Changing Structures during Economic Challenges

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Overview

• Colleges Consolidating...Vermont State Colleges, Midwestern State University joined with Texas Tech System

• Incorporating community colleges or technical colleges

• Various News Articles
  ○ Changes in our industry
  ○ Leaders are facing new challenges

• NACUBO's Theme: The Power of Together

• What can we do?
Article: Vermont State College Trustees approve consolidation plan for three school

- February, 2021: [Vermont State college system approves consolidation plan](mychamplainvalley.com)
- The Vermont State College System has voted to move forward with a school merger. The trustees voted to support a plan where all three of the system's residential colleges would merge into one school—Vermont State University...consolidate Northern Vermont University, Castleton University, and Vermont Technical College
- “Act as a fully integrated system that achieves financial stability in a responsible and sustainable way,” said Chancellor Sophie Zdatny

Article: Midwestern State joins Texas Tech University System

- June, 2021 Article: [Midwestern State joins Texas Tech University System](dailytoreador.com)
- Midwestern State University, located in Wichita Falls, will be joining the Texas Tech University System on Sep. 1, 2021. Governor of Texas, Greg Abbott, singed HB 1522, making the merger official
Incorporating Community Colleges and Technical Colleges

• Working with Community Colleges and Technical Colleges has been part of our plans
• More students may choose this path as we move forward
• Ensuring these colleges are able to transfer into our institution's degree plan

Article: Consolidation: A Solution for Higher Ed?

• April 26, 2021: Wall Street Journal article Consolidation: A Solution for Higher Education? – WSJ
• Mergers or acquisitions might address many of the challenges facing colleges and universities, although pandemic-related relief funding could delay for some institutions
• Pre-COVID, higher ed management analyzing how to sustain colleges and universities
• Worked through COVID challenges, changed education and business models
Article: Consolidation: A Solution for Higher Ed?

• Nancy Hubbard, a professor of management and dean of the College of Business at the University of Lynchburg
  o Some universities are really struggling, and the pandemic has exacerbated the situation,” she says. “Consolidation to reduce cost and overhead may become a viable means of enabling institutions to continue in some form as they adapt to pandemic-related disruptors.”

• Declining enrollments alongside increasing tuition discounts have mounted pressure on many colleges and universities for the past several years

Article: Consolidation: A Solution for Higher Ed?

• In New Hampshire, for example, Gov. Chris Sununu’s budget proposal for the 2022-2023 fiscal year provides for “the ability to combine 11 loosely connected higher education systems into a single post-secondary education experience”

• Per Nancy Hubbard there are pros and cons
  o “Often, institutions with healthy endowments also have strong brand names and significant alumni support, which have given many institutions added footing to weather changing demographics and the pandemic”
Article: Assoc. Governing Boards of Universities and Colleges (AGB)

• July 26, 2021: AGB article Let’s Talk about the Consolidation Era in Higher Education – AGB, by Rick Beyer, AGB Consulting

• Four years ago, Moody’s credit rating agency downgraded higher education as an industry from stable to negative
  o Today, that negative credit rating remains in place for our industry
  o The latest Gallup Poll of Chief Business Officers noted that higher education is in the middle of a financial crisis; this poll was taken prior to COVID-19

• Credit rating agency’s impact debt interest rates

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Article: Assoc. Governing Boards of Universities and Colleges (AGB)

• Over the past three years (2018-2021) there have been 100 mergers, closures or affiliations announced
  o Many institutions are analyze what is needed
  o The loss of identity, mission, governance, and employee redundancies prevent a board from seeking merger alternatives until it is too late, which results in very few strategic mergers
  o For institutions, affiliations are becoming a more attractive alternative compared to mergers as they preserve the legal entity, identity, mission, governance, president, and senior executive team
Article: Higher Ed and Post-secondary Trends to Watch in 2022

- December 8, 2021 Article: [Higher Education and Post-secondary Trends to Watch in 2022](linkedin.com) by Ulcca Joshi Hansen

- Due to labor shortages and dozens of industries struggling to find workers, below are some of predictions for 2022 and beyond in the post-secondary landscape
  
  1. The higher education landscape is going to change drastically as many smaller programs struggle if not consolidate/close entirely
  2. More students/families are going to think critically about the "4-year degree or bust" narrative for reasons for cost and practicality
  3. We will see community colleges, bootcamps and other non-traditional credentialing options become a desirable option

Article: Have you Considered a merger?

- August 17, 2022 Article: [Have you considered a merger? Because hope is not a plan in higher ed](universitybusiness.com)

- Known challenges
  - Changing demographics, shrinking enrollments, online competition in locales that were previously protected,
  - the impact of rankings,
  - higher costs of regulation and staff benefits,
  - reduced state support and
  - a public that is losing faith in higher education’s value
Article: Have you Considered a merger?

- Since 2012 there have been more college closures in the United States than in the previous 40 years combined, according to the Integrated Postsecondary Education Data System.
- Almost 600 schools have disappeared, the vast majority of them private institutions, a sector that lost an average of 100 institutions per year from 2015-2020.
- Ideally, mergers are the product of two institutions coming together that are both doing relatively well.

Article: Texas’ institutions are essential to our liberties and rights

- Article October, 2020: Texas’ institutions are essential to our liberties and rights (dallasnews.com)
- Education is especially important to forging a free and democratic society.
- For society to move forward, the organizations it creates for shared purposes are essential — particularly during times of disruptive, unpredictable change, like the changes early settlers faced in establishing new economies and the changes today’s leaders face in addressing the impacts after a deadly global pandemic.
Article: Texas’ institutions are essential to our liberties and rights

• The power of institutions to bring people together and help them progress forward together
• Chief among society’s institutions are those that handle the education of our children — and from Texas’ earliest day, they mattered
• It is essential our education system retain the faith and support of the public
• First, education and business leaders should accelerate the discussion of how to leverage technology, innovation and education curricula to create the skills and knowledge that our society and economy need now and in the future
• We all have the opportunity to leave educational institutions, among many others, stronger than we found them

NACUBO: The Power of Together Conference

• July, 2022 Annual Conference
• Disrupting Status Quo Together: Innovating for a Mindful Future
  o Linda Bernardi, Technologist...believes in the positive impact disruptive technologies are having across business and in higher education. She believes in the power in all of us and shares how institutions can thrive by viewing disruption as an opportunity.
• The Power of Unity: Rekindling the Spirit of Optimism
  o Platon, a gifted storyteller and master photographer, having photographed more world leaders than anyone else in history...his powerful portraits break down personal barriers and capture people’s truth
Disrupting Status Quo Together, Linda Bernardi, Technologist

- Blackberry never believed in a platform, they were left behind
- Kodak didn’t believe a phone would be used as a camera..separate devices for separate purposes
- Tesla placed cars in the mall to change the experience
- Carvana developed a new way to buy cars..select car negotiate then go to the tower and get your car
- Crypto currency does not require banking regulations
  - 1,000 different crypto currency; this will self-correct, will be fewer in the future
- Now we have too much data and the need to move fast; Need analytics

The Power of Unity, Platon

- Provided pictures of world leaders, presidents, celebrities, sports athletes
  - Intertwined each story with the photo shoot
- Picture of an eye-Do we look or do we see?
- Told the story of each encounter
  - We will not be disconnected
  - They have underestimated our compassion for each other
  - We are not strangers or opponents
  - Take a chance on yourself, be authentic and roll the dice
What we know about the future

• Change is inevitable

• We have attended conferences discussing
  o Mergers and Consolidations
    • Midwestern University joined with Texas Tech System in 2021
  o Discussions regarding teaching and working from various locations
  o Embracing technology changes

• How can we...the fiscal offices, accountants, bookkeepers, reconcilers, budget officers, controllers help?
  o Keep asking our managers how we can help them make decisions and/or what they need to succeed

Importance of Reporting

• Each fiscal office provides reports to management to help them make decisions

• We need the ability to report just as accurately, but faster with more analytics

• Through the FAMIS modernization, the System Office is trying to find more tools for the fiscals offices to implement to help the A&M members

• We need tools where we can issue financial statements by the entity, college, department, program...decisions are based on reports

• More analytics are needed to drill into why there is a flux
Questions or Comments?

• We wanted to talk through this topic and bring this topic to your attention
  ◦ There are changes in our structures around us
  ◦ Moving fast in so many directions, new ideas, research needed

• We can help our managers/leaders work through the changes

• Every day we show up and provide input and analysis which helps our managers and leaders