The New Normal:
Finding Efficiencies & Managing Expenses

INSIDE HIGHER ED

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Introduction

The era of COVID-19 is a period of unprecedented challenges for higher education. Not only must colleges develop strategies for recruiting students in uncertain times, but they must do so while controlling costs. Many students and parents have seen their economic statuses decline, and they won't be able or willing to pay the same as they would have prior to the pandemic.

The articles in this compilation explore colleges' decisions on pricing and on spending. Our idea is not to present a perfect path for all colleges, but to share ideas worth considering.

Inside Higher Ed will continue to cover the financial impact of the coronavirus. We welcome your reactions to this booklet and your ideas for future coverage.

--The Editors
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Maximizing Spend Control and Visibility in an Economic Downturn

The pandemic continues to dominate our professional and personal lives. Institutional budgets are stressed, and there is no recent precedent to guide us. There is a lot we don't yet know, but it's clear that COVID will impact institutional spending long after a vaccine helps us return to "a new normal."

Institutional spending patterns in Chrome River's expense and invoice automation solutions changed significantly in mid-March. Discretionary T&E spend is down, as travel came to a standstill. Work from home expenses have offset some T&E spending, but overall faculty and student spend declined. Interestingly, invoice spend for discretionary items like technology and outsourced services held relatively steady. In June, we did begin to see signs of increased discretionary spend, but categories such as travel remain grounded.

As economic activity slowly rebounds, funding shortfalls will require every dollar to be controlled and accounted for at a far more granular level than before COVID. Effective and timely grant encumbrances will become even more critical. The need to manage discretionary spending will be all the more paramount. It is unlikely to be business as usual.

Chrome River, now part of Emburse, is a global leader in expense and invoice automation technology. We work with educational institutions worldwide, including some of the largest and most prestigious public and private universities in the U.S.

We enable these organizations to manage expenses with greater levels of automation and accuracy than ever before. Users can submit pre-approval requests for funds, and once approved, have these funds delivered on a virtual prepaid card, which is automatically restricted to the spend levels and categories requested. Faculty and students can use virtual cards on their mobile phones—often eliminating the need to touch merchants' card terminals—and then capture receipt images and submit expenses in real time.

More importantly during these times, Chrome River enables institutions to effectively control spend. Administrators can automatically enforce expense policy thereby eliminating the potential for inadvertent or deliberate out-of-policy expenses. Analytics capabilities give institutions insight, enabling timely and informed decisions.

Our economic future may be uncertain, but Chrome River can help improve your spend practices as we navigate together into the "new normal."

Eric White
EVP and General Manger, Chrome River

Dropping the Price

Williams reduces cost of attendance by 15 percent to recognize changes in the student experience and continuing uncertainty amid the pandemic. Will other, less wealthy colleges follow suit?

By Elizabeth Redden // June 30, 2020

Williams College is reducing the cost of attendance by 15 percent compared to the cost approved in December for the upcoming academic year "in recognition of the extraordinary circumstances and of this academic year and the uncertainty we face in the year ahead."

The move by Williams -- the wealthiest liberal arts college in the U.S., with a $2.89 billion endowment as of last year -- stands to put pressure on other colleges to discount tuition to account for a reduced student experience caused by the coronavirus pandemic. Williams announced that while students will have the option to study remotely or in person this fall, even those students who choose to come to the campus in Massachusetts may have to take some of their classes remotely to manage class sizes, ensure social distancing and accommodate faculty for whom it's not safe to return.

Courtesy of Williams College

Among other changes to campus and academic life, Williams will not allow intercollegiate academic competition in the fall. Dining services will be takeout only. And the four-week January term has been canceled.

"We really went at the problem from the perspective of students and their families and recognized a few things," Dukes Love, Williams' provost, said of the decision to reduce the cost of attendance. "One is that this year for those students and their families was going to be difficult -- difficult because of financial conditions, economic conditions and health conditions, and also difficult because the academic year would be different in so many fundamental ways."

"Big pieces of the actual experience really changed fundamentally, and the question we kept asking is how could we smooth the impact of the COVID-19 year in a way that made sense for our students and families and our staff and faculty," Love said.

Even with the 15 percent reduction, the cost of attendance for the 2020-21 academic year will still be a hefty $63,200. Family contributions for students receiving financial aid will be reduced by 15 percent, and Williams has also eliminated the earnings contribution for this summer and waived work-study contributions for students receiving aid for the coming academic year. Williams is among a very small group of colleges that is need blind and committed to meeting full demonstrated need for domestic students.

Williams is eliminating for all students its activities and residential house fees, which were set at $310 for the 2019-20 academic year. Tuition will be $50,450, an 11.4 percent reduction from the 2019-20 rate of $56,970. Room and board costs, set at $6,481 and $6,269, respectively, will also be lower than in 2019-20. Students studying remotely will not be charged room and board.

Williams president Maud S. Mandel said in a letter to the campus that tuition costs will be the same for students whether they study remotely or in person.

Love, the provost, said that while Williams wanted to reduce costs for students and families, administrators worried about pressure their action would put on other colleges that are already facing a bleak financial picture next year. "One of our biggest worries was there are so many institutions that will be unable to make a similar decision for completely understandable financial reasons," he said.

"One of our biggest worries was there are so many institutions that will be unable to make a similar decision for completely understandable financial reasons."

Lucie Lapovsky, an economist and consultant on higher education finance and former president of Mercy College, in New York, said Williams is being up front that the experience it will offer this fall will be different -- and changing the price to reflect that. "Clearly, students at other schools can use this as a pressure point to say we should reduce what we're paying because we're not getting the same experience," she said.

"The dilemma for the schools is for the most part they're not able to reduce their costs because the costs are going up, not down," Lapovsky continued. "Schools that are trying to do a hybrid" -- a mix of in-person and remote learning options -- "are having to make facility alterations, having to plan on testing. Plus to be able to offer their courses hybrid, they need some technology upgrades. They've had to do faculty development over the summer because some of the courses, especially larger ones, are going to be entirely online. You have increased costs on both sides of the experience."

Robert Kelchen, an associate professor of higher education at Seton Hall University, said the most direct impact will be on Williams' competitor institutions. "If a student has an offer from Williams and, say, Amherst, Amherst is going to feel the pressure to match," he said. "But for most of higher ed, they can't afford to give that kind of a discount. Other colleges will have students ask, 'If Williams did it, why can't you,' and the honest answer is that many of these colleges just can't afford to."

Some students have sued colleges seeking tuition discounts for this spring, and many students and parents are deeply unhappy about the idea of paying regular tuition costs this fall for remote learning or a reduced campus experience. Some colleges have frozen tuition rates or are allowing students to defer tuition payments beyond the fall semester.

Bill Burger, a consultant on higher education marketing and communications (and an opinion contributor to *Inside Higher Ed*), expects to see renewed calls for tuition reductions for the coming year.

"I think that the vast majority of schools will resist those as much as they possibly can," he said. "Not many schools are in the same position that Williams is, to be able to afford this, and it would really be devastating for many schools to have to give up 10 or 15 percent of their anticipated tuition revenue, especially because some schools are anticipating fewer students than in previous years." ■

Read Original Article ▸▸ https://www.insidehighered.com/news/2020/06/30/williams-drops-cost-attendance-recognition-coronavirus-related-circumstances


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Why Scripps College Went Online-Only for the Fall

Amid a growing public health crisis, Scripps College's president walks through the process of deciding to hold an all-virtual fall semester. It comes at a cost.

By Emma Whitford // July 13, 2020

Scripps College announced on Wednesday that it will close its campus and conduct the fall semester completely online as COVID-19 case counts near its home of Claremont, Calif., continue to rise.

Lara Tiedens, the college's president, made the announcement as colleges across the country wrestle with diametric external pressures: a worsening public health crisis and the Trump administration's insistence that colleges reopen in person this fall.

"We need to be socially responsible players in this world," Tiedens said. "And that means understanding what the nature of the public health crisis is, and what responsible behavior is in that context."

A handful of colleges -- including Harvard University and fellow Claremont college Pomona College -- have recently announced virtual fall semesters. Scripps differs from many of the private institutions that previously announced online-heavy fall plans in that its endowment, although considerable at $375 million in 2019, isn't measured in the billions. Other types of institutions are going virtual this fall as well. West Chester University in Pennsylvania announced Friday that it will go almost entirely online this fall, citing the rising coronavirus case count in the United States.

"Today, the U.S. surpasses three million cases of the coronavirus and reports more than 60,000 new cases in a single day," Christopher Fiorentino, West Chester's president, wrote in the Friday announcement. "WCU cannot ignore the potential danger of bringing thousands back to campus. Accordingly, our plans for the fall semester must adjust to this new reality."

Scripps College

The city of Claremont, where Scripps and Pomona are both located, is part of Los Angeles County in California. As of Friday, Claremont, with a population of about 36,000, reported 196 total COVID-19 cases. Los Angeles County reported 1,777 new cases on Friday and 50 new deaths, bringing its total to 124,738 cases and 3,689 deaths, according to public health data.

Scripps will not be bringing students back to campus. Instead, they'll have to live and study elsewhere, as dormitories and residential services will remain closed until the spring semester at the earliest.

The online instruction offered this fall will be very different from the forced pivot to virtual learning in the spring, according to Tiedens.

"In the spring, people had to just do," she said. "They just had to do whatever they managed to put together in a matter of days, and that mostly meant using Zoom."

Scripps is aiming to keep class sizes at 30 students or fewer. Over the past couple of months, the college offered its first-ever summer classes. The 10 virtual courses helped faculty parse out what worked well online and what didn't.

"That group of faculty formed a kind of working group about exploring options, educating themselves, educating their colleagues who weren't teaching in the summer," Tiedens said. "They were very purposefully trying experiments or new things over the summer to see what ones were particularly effective."

As of right now, Scripps doesn't plan to reverse course and bring students back early, but the college will begin work in a few weeks to prepare for an in-person spring semester.

"I can't imagine midsemester asking students to return, or asking faculty to return to campus. I think it's just too much of a logistics challenge for too many people in terms of planning their lives," Tiedens said.

The decision to go virtual is not without consequence. A recent temporary final rule by the U.S. Department of Homeland Security bans international students from remaining in the country if their colleges opt for online-only instruction this fall. Typically, Scripps enrolls about 40 international students each year.

"We're working hard on that problem, and we don't know what the resolution will be yet," Tiedens said about the rule. She did not rule out the possibility that the college could offer one or two in-person courses as a workaround.

For a residential liberal arts college like Scripps, closing the campus to students comes with a significant financial blow. The college decreased tuition for the upcoming academic year, slashing a previously implemented increase and reverting to 2019-20 levels.

The college relies heavily on room and board revenue to support its operating budget. Without it, Scripps will be forced to make cuts, Tiedens said.

So far, the college has implemented a hiring freeze, halted pay increases and cut divisional budgets. Senior leaders also took pay cuts. No faculty or staff members have been laid off or furloughed at this time, but Tiedens said she couldn't rule out that possibility in the future.

"We would like to avoid it, but we're not sure we'll be able to," she said.

Scripps has also increased its endowment payouts to lessen the financial strain. ■

Read Original Article ▸▸ https://www.insidehighered.com/news/2020/07/13/scripps-goes-online-only-pandemic-worsens-california

Insurance Costs on the Rise for Colleges

> As colleges renewed insurance policies this month, many faced steep price increases due to the pandemic, natural disasters, sexual misconduct and athletics scandals.

By Emma Whitford // July 8, 2020

Over the Fourth of July weekend, Jean Demchak's work didn't stop. The popular July 1 renewal date for college insurance policies had just passed, and she met with several institutions to review their policies for the next year.

As the meetings wrapped up, she asked if her clients had any quotes to summarize the year and the renewal process. "Let's not do this again next year," one said. "It's been a shitty year," said another.

Demchak is managing director and global education and public entity leader at Marsh Inc., an insurance brokerage and risk management firm. The insurance market for higher education has hardened over the past several years, and the coronavirus pandemic has added a new strain on underwriters and policy holders alike.

"Our work has absolutely increased tenfold because of the work around COVID," Demchak said.

Premiums for higher education clients rose between 20 and 40 percent this year, said Bret Murray, who leads higher education strategy at Risks Strategies Company, a national insurance brokerage and risk management firm.

Insurance premiums have been trending upward for years. According to a market survey by the Council of Insurance Agents & Brokers, premiums across all industries have increased for 10 consecutive quarters. In the first quarter of 2020, premiums across the board jumped by 9.6 percent.

Higher education has been in a hard insurance market for two years

SOURCE: ISTOCK.COM/CHAMPC

now, Demchak said. A hard market refers to high demand for insurance coverage coupled with reduced supply, leading to high premiums and a limited number of policies. This process has been driven by changes to a handful of coverage areas, Murray said, including property insurance, general liability and umbrella policies, which provide additional coverage on top of existing plans.

Property insurance premiums have gone up alongside the uptick in claims related to natural disasters, including fires, floods and mudslides, Murray said. For many colleges, their campus location often dictates the price.

"If they're in a high wind area or a flood zone, and their campus is in that area, it's not just going to impact one or two buildings -- it'll impact multiple buildings," he said.

The coronavirus pandemic has also impacted property insurance premiums. Demchak mentioned a group of 13 public colleges in the Midwest that share an insurance package.

"Their property program went up 50 percent in cost," Demchak said. "It's unheard-of, and a lot of it had to do with COVID."

In an effort to recuperate financial losses, colleges have squeezed their existing property and business interruption insurance policies to determine coverage for damage from mold, bacteria and cleanup costs, Demchak said. Many insurance policies exclude pandemics, and receiving payouts for COVID-19-related damages is difficult.

"The property market has had a constriction," Demchak said. "One carrier that does property only -- that's all they do -- had around

$400 million in losses only associated with COVID-19."

Umbrella policies on top of general liability insurance plans have seen the largest price jump, according to Mark Turkalo, national leader of the education placement team at Marsh. Rates for his clients increased by between 30 and 50 percent, with some clients paying more than 100 percent above what they had last year.

Several high-profile settlements have made headlines in recent years. In May, Ohio State University announced it would pay out a $40.9 million settlement to survivors in 12 lawsuits concerning sexual abuse by Richard Strauss, a former university doctor. The sexual abuse scandal at Pennsylvania State University cost the university $237 million in legal fees, settlements and fines. The University of Southern California settled for $215 million after it failed to protect students from sexual abuse by George Tyndall, a former gynecologist in the university's health center.

Millions have been paid out by colleges in response to sexual abuse, athletics and other scandals. The big payouts have made underwriters cautious, Turkalo said, and they have increasingly limited their policies and upped their prices.

"In liability, there's a lot of exposure, regarding athletics, regarding molestation, assault, fraternities, concussions, so you have a lot of things coming at you at once," he said. "Especially now, with civil unrest, there's a concern about law enforcement and how is that going to play out in the courts and what are the settlements going to be."

Murray highlighted the impact of a latency period for certain types of general liability claims. Damage from sexual misconduct and athletics injuries such as concussions and traumatic brain injuries often reveals itself long after the event took place.

"Traumatic brain injuries have a latency, in the sense where somebody may be injured in a sport, but you may not recognize it until 10, 15, even 20-plus years later," he said. "You're seeing carriers increase their rates to offset that exposure."

Colleges are also seeking different types of insurance coverage. Ken Rodgers, director at S&P Global, noted that some colleges are looking at cybersecurity insurance to protect against online attacks, which has been especially relevant as institutions bring their operations online amid the pandemic.

To keep costs down, colleges sometimes band together, Rodgers said.

"A lot of colleges and universities participate in consortias -- many times self-insured -- as a means to mitigate some of the inherent fluctuation and daily price changes in risk and insurance contracts," he said. "They're subject to market forces also, but they tend to be a little more stable because you get the benefit of pooling resources."

Many insurance policies include exceptions for pandemics.

In May, U.S. Representative Carolyn Maloney, a New York Democrat, introduced the Pandemic Risk Insurance Act, which would mandate that business interruption insurance policies cover losses in the event of a pandemic or widespread outbreak. It would also establish a Pandemic Risk Reinsurance Program within the U.S. Treasury Department that would split the responsibility for paying out covered claims between participating private insurers and the federal government. The bill was referred to the House financial services committee.

Half of Marsh's clients renewed their insurance policies on July 1. But Turkalo is concerned the market could look even worse for institutions looking to renew later in the year.

"Most insurance companies have already made their annual budgets for growth and premium. They don't need to write any more business," Turkalo said. "So going forward, we still have accounts … that have renewal dates in September, October, November, and we're concerned this market will continue to react, so the capacity is even less and the prices will continue to grow." ■

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Rethinking the Pennsylvania State System

Facing significant financial pressure, Pennsylvania's State System of Higher Education will explore combining operations at three pairs of universities.

By Lindsay McKenzie // July 17, 2020

Pennsylvania's State System of Higher Education is in trouble. Years of falling student enrollment, declining state funding and increased competition -- particularly from out-of-state online providers -- have created an untenable situation for the system's 14 public four-year universities.

The system's chancellor, Daniel Greenstein, outlined the many challenges facing the system in a livestreamed board meeting Thursday. After outlining the pros and cons of different approaches the system could take to try and balance its books, Greenstein recommended that PASSHE explore the option of combining the operations of some of its universities. A motion to proceed with a review of the financial impact of various integration options was approved by the board and will begin this summer.

PASSHE will review proposals to integrate three pairs of universities, California University of Pennsylvania with Clarion University, Edinboro University with Slippery Rock University and Lock Haven University with Mansfield University of Pennsylvania.

These combinations were selected because they "show enormous potential to sustainably serve more students, expand educational opportunity for their regions, and leverage the universities' proximity to one another," said Greenstein.

Representatives of each of the six institutions said they anticipate their institution will maintain its own identity while sharing academic programs with their integration partner.

The 14 public four-year universities of the Pennsylvania State System of Higher Education
SOURCE: PASSHE

Lock Haven and Mansfield

The Lock Haven and Mansfield integration proposal will explore an arrangement that "could develop nondegree and stackable credentials that meet workforce needs in selected high-demand occupations," said Greenstein. The focus will be on adult learners and connecting students to regional employers.

Lock Haven has been in discussions with Mansfield to increase collaboration since last year, Robert Pignatello, president of Lock Haven, said in an email. Both institutions are located in the north of the state. "We see the opportunity for economies of scale to create savings but more importantly opportunities to grow -- to appeal to adult learners who will need to up-skill and re-skill in a post pandemic economy," he said. "We also see the opportunity to reinvent ourselves as a 'communiversity,' redefining the regional public university."

Resource sharing is not a new concept for Mansfield University, Ryan McNamara, a Mansfield spokesman, said in an email. Mansfield already shares human resources, benefits and procurement services with Bloomsburg University. "We have been actively and openly speaking with our university governance teams about the integration of additional operations and sharing of resources with other PASSHE institutions."

"This is the beginning of a process that requires a great deal of planning and implementation -- one that will be undertaken over the next two years and includes no less than a year of review," said McNamara. "We believe that for current and prospective students, their prospects have never been brighter."

Paired institutions may share academic programs, leadership, faculty and staff, but continue to operate two campuses. College leaders generally rejected framing the integrations as mergers -- a concept that has been repeatedly opposed through years of discussion of the financial health of the Pennsylvania system.

A Data-Driven Process

The word "merger" was carefully avoided during the PASSHE meeting and in the system's public messaging. The initial integration proposals concentrate on consolidating academic programs. But more drastic integrations may be on the table. The review process will consider the financial impact of sharing leadership, faculty and staff, enrollment management strategies, reporting lines and budgets at each pair of institutions. Other combinations of universities and integration approaches may also be considered, said Greenstein.

While intentions are currently to keep campuses open and maintain the individual identity of each institution, PASSHE does not appear to have ruled out any possibilities at this point. "We will let the data drive the process as we seek the most effective and reliable means of sustaining affordable higher education for all Pennsylvanians," said Greenstein.

Why Is This Happening Now?

PASSHE was already in the process of a "system redesign" before the pandemic struck. COVID-19 has forced the system to speed up its plans toward financial sustainability, said Greenstein. Collectively, the system spent at least $90 million moving face-to-face courses online during the spring and summer. State and federal funding helped institutions to shoulder this financial burden but "did not come close to covering it all," said Greenstein.

Legislation that lays out the process for PASSHE to expand or consolidate its institutions was signed into law by Governor Tom Wolf earlier this month. Act 50 of 2020 requires that PASSHE carry out a detailed, transparent and broadly consultative review, planning and implementation process before any changes are made. The law does not give PASSHE the power to close any institution and applies only to institutions with fewer than 10,000 students.

Initial Reactions

PASSHE's executive team was aware of the proposals well before the public meeting, but some meeting attendees expressed surprise at the integration proposal and the aggressive proposed timeline for

Edinboro and Slippery Rock

The Edinboro and Slippery Rock integration proposal plans to "strengthen and broaden available academic opportunities by aligning two educational programs into one, driving down costs and coordinating enrollment strategies," said Greenstein.

Both institutions are located in western Pennsylvania. "This integration will clearly define a new era of influence and involvement that helps us to boldly share our remarkable University and its people with a much larger audience," said Bill Behre, president of Slippery Rock, in a news release.

"After years of deficits and dramatic enrollment declines, Edinboro had turned things around," Guiyou Huang, president of Edinboro University, said in an emailed statement. "We had worked collaboratively with the campus community to develop a five-year path to financial sustainability, providing our assumptions held. We could not have anticipated COVID-19, which has disrupted our plan and prompted a need to accelerate our efforts to achieve sustainability. While the pandemic did not cause our problems, it exacerbated them."

Huang said he looks forward to "continued conversations with Slippery Rock, System leadership and others as collectively we adapt to an evolving landscape. There will be challenges and uncertainty along the way and that is hard, especially in these already difficult times. We will, however, get to a stronger, more sustainable position that will enable us to best serve student needs in the years ahead."

California and Clarion

The California and Clarion integration proposal focuses on online education and seeks "to stand up a low-cost, high-quality, online undergraduate degree and degree-completion program that is not currently available in Pennsylvania," said Greenstein. Both California and Clarion are also located in western Pennsylvania and already offer a selection of fully online degree programs.

The proposals were "discussed extensively" by PASSHE's executive leadership team, which includes all 14 system presidents, prior to the board meeting Thursday, said Geraldine Jones, president of California University of Pennsylvania, in an email.

Clarion University's president, Dale-Elizabeth Pehrsson, echoed this statement. "We will work together to provide Clarion University with a framework to grow new student markets and become financially stronger," said Pehrsson in a university news release. The planned integrations "are not mergers," said Tina Horner, communications manager at Clarion. She explained that the university intends to "help build this online collaborative offering, while maintaining our Clarion identity and traditional face-to-face academic programing, student life, intercollegiate athletic and cultural activities." ■

implementation. David Pidgeon, director of public relations for the system, said that the board hopes to conduct and present the results of the financial review as early as October. Following this presentation, PASSHE will develop an integration plan. The plan will be open to public comment for at least 60 days before it is submitted to the board for final approval. Implementation is slated to begin between July 2021 and August 2022.

A vote on whether to proceed with a review of possible university integrations quickly reached positive consensus. Senator Scott Martin was among those who supported this action. "The system recognizes that in order to meet the educational needs of students and fill the gaps in the work force, substantial changes need to be made," Martin said in an emailed statement. "If the system appropriately moves forward with these reforms they will be able to continue to fulfil their dual mission of a high-quality and affordable education for Pennsylvanians."

Given that the financial review is just a starting point for discussions regarding potential integrations, it is difficult at this stage to determine what the impact on faculty at the six universities might be, said Jamie Martin, president of the Association of Pennsylvania State College and University Faculties. "We look forward to being able to review the specifics and ensuring that the requirements of Act 50 are followed," said Martin in an email. "We are pleased that there will be complete shareholder input, including input from our faculty."

Though the redesign effort is intended to ensure that students in Pennsylvania continue to have access to affordable, quality education, students are nonetheless nervous about what might happen to their institutions.

Carly Park, a fifth-year student at Clarion University pursuing dual bachelor's degrees in communications and English, said she respects the reasoning behind a potential integration with Cal U. "The idea of it just unfortunately causes me a lot of stress at this time because I'd much rather be focusing on the fall semester."

Park will be a Clarion alumna before any changes are made, but she worries what this potential change might mean for the identity of her institution in the future. "If Clarion and Cal U are operating under one faculty, it wouldn't necessarily make sense to refer to them by their individual identities," she said.

A message from Clarion University's president, Dale-Elizabeth Pehrsson, shared on Instagram last night, did assuage some of Park's concerns, but she still has a lot of unanswered questions.

"We're going to investigate some work that we can do with California University, but that doesn't mean that we will not be Clarion University. We will be Clarion University, we will continue to teach our online programs, but we will also have our face-to-face campus programs as well," said Pehrsson in the video. "People are worried about what that means -- are we going to stop sports? No, we're not going to stop sports. So please don't worry, I'll be here for a long, long time. I hope to retire from Clarion, and we're going to be our Clarion University." ■

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Another Crack at Measuring Colleges' Financial Strength

Amid debate over government financial responsibility scores, a company estimates the coronavirus pandemic drove a 47 percent increase in private colleges at risk of closure.

By Rick Seltzer // May 8, 2020

SOURCE: ISTOCK.COM/LUCADP

Efforts to clearly quantify colleges' and universities' financial health are back in the limelight amid two developments at the end of this week -- one relating to regulatory oversight and the other focused on students and families as consumers.

A regulatory body for postsecondary distance education on Wednesday decided to keep using a federal financial composite score over higher education associations' objections. And a start-up company that last year was beaten back from releasing estimates of individual private nonprofit colleges' years left before closing is publishing a new, modified version of its findings.

The regulatory development came from the National Council for State Authorization Reciprocity Agreements, or NC-SARA, a group creating common interstate standards under which postsecondary distance education operates. NC-SARA's board voted to keep using federal financial composite scores as a factor in determining whether institutions are eligible to be members of the group.

That vote came after college leaders pushed to suspend the federal government's and NC-SARA's use of the financial responsibility score amid worries about the way institutions' scores will be hurt by coronavirus-related financial stresses. The federal score has long been criticized as being too backward-looking, too focused on cash and too easy to game, but interested parties have not agreed on a replacement.

The consumer-focused development comes from Edmit, a start-up advising company that in November planned to release findings from a financial model projecting how many years private nonprofit colleges had until they would run out of money and likely close. It backed off after threats of legal action from some colleges. The company is releasing a new version of its findings that takes into account coronavirus-related financial stresses while avoiding a controversial element of last year's plan -- showing each college's estimated years to closure.

Now, the company's findings categorize institutions as being at high, medium or low risk of closure. Institutions deemed at high risk were found to be in danger of depleting their net assets within six years, a period that lines up with the time it takes many students to graduate with bachelor's degrees.

Edmit did not release information on individual institutions before posting the data. It provided a high-level summary of findings to *Inside Higher Ed* under strict embargo terms limiting what could be shared externally before the data's publication.

The summary of findings shows closure risks under two projections: one that did not take into account coronavirus-related disruptions and a new projection incorporating financial hits from the pandemic.

The pandemic projection, which the company is using going forward, estimated COVID-19 will decrease colleges' tuition revenue by 10 percent in a first year and 20 percent in a second year, cut investment returns by 20 percent, and cause institutions to lower their salary expenses by 10 percent. Data for the projections come from the federal government's Integrated Postsecondary Education Data System.

Under the baseline, noncoronavirus projection, 235 institutions would have been considered at high risk. Another 215 would have been at medium risk and 485 at low risk.

High-risk institutions spike in number by 47 percent under the pandemic projection. That means 345 institutions are at high risk of closure within six years, 110 more than in the pre-pandemic projection.

Under the pandemic projection, another 207 institutions were deemed at medium risk, and 385 institutions were estimated to have a low risk of closure. The number of institutions at low risk of closure dropped by 100 between models, or 21 percent.

Edmit planned to present information on individual institutions' risk through a search mechanism allowing users to seek information on a single college or university. Information on risk of closure was to be presented alongside other key pieces of information like an institution's experience with distance education or its reliance on international students.

The company's founders made several changes to the data and their planned presentation after an outcry and legal threats forced them to scrap the release of their findings in the fall.

"We continued to work independently and have come up, after talking to a number of different stakeholders, with a way we think provides consumers with the guidance and information they need to make more informed decisions about their college enrollment choices," said Nick Ducoff, the company's co-founder and CEO (and an occasional opinion contributor to *Inside Higher Ed*). "It also hopefully alleviates some of the concerns some of the colleges may have had."

"We continued to work independently and have come up,after talking to a number of different stakeholders, with a way we think provides consumers with the guidance and information they need to make more informed decisions about their college enrollment choices."

Criticisms and Defenses Abound

Critics of efforts to show consumers a metric quantifying colleges' financial outlook often point out that no measure will ever be perfect. Any number of events can change the likely course of history, and any number of factors can make a college stronger than it appears in its audited financial statements.

A popular program can take off, bringing new enrollment and positive attention. A major donor can provide a much-needed infusion of money. Or a global pandemic can hit, draining cash reserves, throwing into question the number of students attending college and making online education a critical competency.

So anyone developing a metric has to ask how specific it can be. They need to weigh the answer to that question against the reality that the future will always be uncertain.

"When we talk to consumers and families, they talk in terms of risk," said Sabrina Manville, Edmit's co-founder. "It was more important for us to provide a sense of risk profile than to predict a number of years that a college has."

"When we talk to consumers and families, they talk in terms of risk. It was more important for us to provide a sense of risk profile than to predict a number of years that a college has."

Edmit isn't the only nongovernment actor examining colleges' and universities' financial prospects. Earlier this year, a group of respected academics published *The College Stress Test*, a book that provided a framework for calculating market stress scores for colleges and universities.

The authors generated scores for more than 2,000 institutions but didn't include a list of those scores in the book. Instead, they focused on different market factors and strategies college leaders might be able to use to change institutions' fortunes.

At least one higher ed strategy consulting firm has since started advertising a service helping college leaders calculate their market stress scores using the book's framework.

Robert Zemsky is a University of Pennsylvania higher education professor and one of the book's authors. Before the coronavirus pandemic, he estimated 100 private liberal arts colleges would close over the next five years, but he recently told *The Wall Street Journal* that 200 could now close in the next year.

In the current environment, the issue facing colleges with 1,500 or fewer students enrolled is how much they can shrink and continue to function, Zemsky said in an interview Thursday. He also emphasized how much the models underlying college operations are changing.

If social distancing requirements mean residential colleges can only enroll one person per dorm room, it will cut sharply into housing revenue. Classes will have to be taught very differently if lecture halls can't be filled as much as they were previously.

"The old way of running the models doesn't make sense," Zemsky said.

Few if any experts will say the future is clear for higher education at this moment. But at least some who've seen Edmit's model say it's in the right ballpark. The methods used seem reasonable, according to Robert Kelchen, associate professor of higher education at Seton Hall University who is on Edmit's data integrity council. (*This article has been updated to note Kelchen is on the data integrity council.*)

"The assumptions for revenue losses may even be conservative, but colleges will also try to cut expenses by more if the revenues go down," Kelchen said.

To some, pandemic-related stresses are likely to hit hardest those institutions that were already weak. The coronavirus is exacerbating existing market challenges while adding new ones.

Trace Urdan is managing director at Tyton Partners, a strategy consulting and investment banking firm. He has no formal connection to Edmit, but the company's latest work has been described to him.

From a consumer standpoint, mounting market pressures suggest a need for more disclosure, not less, Urdan said. Student populations were already expected to grow less affluent in the coming years, potentially constraining revenue sources for institutions that were already straining to balance budgets.

Even colleges that are not closing abruptly -- that is, the overwhelming majority of all U.S. colleges and universities -- are still going through an incredibly painful process of cuts and budget adjustments.

"The notion that there should be some kind of easy tool for parents and families," Urdan said. "It's a product whose time has come, for sure."

Still, some of higher ed's defenders have pushed back on the idea that private companies can develop a financial responsibility metric that isn't self-serving. Even if modeling is drawn from public data, models require assumptions that can be skewed toward one conclusion or another.

But nothing prevents colleges from being self-serving in a debate. Leaders who believe in their institution's mission would have reason to try to prevent new financial metrics from surfacing. They wouldn't want predictions of a college's closure to scare off students and become a self-fulfilling prophecy.

"If you're experiencing financial challenges and you are trying to claw your way out of it, having somebody flag you in the red zone is not going to help your issues," Urdan said.

Government-Backed Scores to Settle

The discussion about privately developed metrics is different than the one unfolding in parallel about federal financial responsibility composite scores.

Any privately developed and marketed metric is likely to be consumer focused, affecting how families make decisions in a competitive market. On the other hand, the idea of suspending or changing the federal scoring system can impact what colleges are allowed to do, whether they receive additional federal oversight and whether they need to secure access to credit in order to receive federal financial aid funds.

"In the short-term, suspending the financial responsibility standards will prevent a potential disruption for students studying via

"If you're experiencing financial challenges and you are trying to claw your way out of it, having somebody flag you in the red zone is not going to help your issues."

distance education," wrote the leaders of the National Association of Independent Colleges and Universities and the American Council on Education in a March 23 letter urging a waiver of financial responsibility standards for three years.

Any institution with too low a score would be disqualified from participating in the NC-SARA compact, meaning it couldn't offer distance education to out-of-state institutions at the very time when the COVID-19 pandemic forced students to study from home, they wrote.

"In the long-term, the near total loss of auxiliary revenue at many independent institutions of higher education could force leaders at private nonprofit colleges and universities to consider extraordinary financial decisions immediately regarding employment, student services, or other essential functions in order to make passing scores for the end of the fiscal year," the letter continued. "Many private nonprofit colleges and universities are expending significant resources and do not have the institutional reserves necessary to weather the current economic storm without a significant impact to their institutional composite score."

After its board voted to keep the scores, NC-SARA walked the line between affirming financial standards and agreeing that changes to the current metric are needed.

"Now more than ever, NC-SARA has a responsibility to maintain strong standards to assure the quality of interstate distance learning, and keeping watch over the financial health of institutions is an important accountability pillar that will remain a key part of our evaluative process," said the organization's CEO, Lori Williams, in a statement. "The NC-SARA Board voted to continue our use of the federal financial composite scores while reiterating our call for the Department of Education to explore new and enhanced standards to better evaluate institutions' financial standing."

The financial responsibility score is an "imperfect metric to evaluate the entire sector," Barbara Mistick, president of NAICU, said in an interview Thursday. Leaders need to find a new measure, she said.

"There is interest across the board to make improvements to a reliable federal metric so that it's not left up to regional accreditors or left up to state-by-state systems," Mistick said. "The only way to really resolve this is to have a negotiated rule-making session. That's the fix that we need."

How High Are the Stakes Right Now?

The debate over finding the right metrics, who should develop them and what they should be used for is wrapped up in the question of how much colleges and universities are threatened at the moment.

Mistick argued that colleges and universities have more staying power than skeptics acknowledge.

"We have survived other pandemics, we have survived world wars, we have survived recessions, we have survived depressions," Mistick said. "The idea that everything is going to fall off the cliff tomorrow -- I think that's an unreasonable amount of angst or fear."

To be sure, college closures affecting many students have tended to be collapses of large for-profit chains. Private institutions closing this year have been relatively small in size, affecting hundreds of students. For example, Holy Family College in Wisconsin, which announced this week that it will close, enrolled roughly 450 students.

But families affected by closures may care less about the strength of the sector than they do about their own experiences.

Students affected by colleges closing are emotionally attached to the institutions shutting down, according to Heather Maietta, an associate program director and associate professor of higher education administration at Regis College. Maietta has been researching students who are forced to transfer because their colleges close, students she calls forced transfer students.

Such students go through stages of grief, she said in an email.

Would more transparency around financial viability help?

"The short answer is yes," Maietta said. "In our research, the majority of the forced transfer students we interviewed were searching for receiving institutions similar in size, scope, and culture to their sending institution. In several of these instances, the institutions being considered may themselves be in questionable financial status. Yet it was clear from the interviews the students were unaware of the financial standing, nor had they researched or asked about the financial vitality of the receiving institutions. Students simply do not know how to retrieve this information, nor are they even aware they should be asking financial questions."

Challenges are likely to be even steeper for those unfamiliar with navigating higher education, like first-generation students, she added.

Still, deciding whether more financial transparency is necessary, or what form it should take, remains elusive.

"Transparency is difficult to do in practice because colleges push back so hard," said Kelchen, of Seton Hall. "I understand why they push back against things like the financial responsibility score that look at how they were performing three years ago. On the other hand, colleges can't keep fighting efforts that are trying to use the best data available, because for students and families, this is a major decision about where they go to college. They want to know: Will the college still be around in two years, four years or six years?" ■

Read Original Article ▸▸ https://www.insidehighered.com/news/2020/05/08/public-and-private-measures-colleges-financial-strength-spark-more-discussion

Protecting Art in College Collections

Academic museum directors know their fortunes are tied to those of their parent institutions. Some worry about the possibility that collections could be raided to raise funds.

By Elizabeth Redden // May 12, 2020

University-owned museums are feeling the effects of the coronavirus pandemic in different ways. Like most other units of their universities, they're closed to the public, having moved their programming online. And like most everyone else in academe, museum staff are planning for lots of different reopening scenarios and waiting to see what comes next.

"Internally, I think a lot of museum directors are worried about their staff -- are they going to get furloughed, when are universities and colleges going to open up, when can they bring back all the staff or will it just be some of the more essential staff," said John Versluis, the president of the Association of Academic Museums and Galleries and dean of the Texas Heritage Museum at Texas Hill College.

"I think everybody's just scared," Versluis continued. "Museums at some institutions are probably low-hanging fruit."

The hundreds of museums based at colleges and universities vary greatly in terms of their size, their positioning within their parent college or university and their revenue models. Some museums are free to the public, while others charge admission fees, making them vulnerable to loss of revenue from ticket sales as long as they are closed. Academic museums generally rely on some combination of ticket sales and other earned income, fundraising contributions, endowment interest, and direct support from the parent university or (in the case of museums based at public universities) the state government.

The Bell Museum, a natural history museum located on the University of Minnesota's Twin Cities campus, raises more than 70 percent of its revenue from sources outside the university, according to the Bell's executive director, Denise Young. Young said the museum is projecting an earned income loss of $609,000 between the day it closed due to the pandemic, March 13, and the last day of the fiscal year, June 30. The $609,000 shortfall comes in the context of an $8.8 million annual budget.

"It's a combination of lost revenue from walk-in attendance and ticket sales for the museum and the planetarium," Young said. "It includes lost revenue from field trips. We serve 30,000-plus K-12 schoolchildren each year, and so not having that revenue is significant, especially in the busiest time for school field trips, which is the spring. It includes lost revenue from event and facilities rentals and a variety of other programs. We had a big Girl Scout program that we had to cancel. We do some outreach where we take materials and programs to schools, and those got canceled as well. It's just a variety of losses -- retail as well; we have a gift shop."

Other university museums that are less dependent on earned revenue are seeing significant reductions in fundraising or projecting

SOURCE: ISTOCK.COM/LUCADP

losses from canceled or postponed fundraising events. "Where we're really seeing an impact is in contributions," said Amy Gilman, director of the Chazen Museum of Art, which is based at the University of Wisconsin at Madison campus. "Donations to the museum have obviously fallen dramatically. The real question for me and across the whole nonprofit sector is when are they going to start rising again and will people contribute to museums in a time of a global public health crisis."

Perhaps most urgently for many academic museums, there is also the issue of direct university or state support for the museum budget and staff salaries: although none of the 10 academic museum directors contacted by Inside Higher Ed reported dramatic reductions so far in terms of their university allocation, there is no reason university museums would expect to be spared from generalized cuts and employee furloughs or layoffs as universities and states prepare their budgets for the year ahead.

"I think a whole lot is riding on August and what happens in terms of the safety of students and ability to bring them back to campuses," said Jill Deupi, the Beaux Arts director and chief curator of the University of Miami's Lowe Art Museum. Deupi said a little more than half of Lowe's core operating costs come from the university.

Deupi said she is worried because while academic museums are deeply involved in supporting teaching and learning, they do not generate enrollments and tuition dollars -- and thus can be perceived by administrators as expensive units.

"Allied to that is not just our expense and our perceived lack of direct connection to the academic mission, but we steward oftentimes extraordinarily valuable collections," Deupi added. "I'm concerned going back to 2008-09 that we may face incidents like the Rose at Brandeis" -- a reference to a proposal by Brandeis University to close its Rose Art Museum and sell off its art in order to bolster the institution's finances during the economic recession in 2009. Brandeis ultimately backed away from the proposal and pledged to keep the Rose open to the public and its collections intact as part of a settlement it reached in 2011 in a lawsuit filed by supporters of the museum.

Long-held standards of the Association of Art Museum Directors hold that it is unethical to sell artwork for any purpose other than purchasing other art. Recognizing the exigencies of the moment, the association's Board of Trustees, which includes Deupi, approved measures in April that temporarily give museums the green light to use proceeds from selling artwork toward paying for the "direct care" of collections. But AAMD maintains the prohibition on selling art to pay for general operating expenses.

> "I think a lot of museum directors are worried about their staff -- are they going to get furloughed, when are universities and colleges going to open up, when can they bring back all the staff or will it just be some of the more essential staff."

To date, Deupi said she is not aware of college administrators looking to college-owned art collections to raise funds -- but she wants to be out ahead of the curve in case they do. She co-chairs an Association of Academic Museums and Galleries task force on protecting university collections that is putting together an online tool kit to inform people about the issue.

"I think that a lot of well-intended administrators looking to solve problems creatively and effectively will be inclined to look to their art museums to see what might be possible," she said. "I don't think there's nefarious intent; I think there's a lack of understanding about what are ethical, professional protocols and practices."

"What we're trying to do is be a resource," said John Wetenhall, the director of the George Washington University Museum and the Textile Museum, in Washington, and Deupi's co-chair on the task force. "In the event something does happen in one place or another, we can provide them with the information they need hopefully to dissuade the administration from doing this."

On the positive side, Wetenhall said his museum has been using the closure as an opportunity to digitize more of its collections: he estimated the museum is doing a year's worth of digitization every month. The pandemic is providing an opportunity, he said, to rethink the museum's impact and reach.

"What people are realizing is that the museum that closed may not be the museum that reopens -- and maybe shouldn't be the museum that reopens," he said. "In Washington, we're a small museum in the shadow of Smithsonian, but online we're a large museum."

Many museum directors reported exciting strides in the digital realm. Anne Collins Goodyear, the co-director of the Bowdoin College Museum of Art, in Maine, said the museum has developed a new format for online exhibitions and -- in collaboration with Bowdoin's Africana studies program -- just launched an online exhibition of African art that was originally slated to open in person in March. Two staff members go to the museum two mornings a week to photograph artwork, creating new imaging for teaching and online museum resources.

Teacher care packages. Photo by Rachel Straughn-Navarro, Spencer Museum of Art, University of Kansas.Saralyn Reece Hardy, the Marilyn Stokstad Director of the Spencer Museum of Art at the University of Kansas, said the Spencer Museum continued via remote means to serve more than three-quarters of class visits and other student engagement programs that had been scheduled before the museum had to close its doors. The museum has also continued outreach to K-12 teachers: it has a database of K-12 teaching lesson plans and has sent 60 care packages with art and journaling supplies and creative prompts to local educators. A "Spencer Art at Home" portal functions as an entryway to lesson plans, digitized collections, online events and more.

Teacher care packages. Photo by Rachel Straughn-Navarro, Spencer Museum of Art, University of Kansas.

"There's nothing that those of us in the arts like to do better than re-envision and re-imagine," Hardy said. "Our mission has not changed, but in some ways it's put it in really stark relief. We continue to find ways to connect art and people." ■

Read Original Article ▸▸ https://www.insidehighered.com/news/2020/05/12/academic-museums-see-drops-earned-income-fundraising

OPINION

Bracing for a Fall

> Circumstances may force colleges to shift their current plans, and they must carefully communicate that to preserve credibility and enrollment, write Teresa Valerio Parrot and Erin Hennessy.

By Teresa Valerio Parrot and Erin Hennessy // July 1, 2020

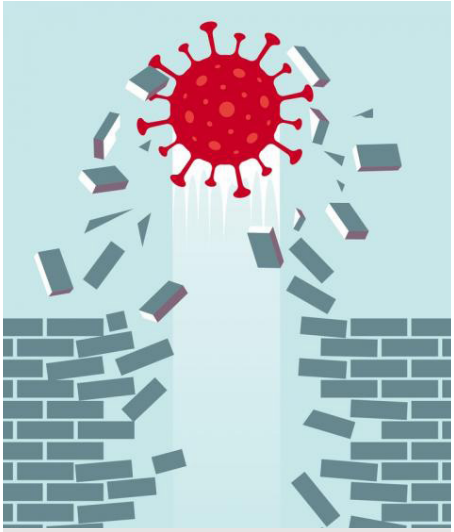
Each day, colleges and universities announce their fall semester plans with great confidence, fanfare and media coverage.

And yet somewhere out there is the first institution -- and the second institution, and the third and so on -- to be forced by circumstances outside its control to pivot from those plans to something different. Fall plans were created with wiggle room built in, however, communications about a shift must be carefully constructed to retain credibility and preserve enrollment while accepting the reality that health and safety of our communities have to supersede the value of the on-campus experience and ideology of in-person learning.

Institutions that make the difficult decision to shift to a remote-only fall will be in good company. That door has already been opened by institutions with the size of the California State University system, the prestige of Harvard University and the innovation of Southern New Hampshire University. The institutions will find themselves among a strong cohort, but this won't make the emotional response from students and parents any easier to bear.

To date, such constituencies have eagerly accepted conceptual plans about tentative reopenings. A majority of students, parents, faculty and staff members have been willing to accept less detail and extend more faith as they imagine some return to normalcy in the fall. Perhaps even members of institutional decision-making teams have been mostly holding on to hope. Yet as people overcome their initial excitement, they're going to want -- demand -- a considerable amount of specificity. Most likely, that will be more than many colleges and universities are ready to share or perhaps have even developed. That will be doubly true should a change from an in-person semester be necessary. Institutions will have to provide very concrete information and transparent communications should the need to enact contingency plans upend what audiences expected for the fall.

Most decisions are stronger when they are grounded in data, and these return-to-campus decisions are no different. If moving away from an in-person fall is even a remote possibility, and it is for almost every institution, leaders will be best served by early and consistently sharing the indicators that are driving decisions and articulating what they see as an acceptable level of risk and vulnerability when it comes to the health and safety of their community. At the same time, when it comes to COVID-19, data have been weaponized and inaccurate information abounds, so reliability of data and information sources is key.



SOURCE: ISTOCK.COM/XIAOYUN LI

Planning for a potential shift in academic offerings cannot happen without an understanding of the financial ramifications, including whether the institution can withstand a full semester of remote learning and what, if any, refunds or reductions of tuition and fees it will be able to offer. Asking students and families to pay full freight for an experience very different from the one they were expecting will require a vigorous demonstration of how a remote-only fall will not be less than an on-campus experience. That will require a bold rethinking of how institutions talk about the benefits of higher education, the construction of community and the traditional roles that faculty and staff members play in mentoring students.

The first college or university to step away from its announced plans for the fall is going to receive attention and scrutiny from its own constituencies, the media and colleagues across higher education. We'll all learn from their experience, but we'd offer the following tactical advice to those preparing, or even considering, a change in approach.

Be sure to bring the governing board along in conversations about options and liabilities. Help them understand why a new approach is necessary and potentially different from the other institutions against which they benchmark. Arm them with what they need to help frame the pivot and to answer questions from an emotional and skeptical public.

Consider and address questions of equity in detail, not just in aspirational language. Acknowledge that decisions to move to an online-only fall will impact students from low-income families and place additional stress on some underrepresented groups. Then work with faculty and staff members to creatively meet those challenges as best as possible.

Be ready with resources and training for faculty members who are returning to online instruction. A late announcement of a full semester of online learning will be disruptive and will necessitate significant faculty support just as the semester begins.

Think hard about how to meaningfully communicate what students can expect in this medium. Some institutions have shied away from explaining just how different -- and potentially not fun -- an in-person fall would be. With a shift to a remote fall semester, leaders must be transparent and up front to manage expectations. Go beyond vague phrases like "a robust online academic experience." Managing student expectations and communicating them to faculty and staff members clearly and repeatedly is a necessary step in delivering on promises about a now-online fall.

Be sure to bridge student expectations of faculty interactions and their actual experiences of them. Office hours will look different this fall, as will other faculty and student interactions. Institutions often market such interactions as a benefit of attendance, and while they received leeway for how students experienced those interactions in the spring, that leeway will be ending once the new academic year begins.

Do not overlook parents as an audience. While students still need to be treated as adults, the anxiety -- emotional and financial -- that COVID-19 has created means they are relying on their parents when making difficult decisions now more than ever.

One last piece of advice, which applies broadly in these COVID-19 days: leaders must choose their words carefully. While it's appropriate to express regret and acknowledge disappointment should an online fall semester be necessary, an apology isn't necessary when putting the health and safety of the campus community first. Campus leaders need to be ready for criticism that runs the gamut from disapproval and disappointment to evisceration and pulled enrollment deposits. Be prepared for feedback and emotion from individuals who are angry about a shakeup in plans and those frustrated about the perceived loss of opportunities for students to change course. But stand firm with whatever plan of action is in the best interest and well-being of the institution and its people. ■

Bio

Teresa Valerio Parrot is principal and Erin Hennessy is vice president of TVP Communications, a national public relations and crisis communications agency solely focused on higher education.

Read Original Article ▸▸ https://www.insidehighered.com/views/2020/07/01/if-colleges-have-change-their-fall-plans-they-must-communicate-carefully-preserve

A Tale of 2 Colleges

How safe is safe? Bill Burger explores Bowdoin and Middlebury's dueling reopening plans.

By Bill Burger // June 29, 2020

Bowdoin College (left) and Middlebury College

Last week, two of America's leading liberal arts colleges, Bowdoin and Middlebury, announced their fall reopening plans. It's hard to imagine how, faced with the same facts, they could have come to such different conclusions about how to best educate their students and care for their communities. And it's impossible not to wonder how these hard-to-reconcile positions may influence peer institutions, including Williams and Amherst, that as of this writing have yet to announce their own plans for the semester, especially with a new rise in COVID-19 cases nationally.

Bowdoin College president Clayton Rose announced last week that the 1,800-student Maine school would open its campus in September only to a small number of students: incoming first-years and transfers, students who would find it nearly impossible to participate in online learning at home, and a small number of senior honors students whose projects require the use of campus resources. That's it. With the exception of first-year writing seminars, all classes will be online. The college has canceled fall sports and virtually all extracurricular activities. Tuition for the online fall semester at Bowdoin will be $27,911 -- unchanged from last year.

Most years, Bowdoin enrolls about 500 first-year students and a handful of transfers. A Bowdoin administrator told me that 120 to 150 students with challenging home environments may seek to return. The number of senior honors students allowed back most likely will be fewer than 50.

It's not clear how many new students and their families will accept this scenario as a satisfying first-year experience at a liberal arts college whose appeal and value centers on the delivery of an intimate academic, residential and social experience. But with gap-year requests expected to be up, it's not out of the question that Bowdoin could be home to fewer than 600 socially distancing students this fall, including RAs and other residential life student staff.

Later that day, just two states over and 160 miles to the west, Middlebury College president Laurie Patton announced the Vermont school's reopening plan. In sharp contrast to Bowdoin, Middlebury invited all of its undergraduates -- close to 2,750 in all -- to return in September, promising a mix of in-person and remote classes, as well as a significant number of hybrid courses. The college's faculty members, who engaged in a searing debate over the question a week earlier before voting in favor of a reopening, will each be able to choose how they teach. A Middlebury administrator told me that students strongly supported having an in-person experience when recently surveyed on their preference. There is no word on the status of athletics or other extracurricular activities. Tuition for the 2020-21 fall semester at Middlebury will be $28,940 -- up 3.75 percent from last year.

When they arrive on campus, Middlebury students will be tested immediately and quarantined in their rooms until the results are in, and then tested again a week later. One person can accompany the student to the campus on move-in day, but they will not be permitted to enter the residence hall; students will need to carry all their belongings into the dorm and to their room. There was no word on whether the usual welcoming squads of student volunteers will be there to lend a hand. Middlebury earlier explored the possibility of putting all students in single rooms, but that proved infeasible. Reduced density will be achieved primarily be turning triples into doubles, and some small doubles into singles. Space will be set aside to quarantine students who test positive for COVID-19 or who contract other illnesses.

Until told otherwise, students will have to follow a "campus quarantine" protocol and not go into town. Students living off campus (usually about 100 at Middlebury) will be asked to quarantine in their homes when not on campus. It's unclear how they can buy food and other provisions at the local grocery stores while sticking to the quarantine order.

As with Bowdoin, it remains uncertain how many Middlebury students -- both new and returning -- will opt for the experience described. Middlebury students have until July 6 to advise if they plan not to return in September. Bowdoin said that any new first-year students who defer will be able to enroll later, but it can't guarantee when, if the number of opt-outs is so large that it would create an enrollment bubble next fall.

> "It's hard to imagine how, faced with the same facts, they could have come to such different conclusions about how to best educate their students andcare for their communities."

Both institutions said in their announcements that health and safety considerations factored heavily in their decisions, though Middlebury acknowledged that its plan balanced that requirement with the desire to "uphold educational opportunity." At Bowdoin, Rose clearly took a more cautious approach, noting that while physical distancing, the wearing of masks, following hygiene recommendations, and self-monitoring for symptoms have "had a powerful effect on reducing the spread of the disease … the implementation of these safety protocols is new for us, as it is for every college and university and the country as a whole."

A Different Risk-Acceptance Calculus

It's difficult to say which strategy -- Bowdoin's desolate campus or Middlebury's crowded but highly regulated one -- will be less appealing to 18- to 22-year-old students, or to their parents, some of whom surely will question the value of the academic experience being offered. And then there's what inevitably will be a lesser experience for first-year students. Even before the plans for the semester were announced, both colleges anticipated an increase in requests for gap years and stop outs. Now, seeing the reality of what lies ahead, the appeal of a gap year or year off probably has never been greater, though it must be acknowledged that those opportunities are not equally available to all. Then again, neither is the opportunity to engage in remote learning in a secure, supportive space with the privacy needed to minimize distractions. As always, those with less advantage face the greatest hurdles.

Despite their many commonalities, Bowdoin and Middlebury clearly came out with different answers on their risk-acceptance calculus. Bowdoin, whose campus is slightly more integrated into the town, took the more cautious route. In the event of a COVID-19 spike this fall, there will be less disruption, fewer room and board reimbursements, and no reprise of this spring's sudden midsemester switch to online classes. The vast majority of classes will go on as designed.

For its part, Middlebury is rolling the dice with a move that some people will see as more confident.

However, a national or regional COVID spike or local outbreak may force a large exodus of students and disrupt another academic semester. It also will strain relations with the faculty, given the significant minority who opposed a full reopening.

Both institutions, like all others, have noted that the pandemic will have a steep financial cost; no amount of cost-cutting can compensate for the anticipated drop in revenues. But Bowdoin can better afford to take the financial hit of a partial opening. Its endowment is significantly larger than Middlebury's, and it has been running surpluses year after year, which has built its nonendowment reserves. Middlebury is under greater financial stress following several years of deficits, though its endowment remains strong. There is no way to know how much each college's financial position factored into its respective decisions.

If the fall is an uneventful one with no major COVID clusters, few will blame those institutions, including Bowdoin, that played it safe and kept most students away. But if it goes the other way, those large number of colleges and universities that bring back the majority of students, even with the best of intentions and with all the health and safety precautions possible, will be pressed to explain their decisions. In my experience, the reputational damage of a decision later seen as irresponsible is much stickier than that originating from an act of overcautiousness.

I hope that the optimists prove to be right, that their determination is recognized and that they never have to face those consequences.■

Bio

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https://www.insidehighered.com/views/2020/06/29/two-private-colleges-have-distinctly-different-plans-reopening-fall-opinion

Unlocking the Value of College Real Estate

While the pandemic has created significant financial challenges for many higher education institutions, the campus itself may be the solution, Grace Winters and Elizabeth Levin write.

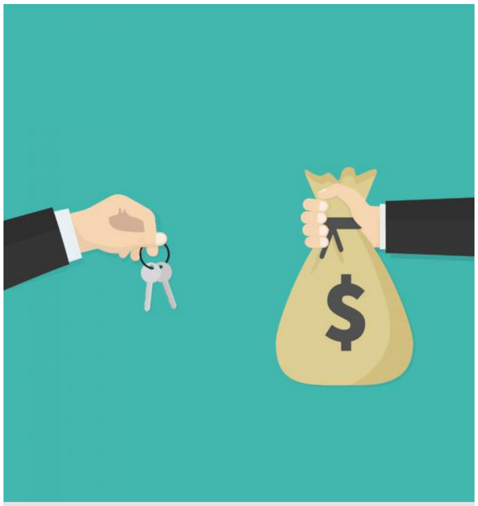
By Grace Winters and Elizabeth Levin // July 27, 2020

The campus has not vanished. Grassy quads, historic dorms and state-of-the-art laboratories all sit dark and quiet, emptied of students, but the higher education institution itself remains, as do the rent, mortgages and basic operating costs. While colleges and universities explore ways to absorb the new costs of building a virtual campus, the expense of operating the physical one has not significantly diminished, even though the housing and dining revenues it previously generated have disappeared.

Administrators are asked to be diviners: If enrollment or on-campus residency drops, should we dip into the endowment to fund a few weeks -- or a semester or a year -- of virtual education? Should we maintain the campus in hopes of a return to normalcy in the future? Can we afford to operate if classrooms and residences can only be used at half capacity?

The campus itself may be a solution. The physical campus is the heart of the institution, but it is also real property, with real value. Administrators may be able to turn to creative real estate ownership structures, common in the commercial real estate world, to create an infusion of cash for the institution without selling a cherished piece of the campus to an unknown developer to turn into an office park.

The first step you can take to create cash flow from institutional real estate assets is to catalog and review your institution's full real estate portfolio. College and university portfolios are often made up of a patchwork of types of real property -- contiguous parcels forming the core of a campus as well as leases on nearby property or smaller parcels in other locations (sometimes completely off the radar of those making the most difficult financial decisions for the institution). A California client of our law firm recently realized it owned a small vacant farm in Arizona -- a family property that a generous donor had willed to the institution years ago. Administrators can work with a lawyer or a title company to determine if the institution owns pieces of property that may have been overlooked previously.



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Once you catalog your institution's assets, the next step is to evaluate and prioritize those assets based on value -- monetary, strategic and sentimental. A property may be worth hundreds of millions, but if it is the building on the school's crest, it may not be worth selling at any price. In contrast, a piece of property may be of minimal importance to the character of the institution but significantly attractive to potential developers or third-party users.

You can identify preliminary cost savings by assessing all the leases where the institution is a tenant to determine whether the lease could, by its terms, be terminated or the rent reduced. Some leases explicitly contain provisions that would give a break on rent when the tenant cannot operate. Even if a lease does not contain those provisions, creative arguments might be made that the tenant is entitled to deferral or relief of rent obligations under applicable law. Landlords may even be eager to allow a tenant to terminate or to sublease, especially in markets where rents have risen in the past few years or there is significant nonpayment of rents generally. After reviewing a lease with a lawyer, savvy institutions will reach out to landlords to negotiate creative solutions.

While eliminating or reducing rent obligations on an institution's books can offer some relief, the way to generate actual income or liquidity from real estate is to dispose of some interest in it. That does not necessarily require a sale. Real property can generate cash from rents, from a mortgage or from a joint venture, all of which allow an institution to maintain some degree of control over the way that property is used or redeveloped. You can structure these arrangements flexibly to allow your institution to take back some use of the property when campuses are full again.

Leasing property to a third party allows the institution to maintain the most control. While seat counts are reduced in the coming semester or semesters, a college or university could offer short-term leases to office tenants or other educational institutions. Many office tenants will likely be searching for additional short-term square footage as employees come back to work but cannot safely work in the same close quarters as before. Working with a broker to market short-term leases could reveal surprising opportunities and allow for the option to take back control of the space once the pandemic danger lessens.

Institutions looking for more substantial cash flow from disposition (but preserving ownership in the long run) may consider a long-term ground lease instead. Ground leasing land gives a developer a right to own the building constructed upon it, but the ground lessor can often maintain consent rights over the method and the aesthetics of any new construction, limit the way the building is used, and have the right to consent to any sale.

Alternatively, a sale-leaseback would allow the reverse of the ground lease structure: your college or university can continue to occupy the property while monetizing the value of ownership. In a sale-leaseback, the institution sells the property to a third party, resulting in a cash payment to the institution. The institution then leases the property back from the new owner -- and may even have the option to buy back the property if the new owner ever decides to sell. That can provide a quick infusion of cash with little to no change in the day-to-day use and operation of the property.

Finally, you may want to explore partnerships with developers who are looking to develop student housing or mixed-use projects on university property. Through various formulations of underlying ownership, a partnership between your college or university and the developer would allow your institution to benefit from the developer's construction and operational expertise while maintaining some level of ownership and control over the property. Many private companies, such as student housing developers, hospital systems and residential developers, are looking to partner with educational institutions to bolster the credibility of their brand and to find shared efficiencies.

The most effective real estate management strategy is likely a combination of all of the above. Shedding rental obligations will free up some operating budget. Short-term leases will provide cash in hand and flexibility for the future. Sales of noncore parcels will provide liquidity and relief of operating expenses. Sale-leasebacks, ground leases and joint ventures will provide cash in the short term and the comfort of additional income in the future, while maintaining institutional control over the look, feel and use of the campus property. All of these options afford liquidity without jeopardizing the longevity of the institution.

In such ways, a financially challenged college or university can minimize the threat of reaching into an endowment to cover expenses. By looking instead to the campus under your feet, your institution can effectively obtain an infusion of cash without relinquishing its identity and physical presence in the process. ■

Bio

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https://www.insidehighered.com/views/2020/07/27/ideas-how-colleges-can-make-best-use-their-real-estate-financial-asset-opinion

Scenario Planning for Coronavirus

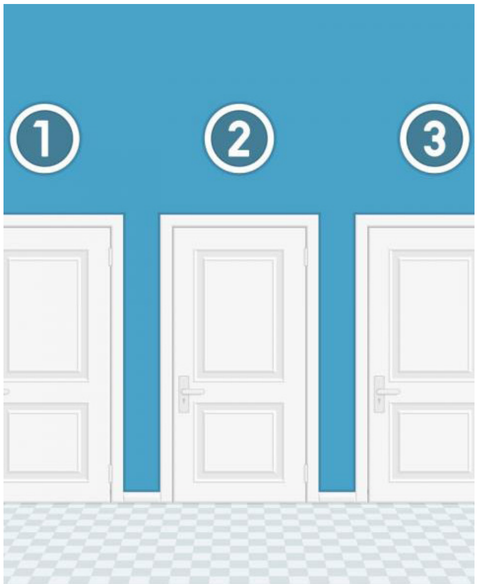
Frequently used in military situations, it can help college and university leaders during this uncertain time, writes Paul N. Friga, who presents a high-level scenario analysis and some recommended actions.

By Paul N. Friga // March 13, 2020

Coronavirus, or COVID-19, has landed in the United States. It is probably much more prevalent than is currently reported, and the number of people infected will continue to grow. What is not certain is the magnitude of the impact on our society. But the very nature of universities -- large numbers of individuals in close proximity, regular community gatherings and global interactions -- suggests that we all need to take this very seriously and strategically.

The purpose of strategy is to take organizations to new heights through differentiated visioning, rigorous prioritization, purposeful resource allocations and increased morale through confidence in leadership. One of the many strategy tools designed for situations like the coronavirus is scenario planning. Originating from and frequently used in military situations, scenario planning is essentially a future-oriented exercise whereby strategic planners envision different scenarios and then identify key operational and strategic dimensions for their organization that would require specific actions under the different scenarios. The process and content are designed to enable organizations to deal with uncertain futures in a way that continues the goal of aligning resource allocations and actions with priorities, acknowledging that those priorities may shift as the environment dynamically changes.

I have been teaching scenario planning to business school students, corporate executives and military flag officers for several decades and believe that it could be a helpful tool for university leaders at this important and challenging time. In this article, I will present a high-level scenario analysis for the coronavirus in colleges and universities, suggest different initiatives for consideration and present high-level recommended actions under all scenarios.



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Scenario Plan Analysis: Coronavirus and Colleges

The first step in scenario planning is to identify plausible scenarios and assess relative likelihood of occurrence. McKinsey's Global Health + Crisis Response Team issued three potential scenarios on Feb. 28 and continues to update its outlook on the coronavirus for businesses. Shown below are the three scenarios:

1. Quick recovery (least likely)
2. Global slowdown (base case)
3. Global pandemic and recession (conservative case)

The quick-recovery scenario predicts that outbreaks grow until the second quarter of 2020 but begin to slow; the economic impact is mostly felt in the first quarter and will bounce back to normalcy in the second quarter. Global slowdown envisions a major slowdown through the third quarter of this year, with China controlling and restarting its supply chain in the second quarter. Impact on sectors will vary based upon magnitude of transmission, the death rate, seasonality effects and consumer reaction. Hardest-hit areas will be aviation, tourism, hospitality and consumer goods. Finally, global pandemic and recession would result in economic malaise through the end of 2020, with widespread interruptions in supply chains, air travel and the like and continued community outbreaks.

The next step for analysis is to think through impacts on a particular context, such as on colleges and universities. I have identified several key dimensions of campus life, examples of what I call context variables, that will be affected differently under scenarios, as shown below:

- Teaching
- Operations
- Community
- Financials

Finally, I've suggested different strategic initiatives under differ-

Context Variables	Quick Recovery	Global Slowdown	Global Pandemic and Recession
Teaching	Little effect; some student absenteeism; cuts in study abroad programs	Major effect on many campuses on spring residential classes and canceling of study abroad programs	Dramatic effect -- spring, summer and fall in-person classes canceled/switched to online format
Operations	Some affected employees	Many employees affected and not able to work; others work from home; conferences canceled in spring and perhaps summer; employee travel limited; major campus cleaning	Campus shutdowns through end of fall semester; employee layoffs/furloughs; coordinate with health-care organizations to handle surge requirements
Community	Decreased attendance at events	Canceled attendance at sporting and other events; coordination with local department of health and other communities on risks/actions	Canceled fall sports, concerts and major events; preparation for shutdown of local tourism/restaurant offerings
Financials	Minor 0.2 to 0.49 percent of operating expenses	Major .5 to 4.9 percent of operating expenses	Dramatic 5 to 50 percent of operating expenses

ent scenarios for each of the context variables. Of course, this is a high-level generalized analysis, and each college or university will need to customize its strategies based upon its distinct mission, size, governance and strategy. Shown below is the net result of the analysis, from my perspective.

Given this analysis, here are some suggested key actions, with a focus on Scenarios No. 2 or No. 3, as they are more likely at this point.

Scenario No. 2: Global Slowdown

- Support all employees who are sick and adopt flexible work-from-home arrangements
- Switch spring classes to online format to finish the semester. Inform students not to return to campus.
- Return all students from study abroad programs.
- Establish new campus cleaning protocols.
- Identify short-term working capital sources for decreases in spring and summer revenue.
- Limit faculty and staff travel to essential only.
- Cancel major crowd events or hold without the crowds.

Scenario No. 3: Global Pandemic and Recession

- Cancel summer and fall residential classes. Switch to 100 percent online format.
- Partner with other colleges and universities with robust online offerings to keep students moving forward with academic programs.
- Work over the summer to create online content.
- Dramatically decrease on-campus operations and shift resources to help health care with surge needs.
- Lay off/furlough non-operations-critical employees.
- Establish a significant financial reserves fund/sources for a possible dramatic drop in revenue due to canceled classes (no tuition), lost government subsidies, decreased auxiliary revenue (such as hotels), negative productivity, lost international students and so on.

I also recommend that you consider the following steps no matter which scenario unfolds.

- Engage in basic scenario planning. Expand the general analysis I've provided and customize for your campus, including revenue and expense impacts.
- Establish a response team or task force. Involve key faculty members, administrative cabinet members and marketing/communications employees, as well as other subject-matter experts.

- Communicate with your entire campus community regularly. Provide honest and transparent communications with an effort toward sharing your focused attention and resources designed to demonstrate concern for employees and students and proactive planning. (Best practice is that this comes from the president and chancellor and also from leaders of units as they develop their plans.)
- Stress self-preservation and hygiene. Launch PR programs for hand washing, controlled coughing, individual quarantining, less touching and more social distance.
- Dedicate adequate resources to this cause. Include personnel and appropriate spending. This will vary from institution to institution, but plan for significant impact, especially for Scenario 3 -- perhaps of up to 5 percent or more of operating expenses.
- Tighten finances. Freeze any discretionary spending to conserve cash for unforeseen needs. Examples include nonessential capital projects, expansion of new programs, employee benefit changes and the like.
- Protect employees and students. Encourage health-care visits and provide sanitizing infrastructure throughout your campus.
- Demonstrate flexibility. Consider modifying options/formats for completing classes and degrees (this can include the use of new videoconferencing capabilities such as Zoom for the campus).
- Pause initiatives. Realize that this crisis will require significant leadership time and attention and other efforts may need to go on hold for now.
- Remain calm. By staying on top of the situation, planning properly and supporting key actions, the institution will weather this storm. And panic will just induce shortsighted reactions.

We know that our world, country and higher education ecosystem will survive this challenge. My goal is to lay out a tool that may help colleges and universities think through the options and strategically improve their ability to respond, not to invoke fear.

In fact, the coronavirus outbreak offers a great opportunity to be proactive and help our country move forward; it could be a catalyst to create changes in our higher education model that are long overdue, such as increasing online teaching capabilities. The old adage of "Hope for the best but plan for the worst" comes to mind as I consider my campus and many others. ■

Bio

Paul N. Friga is a clinical associate professor at the Kenan-Flagler School of Business at the University of North Carolina at Chapel Hill, where he teaches courses in management consulting and strategy. He leads numerous strategic planning initiatives on the campus. He previously worked as a management consultant for PricewaterhouseCoopers and McKinsey & Co. He also co-founded ABC Insights, a consortium of universities working to make higher education more efficient and effective.

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https://www.insidehighered.com/views/2020/03/13/using-strategic-thinking-and-scenario-planning-deal-coronavirus-opinion

Getting Down to Business in Difficult Days

> Colleges must immediately develop flexible financial planning that accounts for what happens in the spring and what might occur in the fall, write Brian C. Mitchell and Richard K. Gaumer.

By Brian C. Mitchell and Richard K. Gaumer // April 3, 2020

As the pandemic deepens, higher education has been fairly uniform in its response. Most colleges and universities have closed. Where they can, many of those institutions have pledged to convert to an online platform to complete the semester's remaining coursework.

The solutions adopted make good sense to most observers. But clearly no one, including America's college leadership, prepared fully for what the country is likely to face. In the stimulus package, higher education leaders requested $50 billion in federal relief but will receive only $14 billion, far short of the support needed. Many of them will confront a severe cash-flow crunch that may cause some colleges to collapse. With most students gone, now is the time to look at the damage done, plan for what to do and anticipate ways in which the crisis can be managed effectively.

First, the coronavirus pandemic has laid bare the fragility of the tuition-driven revenue model at most institutions. Many higher education leaders have pledged to prorate the second semester's room and board fees for their students. In Boston, for example, local colleges and universities might refund up to $670 million in unused room and board. There are, of course, numerous ways to do so.

But brick-and-mortar institutions are highly labor and land intensive. At some point, the bills must be paid. Using room and board credits applied to the fall semester, insurance triggers that prompt reimbursements and refunds from food service contracts, as well as shifting money from other accounts or the unrestricted portion of the endowment, may work for many of them. But the effects on the overall financial picture will be serious and even dire.

Colleges must immediately develop flexible financial planning that accounts for what happens in the spring and what might occur in the fall. If the fall semester is delayed or canceled, the implication will move beyond the immediate financial bottom line to a question of institutional sustainability. Should students no longer fill available seats over the next six to 12 months, mergers, sales, closures and acquisitions will increase as part of a general shakeout across American higher education.

One internal political solution is to look at where efficiencies and economies of scale can be created that do not diminish the rationing pie jealously guarded by campuses invested in the status quo. There may be ways to adjust the bottom line. One example is, for instance, to determine whether prescription drug benefits might be lowered for self-insured colleges and universities and those that participate in larger self-insurance pools. The savings produced, which can start almost immediately, will cover some of the unanticipated shortfalls and provide discretionary money to undertake needed short-

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term steps, like online programming.

To put a Band-Aid on the immediate crisis, many institutions have pledged to convert to an online platform to finish this semester's instruction. Shifting to online programming presents obstacles. First, many colleges do not support a robust platform that can be adapted to scale. Second, there are unspecified additional costs in training, technology upgrades, facilities, needed bandwidth and faculty and support personnel. Third, not all faculty may be willing to participate in online programming. Additional numbers of them are untrained. And will this cobbled-together online format produce a high-quality education for students?

For many institutions, it may be far better to work out a blended arrangement with groups like Coursera for Campus, which enable any college or university to offer existing courses and certificates to their students. Coursera recently announced that they are making Coursera for Campus available at no charge through July 31 to any college or university impacted by the coronavirus. Other providers, like Podium Education and the Foundry College, might also provide some adaptable assistance. In the post-coronavirus world, one outcome for colleges to consider is whether closer relationships with ed-tech providers might actually reinvigorate their existing curriculum while simultaneously preserving it. This approach ties the strength of traditional pedagogy to the needs of the 21st-century workforce.

This is also an opportunity for colleges to evaluate and improve campus services. Students and their families need assurance that critical services affected by the coronavirus will be provided. All services must be seamless, readily available and meet the needs that are challenged by the virus. TimelyMD, a telehealth company focused on transforming health care in higher education, is a good example of how colleges can improve existing campus services during the coronavirus crisis. It provides 24-hour access to telemedicine and counseling services that can support initiatives like social (physical) distancing. Additionally, counseling services delivered via telehealth improve access to mental health support for students facing increased anxiety and stress. These types of services enable colleges to have a clear value proposition for students returning to their campuses. Students might otherwise consider transferring closer to home or completing their education online.

And that's the point for colleges and universities in the midst of an unprecedented disruption. This can either be a time to hunker down and fix the finances -- at least temporarily, with financial parlor tricks -- or an opportunity to understand how it can be used to plan for a sustainable future. If the disruption is an opportunity to become more adaptable, we may find a silver lining amid the panic and chaos of the moment. ■

Bio

Brian C. Mitchell is the managing principal and president of Academic Innovators, co-author of How to Run a College: A Practical Guide for Trustees, Faculty, Administrators and Policymakers (Johns Hopkins University Press, 2018), and former president of Bucknell University. Richard K. Gaumer is managing principal and CFO of Academic Innovators and former chief financial officer of Emory & Henry College.

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