the fall. Total undergraduate enrollment came in at 1,589, up from previous years as freshman retention has climbed.

The university has essentially used financial aid to buy more students while still making itself more selective. Its acceptance rate fell from about 70 percent in 2014 and 2015 to 57 percent in 2016.

"I'm not trying to get more applications so we can reject people," Massa said. "The point is, in order to have a deep enough pool to be able to select a class that's both academically qualified and has some financial ability, you have to have a depth of applicants."

Drew can be successful with a higher discount rate than many other private institutions, Massa argues. At about $47,000 before room, board and fees, its listed tuition is higher than many other private colleges. So even after discounting, Massa said, Drew's net tuition per student is still about $1,000 higher than a typical private college.

"Our discount rate is high, and I don't like being in the low 60s," he said. "But our net revenue per student is higher than average."

The university's discount rate will fall in the future, Massa predicted. Still, he thinks it's unlikely to drop below 55 percent.

For next year, the goal is to bring in a freshman class of about 385, Massa said. Going forward, he thinks the university needs an annual applicant pool of about 4,000 to admit classes at the levels of selectivity he targets. Ideally, Drew would accept 2,000 students to get to 385 or 400 freshmen enrolling each fall. Its overall undergraduate student body would number about 1,750. Add in graduate students, and Drew would then have about 2,300 students, up from about 2,200 today.

Massa has been working to build relationships with high school counselors. He's recruiting heavily in the New York City metropolitan area and other areas up and down the East Coast.

"I will be honest with you, there is a lot of work to be done," he said. "It's a deep hole to dig out of, but I'm actually confident that we can do it."

The administration still has the backing of the chairman of the Board of Trustees, Dean T. Criares. Key indicators are moving in the right direction, and the board was looking for someone who was willing to do the work of repositioning Drew for the future when it hired Baenninger, Criares said.

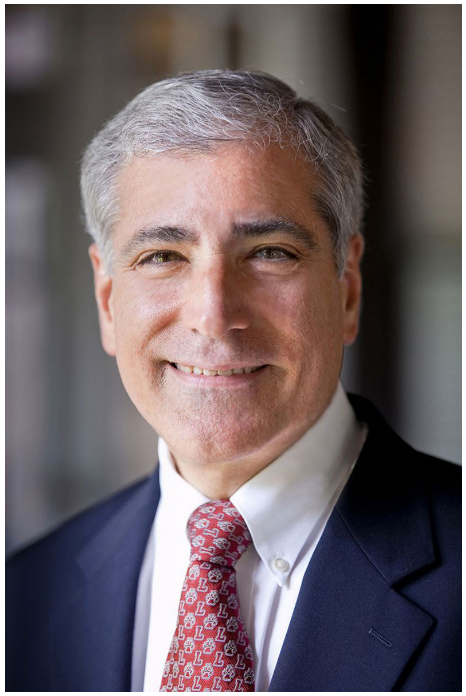
That hasn't changed with the current financial situation.

"It is my responsibility to be concerned," Criares said. "And to constantly ask, 'What if?' But at the moment, we are cautiously optimistic around the trends that MaryAnn has been able to generate."

'The Pressures Are Worse Than They've Ever Been'

Still, observers who know Drew best worry about its current position. The path back will not be easy, said Thomas H. Kean, a former governor of New Jersey who went on to become Drew's president from 1990 to 2005.

"There have been some problems, and not all of the school's making," Kean said. "We went through a very difficult economic period. I have tremendous sympathy for anybody in the job these days of running a small liberal arts school, because the pressures are worse than they've ever been."



Robert Massa, senior vice president for enrollment and institutional planning

Drew was in a similar situation when Kean became president, he said. He also took time to evaluate the circumstances, bring in his own team of administrators and fix the problem, he said.

Kean's recommendation for Drew today is a heavy emphasis on fund-raising. The university has a strong alumni base, he said.

The market value of Drew's endowment has taken a major hit of late, falling by 19.1 percent between 2015 and 2016 to $172.2 million, according to annual figures gathered by the National Association of College and University Business Officers and Commonfund. While the endowment value is still much higher than those of many universities, particularly on a per-student basis, the drop is precipitous.

Kean is quick to say that he believes Drew's faculty members are dedicated and that the university still offers a top liberal arts education. He also continues to believe in the value of that education, he said.

"I fear for the future of liberal arts colleges in general," Kean said. "Small ones that do not have major endowments to back them up, that's a large number of places. And yet, like Drew, there are a lot of very good places, and their loss would be dramatic for the country, and the country would be a much poorer place without them."

Kean said he opted to be open with faculty members about Drew's problems after he started there. It's unclear how much Baenninger's actions will mirror his approach going forward. Drew's current president has sent regular communications about the university's strategic planning, most recently addressing the Moody's downgrade in separate messages to faculty, staff and students and to alumni.

On campus, Drew's Faculty Senate has not been meeting regularly in recent years, said Sarah Abramowitz, a professor of mathematics and the chair of Drew's department of mathematics. She is a representative on an annual planning and budget committee, which Baenninger has used to help make important decisions.

There are pockets of concern

about the financial situation among Drew's faculty, Abramowitz said.

Still, she said the mood on campus is not panicked. Faculty members have known about underlying financial problems for some time.

> I will be honest with you, there is a lot of work to be done. It's a deep hole to dig out of, but I'm actually confident that we can do it.

"Before MaryAnn came, we tried to make budget cuts," Abramowitz said. "That program was not successful."

The previous program, which was called off when Baenninger arrived on campus, would have cut academic programs at Drew, even though the university already considered itself to have relatively few programs, Abramowitz said.

Still, faculty knew some sort of cuts would be coming eventually, she said. Now, she believes Baenninger will be able to find savings without cuts that could damage academics.

"Nobody has any details, including me," Abramowitz said. "But I do trust that she's going to do them in a very sensible way."

Finding the right mix of cuts is the challenge of the moment. The bottom line is that Drew has not dedicated itself in the past to making necessary sacrifices, according to Baenninger. She thinks there are numerous areas where the university can stem flows of unnecessary spending.

"With most institutions, you see long-term sustained cuts that are eating away at the muscle," Baenninger said. "Drew needs to eat away at its fat." ■

https://www.insidehighered.com/news/2017/03/31/drew-university-after-spending-attract-more-students-faces-large-deficits

Not Immune From Consolidation Talk

By Rick Seltzer // March 22, 2017

Two Roman Catholic universities ask if they can do a better job of serving the Miami area together.

At first glance, Barry University and St. Thomas University might seem to be better positioned for the future than many other small private institutions.

The two Roman Catholic universities are both located to the north of the city of Miami in fast-growing Miami-Dade County. They both enroll large numbers of Hispanic students at a time when projections suggest growth among numbers of Hispanic high school graduates in Florida.

But the two institutions in South Florida aren't immune from the pressures pushing small nonprofit colleges and universities to change.

Early this month, word circulated that Barry and St. Thomas are exploring a "strategic alliance." The process is still in its early stages, so the details of what such an alliance would look like aren't clear. In theory, it could run the gamut from sharing back-office tasks to a full merger.

Barry University, whose officials are talking with counterparts at St. Thomas University about an alliance

What is clear is that the two universities, which are located about eight miles apart, have been up against many similar challenges in recent years. They've faced enrollment strains and pressures on net prices in a competitive market for students. They've also dealt with financial stresses, sometimes prompting midyear adjustments to their annual budgets.

University officials reject the idea that budget challenges forced them to explore an affiliation. Instead, they point to broad trends sweeping across small private institutions and a call from the universities' Roman Catholic supporters to explore a change.

Barry University is sponsored by the Dominican Sisters of Adrian, Mich. St. Thomas is sponsored by the Archdiocese of Miami. The two organizations asked the universities to start talking, and several weeks ago, the universities' boards approved the move.

The next step is to hire a consultant to start discussions. But there is no firm timeline, according to university representatives.

"It's really not about finances at all," said Monsignor Franklyn M. Casale, St. Thomas University's president. "It's about creating whatever kind of synergies we can create in order to strengthen the institutions to a point where we can be seen as leading Catholic institutions -- whatever form that takes."

No organizational changes are on or off the table at this point, said Sara B. Herald, Barry's vice president of institutional advancement and external affairs. She said she could think of many forms a strategic alliance could take that would not be a full merger.

"I'm a lawyer, and I'll tell you there are a lot of different ways it could unfold," she said. "A merger is one of maybe 60 to 70 options I could think of."

The discussions take place at a time when private Catholic institutions are facing steep competition from public universities in Florida that sharply undercut their tuition rates. Many out-of-state institutions are also increasingly recruiting in Florida as they see drops in the pool of high school students they can recruit closer to home, according to Herald.

At the same time, Catholic institutions are less able to rely on highly

Monsignor Franklyn Casale

educated priests and nuns to teach classes on low-cost stipends, because the number of priests and nuns is dropping, Herald said.

Further, Catholic institutions enroll a large number of students who don't have the resources to pay full tuition. And the institutions don't have large endowments -- Barry's was reported at $36.6 million and St. Thomas's at $24.2 million in the latest survey from the National Association of College and University Business Officers and the nonprofit asset-management firm Commonfund.

That leaves the institutions stuck between upward pressure on expenses and downward pressure on prices.

"This is about an environment in which you have sort of the perfect storm," Herald said. "You can't keep raising the price and expect people to be able to pay for it. That's true nationwide. You have a declining population of traditional college-aged students."

Barry University has attempted to break out of that situation recently, in part by shifting financial assistance more toward highly qualified students. It expected some decline in enrollment as its tuition discount rates fell but missed an enrollment target for transfer students and students in its graduate and professional programs last year.

The university's total enrollment dropped from 9,030 in the fall of 2013 to 8,518 in 2014 and 7,971 in 2015, according to federal data. In 2015 it enrolled 3,776 undergraduates and 4,195 graduate students. Most of its undergraduates -- 84 percent -- attended full time.

Barry University reported that 27 percent of its students in 2015 were Hispanic, 25 percent were black non-Hispanic, and 7 percent were international. About 90 percent of full-time undergraduates received some form of financial aid.

Meanwhile, 61 percent of Barry University's full-time undergraduate freshmen received federal Pell Grants in 2014-15. Federal Pell Grants are typically considered a proxy for students from low-income families.

The financial situation at Barry has come under local scrutiny lately, with The Miami Herald reporting on steps the university is taking to close an $8.6 million budget gap this year. The university reported more than $210 million in annual revenue on its most recently available federal tax forms.

Cuts being put in place include a hiring freeze, the elimination of about 25 staff positions and a temporary reduction in retirement-plan matching. The university is also consolidating an adult-education delivery site about 20 miles away in Davie, Fla., which is one of numerous locations it lists around Florida and in the Bahamas.

Barry University President Sister Linda Bevilacqua recently sent an email discussing strategies being considered, which include re-examining tuition discounts. That letter called discussions about reducing expenditures "distressful," saying "the decisions to do so are agonizing when they involve colleagues with whom we work," according to *The Miami Herald*.

Fitch Ratings has previously noted Barry's difficulties. In October the ratings agency affirmed a BBB rating on $67.3 million of revenue and refunding bonds, keeping the bonds on the lower end of investment grade. But Fitch revised the bonds' outlook from stable to negative, noting declining enrollment and a revenue shortfall for the year ending in June 2016.

Historically, Barry University's enrollment has fallen short of expectations, Fitch noted.

The university relies on tuition for more than 90 percent of its total revenue but has been unable to lower its tuition discount rate. Fitch said its tuition discount rate was expected to hit 29.8 percent for the 2016 fiscal year, up from 25.6 percent in 2015 and above its 2014 discount rate, which was 27 percent.

St. Thomas, in contrast, is a smaller institution, with 4,662 students as of the fall of 2016. Most of those students, 2,752, were undergraduates. Officials noted that many of the institutions' students are dually enrolled at area Catholic high schools. The overall enrollment is down from 4,918 in 2015.

The university's undergraduate students are 61 percent Hispanic/Latino and 9 percent black or African-American, according to federal data. Pell Grants went to 44 percent of full-time freshman undergraduates in 2014-15. The university says more than 90 percent of its students currently receive some type of financial assistance.

St. Thomas has collected around $60 million in revenue annually in recent years. It posted surpluses of more than $3 million in the years ending in June 2016 and 2015. It reported a deficit of $332,842 the previous year.

Currently, St. Thomas is in the midst of some belt-tightening, including voluntary separation plans offered to interested staff and faculty members, according to Hilda Fernandez, vice president of university advancement and marketing and communications. But she said its finances are strong.

"The university has never had to borrow money," she said. "At the end of the day, the university has reserves, and it's not borrowing money to operate. By far, it's doing well. What it's not doing is sitting still."

St. Thomas discounts tuition, with aid packages for students averaging about $11,000 to $12,000 against its quoted undergraduate tuition of $28,800 per year for full-time undergraduates, Fernandez said. That's about a 40 percent discount rate.

Talks with Barry University aren't the only major changes on tap at St. Thomas. Monsignor Casale, who has been the university's president for more than two decades, plans to retire in January 2018. It's a natural time to discuss strategic direction, Fernandez said.

Monsignor Casale acknowledged that the South Florida market is competitive for students. But he argued that St. Thomas and Barry provide better access for students and a focus on service they cannot find elsewhere.

"We have a different student-to-faculty ratio," he said, referring to the university's advertised 14 to one student-to-faculty ratio, which is lower than those at area public institutions. "There's a much more personalized environment at both institutions than there are at other institutions."

Faculty members want to be a part of the talks between St. Thomas and Barry, according to Craig E. Reese, a professor of accounting and taxation who is a member of the Faculty Forum at St. Thomas and chairs the department of accounting, business administration and finance in its school of business. But so far, any affiliation talks appear to have been at the executive and board levels, he said.

St. Thomas's efforts to balance

the budget left some faculty positions unfilled. It currently has about seven fewer faculty members than it did last year, Reese said.

Reese thinks a merger could be a logical outcome of the engagement with Barry University.

But he added that it is not likely to take place within the next year or two. The institutions involved -- including the church -- move slowly, he said. The work of consolidating duplicate programs would take time.

For instance, both Barry University and St. Thomas University have law schools. The Barry University School of Law is in Orlando, while the St. Thomas University School of Law is located on its campus.

There are reasons to believe that the two universities can find common ground. The two institutions' presidents have discussed collaborations for years. They also have a history of partnering. Before they became coeducational -- Barry was founded as a women's college and St. Thomas as a men's college -- they shared classes and hosted events jointly.

"We tell the students clearly: we're open for business," Reese said. "We're not closing down. What we're going to have to do is rationalize what the two Catholic institutions do. We should not be in direct competition."

Some think a full merger is unlikely, however. Ed Moore, president of the Independent Colleges and Universities of Florida, believes the two institutions are looking for ways to share background and back-office operations.

Sister Linda Bevilacqua

"I think they're both looking for efficiencies, shared services," he said. "If you can do them less expensively, then certainly that's the best thing to do."

Barry and St. Thomas are important to South Florida but face challenges, Moore said.

"They're located in some areas that need the access from these institutions," he said. "They admit somebody knowing full well that they can't pay, and that's what they're up against."

The talks between Barry and St. Thomas come at a time when other Roman Catholic universities have reconsidered their position or been forced to make concessions to finances.

Aquinas College in Nashville, Tenn., recently said it was making deep cuts to focus on training Dominican sisters as teachers. St. Joseph's College, in Rensselaer, Ind., said in February said it had to suspend nearly all operations after the spring semester because of a funding crunch.

Like any other tuition-dependent institution, most Catholic colleges or universities are going to face problems if they encounter dropping enrollments over multiple years, said Michael James, director of the Institute for Administrators in Catholic Higher Education at Boston College.

"These are front-and-center issues," James said. "Over the last decade that I've directed the program, we're seeing an increased number of participants that want to talk about and engage the questions we're presenting around mission -- but with a lens of how does this bolster our competitiveness, and how do these become part of our strategic sustainability plans?"

Catholic universities can be uniquely qualified to forge collaborative models between institutions because they have shared characteristics and missions, James said. But institutions are also reflecting about their individual missions and responsibilities, he added. In many cases, they are thinking about what they can do to provide resources and access to the growing Hispanic population in the United States.

"How do they serve those student populations that are increasingly not being served well?" James said. "I think Catholic colleges are sort of asking that question very honestly." ■

https://www.insidehighered.com/news/2017/03/22/barry-and-st-thomas-universities-explore-strategic-alliance-amid-pressures-south

What Comes After Whittier Shutdown?

By Rick Seltzer // April 25, 2017

Plans to close law school spark questions about future shutdowns and worries about impact on student access.

Whittier Law School's enrollment trends over the last five years reflect the pressures squeezing legal education across the country.

Total enrollment at the law school in Orange County, Calif., fell by more than 40 percent since 2011, from 700 students to fewer than 400 this year. Enrollment dropped as students' interest in studying law plunged across the country -- and as heightened scrutiny forced many law schools to pay more attention to their students' job-placement and bar-passage rates.

Administrators at Whittier were trying to cut the size of the law school in order to find a new balancing point, said Sharon Herzberger, the president of the law school's owner, Whittier College. They wanted to admit enough students to keep the law school financially sustainable, but also to increase selectivity so they were admitting students with a greater chance of succeeding. And they were working to do so even as the number of applications to law schools shrank.

"The enrollment has declined sometimes because of what's going on in the world and the choices of people to come to the school," Herzberger said. "And sometimes because of our desire to keep the enrollment down and make sure we're bringing in students that we feel have the capability of doing well."

That attempted balancing act ended, when Whittier College's Board of Trustees announced that the law school will not enroll any new students. Current law students will be able to complete their degrees, although the exact details of that process are not yet set. Whittier Law School will close.

The decision vaulted Whittier into the national spotlight. The law school will be the first with full American Bar Association accreditation to close in recent memory. Its accreditation dates to 1985, and it was founded in 1966, so it does not fit the profile of a new, unestablished institution that might be expected to shutter under normal circumstances.

Consequently, some experts believe other schools are likely to follow Whittier Law in closing. Critics of legal education argue that the country still has too many law schools that do not prepare their students for legal careers and instead leave them with high levels of debt they will be unable to repay. Others retort that the number of law schools truly in danger of closing is relatively small, with estimates ranging from 10 to 25 across the country.

Others worried that the closure of Whittier Law School takes away an important option from groups of minority and women students who are already underrepresented in the legal field. Those students often go on to practice law locally, so closing Whittier law school deprives nearby communities of important services, they said.

Whittier College tried to find ways to keep the law school open, according to Herzberger. Administrators offered faculty members voluntary separation agreements last year, the college president said. They discussed merging the law school with other institutions and talked with others that showed interest in operating it.

"Over the last couple of years, the board really looked at lots of different things," Herzberger said. "Nothing really came to fruition, and the board felt that we should not continue to invite students to enter the law school, that it really wasn't the fair thing to do."

Decisions were complicated by the fact that the law school's main campus has been separate from the college's main campus in Whittier since 1997. The two locations lie about 30 miles apart, making it harder to share services between them or govern them as a single institution.

Whittier College ultimately struck a deal to sell the 14 acres of land on which the law school sits for $35 million. The land is the largest parcel in the Costa Mesa area that was relatively undeveloped, Herzberger said. It was purchased by a Chinese investment group, she added, declining to share additional details because of nondisclosure agreements.

Law school faculty members sought to block the announcement of the closure, filing in court for a temporary restraining order, which a judge denied. They claimed in court filings that the college sold the law school land at a profit of $13 million and sought to "cut and run" with the money. They also argued in the filings that Whittier College leaders did not follow proper procedures for closing the law school because they had not taken faculty opinion at the law school and college into account.

Those characterizations are not accurate, Herzberger said. Whittier's administration asked faculty members whether the law program could be discontinued. Faculty members returned with reports that did not agree with the idea of closure, Herzberger said. But the Board of Trustees still was not convinced the law school should continue in the future.

The law school has not operated at a deficit in recent years, except for when it was buying out faculty contracts, the president said. However, projections showed it would run deficits after this year.

Leaders considered relocating the law school but decided against it. The law school draws many students from near its campus, Herzberger said. Whittier's main campus does not have any room, she added.

The college's decision-making process might have played out differently if the law school hadn't been on a separate campus, Herzberger said.

"It did not help," Herzberger said. "We could not take advantage of each other."

The faculty members who attempted to stop the closure from being announced are not backing down. They are considering further litigation, according to the lawyer representing them, Hanna Chandoo, an associate at the law firm Stris &

Maher LLP and a 2015 Whittier Law School graduate.

"Now that the announcement happened and we were able to see the way it happened, it was irresponsible," she said. "It was sudden. There was no plan. It's been devastating for many stakeholders: admitted students, current students, alums, faculty, staff."

The National Landscape

Observers of legal education said the situation at Whittier Law School fits with the trends that have been sweeping the field. At a basic level, there is sharply less interest today in the education law schools are offering than there was a decade ago, said Christopher Chapman, president and chief executive officer of AccessLex Institute, a former student loan provider that is now a nonprofit organization conducting research on legal education issues.

Law schools also face new accreditation pressure. The American Bar Association has taken action against four law schools in the last year over issues including loose admissions policies and low bar-examination passage rates.

The pressures could push less prestigious law schools into a death spiral. Their applicant pools are declining, and their top students often transfer to better-known institutions. As a result, they can lose the students they admit who are most likely to pass the bar. That can make it harder for them to increase their bar-passage rates over time, which in turn cuts down on their applicant pools and drives their best students to transfer -- continuing the spiral.

Shocks like additional accreditation pressure could lead to more changes in the law school sector, Chapman said. But he stopped short of predicting a wave of closures.

"I think closing is fairly drastic," he said. "It's at one end of the spectrum. We've seen some mergers, some combinations. I think maybe you'll see more collaborations where schools don't close, but there might be sharing of facilities or faculty or something like that."

Other moves in the legal education sector of late include William Mitchell College of Law and Hamline University School of Law, in St. Paul, Minn., deciding to merge in 2015. Indiana Tech Law School in Fort Wayne this fall announced plans to close in June 2017. Administrators at that law school, which opened its doors in 2013 and had provisional ABA accreditation, said it had incurred an operating loss of nearly $20 million in its brief existence and they could see no way to attract enough students to be viable in the future.

Speculation also surrounds the future of the for-profit Charlotte School of Law in North Carolina after it lost access to federal financial aid over U.S. Department of Education concerns about accreditation problems and misrepresentations made to students.

Financial issues have played a role in strife at public law schools as well. The University of Cincinnati placed the dean of its College of Law on administrative leave last month after she said her efforts to close a deficit had upset faculty members. The dean, Jennifer Bard, sued the university, with her lawyers alleging a breach of contract and violations of her constitutional rights.

It should be pointed out that a college or university could consider closing its law school for reasons beyond finances or accreditation.

Operating a successful law school can add to a college or university's standing, giving it access to a new set of wealthy donors and helping it build a powerful alumni base. But struggling law schools can hurt a college or university's prestige.

"It's a reputation thing," said William Henderson, a professor of law at Indiana University's Maurer School of Law. "Bad employment outcomes, high debt and low bar-passage rates -- that affects the university and how it's perceived in a marketplace."

> "Bad employment outcomes, high debt and low bar-passage rates -- that affects the university and how it's perceived in a marketplace."

Yet the national trends are one thing. How they play out locally is another.

Whittier students, faculty members and alumni have resisted the closure of the school. The law school has posted notes from unhappy alumni on its website. Students protested the pending shutdown Friday. They were devastated to hear Whittier College's president and board announce the closure of the law school with finals fast approaching, said Radha Pathak, an associate professor of law and the associate dean of student and alumni engagement at Whittier Law School.

Pathak does not believe the decision to close the law school is being driven by large trends sweeping legal education, she said in an interview. She thinks it is a way for the college to redirect its financial resources.

"We are a school that has almost always generated a surplus," she said. "Next year, however, we were going to be incurring a deficit. And so instead of giving a new administration time to improve outcomes, they decided to discontinue us, and I think it's very difficult to avoid the conclusion that it was done to be able to use those resources for different purposes."

Pathak recognizes the national skepticism about the value of law schools. But she contends that Whittier Law School is serving students who would otherwise not have access to a legal education.

Minority students make up almost 60 percent of Whittier Law School's enrollment. Its student body is also 60 percent women.

"We are providing a high-quality legal education to our students, and some of our students wouldn't have the opportunity to attend another ABA-accredited law school," Pathak said. "And those students are doing amazing things when they move on."

Still, it should be noted that Whittier's bar-passage rate has significantly lagged that of other California law schools. Just 22 percent of its students taking the California bar examination for the first time in July 2016 passed. That was almost 40 percentage points below the passage rate across all of the state's ABA-accredited institutions.

Pathak acknowledged that many of Whittier Law School's students need multiple chances to pass the bar. But she said that does not detract from their accomplishments or legal education.

Critics argue such a low passage rate means the law school is not, in fact, helping most of its students. Kyle McEntee is the executive director of the nonprofit group Law School Transparency. He acknowledged that a school like Whittier can offer access to students.

"But does the school serve them?" McEntee said. "There's good they do, and there's bad they do, and you hope the good outweighs the bad. But I don't see the argument holding weight with Whittier, and it seems the Board of Trustees agrees."

McEntee predicts more law schools will close. But he said it's difficult to say for sure because local factors can have a major effect on college and university leaders' decisions.

Another Southern California institution stands as a contrast to the decision to close Whittier Law School. The University of La Verne College of Law is not producing a surplus. It's been losing money for about five years. But university leaders say they are on their way to changing that after they overhauled tuition practices in 2014.

The La Verne College of Law broke with the norm of offering deep tuition discounts to attract top students. Instead, it decided to charge students a flat price and lock in their tuition for three years.

Leaders put that model in place because of swirling questions about the cost-benefit analysis students make when deciding to attend law school. Many thought a lack of transparency in law school prices and outcomes was leading to rising and unpredictable student debt levels. The new idea at La Verne is that a student can count on a set price over three years and project their debt upon graduation.

The law school is moving toward becoming revenue positive, said La Verne's president, Devorah Lieberman. She acknowledged that the closure of the Whittier Law School could affect La Verne.

"I just think it means that the rest of us who have law schools in the region need to continue to focus on serving those students," she said.

> [T]he primary thing we need to think about is the communities that may find themselves not served as well, because they have potentially fewer lawyers to serve them.

It's hard to say exactly how, though. Law school closures have been so rare that the effects of this one will be unpredictable, according to the La Verne College of Law's dean, Gilbert Holmes.

"That might enable us to be a little more selective in our admissions," he said. "But the primary thing we need to think about is the communities that may find themselves not served as well, because they have potentially fewer lawyers to serve them."

Across the country, the law schools that are mostly likely in danger of closing tend to produce graduates who go on to work as solo practitioners or in small firms, said Michael Olivas, the chair of law at the University of Houston Law Center, who served as president of the Association of American Law Schools in 2011. That means low- and middle-income residents in the area will have fewer lawyers available than they otherwise would.

What is up for debate is whether or not that's a good thing. As with many of the issues swirling around law schools, the answers to the debate depend on how you weigh different factors. Closing a law school hurts some students, faculty members and area residents. It could theoretically help some students who would not have been served well by the institution. Closing a law school can help a college or university if that law school had been a drag on its operations.

"If it means schools that have no chance of meeting their obligations are dying or being put to death, then I would say the system is working," Olivas said. "Notwithstanding the pain and struggle the faculty and staff and students at the institution are encountering."

Even many optimistic law school admissions officers appear receptive to the idea of closings. A fall 2016 survey from Kaplan Test Prep of officers at 111 of the 205 ABA-accredited law schools in the country found that 92 percent said they were feeling more optimistic about the state of legal education than they had been a year ago.

Even so, 65 percent agreed with the statement that "it would be a good idea if at least a few law schools closed." ■

https://www.insidehighered.com/news/2017/04/25/whittier-law-school-shutdown-raises-prospect-future-closures-and-access

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