Presentation for FAMU Board Meeting

August 2020

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Agenda

Forward-looking trends in higher education

Key themes in COVID response for HBCUs

Financial and strategic COVID response at FAMU

9 durable higher education trends amplified by COVID-19

1 The demographic cliff

The year 2026 will bring a peak in high school graduates then an aggressive decline, marked also by a decline in international student demand.

2 The Diversity, Equity and Inclusion imperative

Universities struggle to close a double-digit achievement gap while the next 10 years will bring increasingly diverse incoming undergraduate classes.

3 Affordability and value are misunderstood

Cost-to-attend is slightly higher, but debt levels have risen while repayment rates have fallen. Meanwhile, completion rates have stagnated.

4 Increasing recognition of student mental health needs

Mental and emotional health issues such as anxiety and depression, have been on the rise and are anticipated to increase even more sharply in the COVID-19 period.

5 Higher education goes remote overnight

COVID-19 forced rapid remote learning adoption within weeks and acceptance of remote and online learning appears to be increasing and accelerating.

6 EdTech brings new enablers and competitors

Tech has been gaining traction across higher education, providing HEIs with enablers as well as new sources of competition and disruption.

7 The Future of Work is now - and in an unprecedented downturn

Automation is expected to impact ~30% of tasks in ~60% of roles and graduates will now search for jobs in what could be the largest downturn post- WWII.

8 Interdisciplinary research becomes the norm in the battle for funding

Federal govt. R&D investments lessen on a relative basis, while the research landscape is re-organizing to focus on interdisciplinarity and new capabilities.

9 Financial instability brings consolidation and stressors

Financial pressures are increasing amidst state funding declines (pre-COVID-19) and industry consolidation and closures, largely of for-profit institutions.

Agenda

Forward-looking trends in higher education

Key themes in COVID response for HBCUs

Financial and strategic COVID response at FAMU

We have been working to support FAMU in its COVID-19 response

Goals of the Partnership

- **An enhanced governance and operating model** to make decisions more quickly and effectively, both during the crisis and through **reopening**
- **A clear understanding of current & projected financial situation**, along with immediate student, faculty, & staff needs post crisis
- **A roster of enrollment and retention initiatives to stabilize during COVID-19 and beyond**

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We partnered with FAMU over twelve weeks to deliver impact

The twelve week engagement had a three phased approach

Assess and diagnose
2-3 weeks

Assessed readiness across governance, finances, enrollment, retention, technology and reopening

Identified high impact areas to boost near term performance

Adjusted crisis management response governance and operating model to ensure coordinated response

Mid May

Design and decide
3-4 weeks

Determined critical areas of impact (e.g., finance, enrollment, retention, reopening)

Set aspiration for impact and aligned on goals and targets

Designed initiatives and clear roadmaps to ensure progress across critical impact areas

Late May

Implement and refine
4-6 weeks

Implement new initiatives / roadmap, holding regular check-ins across workstreams to maintain progress and remediate observed risks / obstacles

Embed new habits and capabilities to lay the foundation for continuous improvement, including mechanisms to monitor adoption and progress of initiatives across near, medium, and long-term

Late June

Now

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Five top-of-mind topics guided our support to FAMU through its COVID response

	Students	Financial	Technology	Faculty & academics	Governance & operating model
Immediate	Student safety Are the correct safety measures, infrastructure, and protocols in place?	Cash on hand Debt service implications Extend cash on hand	Online teaching platform technology assessment – delivery, grading Faculty remote teaching capabilities	Employees safety Are the correct safety measures, infrastructure, and protocols in place?	Governance process shifts Board requirements/procedures
	Student financial security Job loss, work-study loss	Financial consolations to students, staff	Staff remote work capabilities Access to wifi and equipment Infrastructure for remote operations	Faculty and staff skills for large shifts (e.g., community building, tactical)	Organizing a decision-making cadence for emergency situation
	Student learning Student access to technology, internet Online learning portal effectiveness	Tuition revenue impact Non-academic revenue impact	Student access to technology: laptops, broadband internet Faculty access to technology	Workforce size and capabilities for ongoing and future remote/ socially distant environment	Orienting the board for rapid decision-making now, and going forward
	Student engagement Sense of community Quick closure impact	Auxiliary revenue	Sustain learning quality, student support and success over time, remotely		
Medium-term (3-6 months)	Student success Milestone achievement: course completion, requirements, graduation	Reducing costs and financial liabilities			
	New student enrollments Existing student retention	Increasing revenues and sources of funding to close persistent gaps			

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Forward-looking trends in higher education

Key themes in COVID response for HBCUs

Financial and strategic COVID response at FAMU

We have supported FAMU across finances, crisis management, and enrollment, and several activities can ensure maintained momentum

Deep dive to follow Not yet started Complete Underway

	Progress to date	Forward-looking opportunities
Finances	• Shared **outside-in perspective on cost opportunities** • Shared and **discussed levers for savings across personnel and non-personnel spend** and prioritization of highest potential levers to prioritize for action, including considerations for implementation • Built a **comprehensive cash flow model,** including three specific COVID scenarios, to understand financial implications and size potential shortfalls • Conducted a **program profitability analysis** to inform strategic decisions on where to grow programs	• Continue to update model to ensure accuracy as the fall semester unfolds • Implement select initiatives (e.g., section consolidation) with high reward vs cost to implement
Enrollment and Retention	• **Shared outside-in perspective** on enrollment and retention track record versus peers • Shared **best practices and levers to improve** enrollment and retention, including an enrollment dashboard	• Continue student pulse checks and outreach to minimize attrition
Crisis Manage-ment	• **Shared best practices** on crisis management, including team structure, key priorities, and activities	

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Example: We worked with FAMU to develop a cash flow model and prioritize initiatives to promote financial health

Note: FAMU team continuing to work with model to finalize sizing of surplus / deficit across scenarios. Numbers below may not reflect final assumptions used by team

Institutional financial outlook assumptions

Pandemic scenario modeling, 2020-21

Assumptions[1]	Scenario 1 Hybrid year on campus	Sce Hyb
1 **Decline in undergraduate enrollment** (and correspondingly in student aid)	10% Fall, 10% Spring	15%
2 **Decline in graduate and other enrollment**	10% Fall, 10% Spring	10%
3 **Decline in room and board**	30% Fall, 30% Spring	30%
4 **Decline in athletics auxiliary revenues**	40% all year	40%
5 **Decline in health care services auxiliary revenues**	10% Fall, 10% Spring	15%
6 **Decline in parking revenues**	10% Fall, 10% Spring	10%
7 **Decline in other misc. revenues**	10% Fall, 10% Spring	10%
8 **Decline in state appropriations**	6% all year	6% a

1. Percent drops based on a FY19 baseline, with the exception of health care services, which are based on FY20

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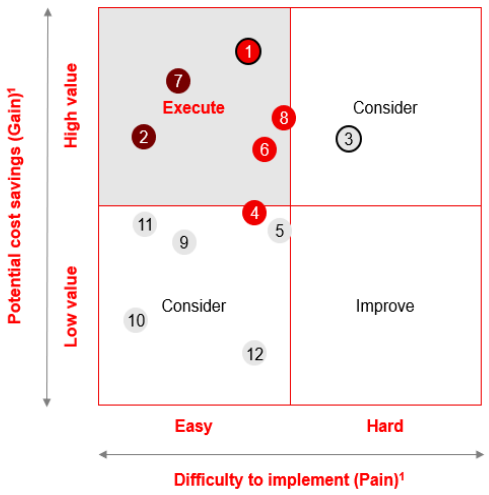
Universities can prioritize cost actions based on potential impact and ease of implementation

Prioritized · Deprioritized · Already implemented · Support provided as part of TMCF effort



Personnel levers

1. Optimize faculty spend through review of credit hours taught per faculty, consolidation of sections, and rationalized course offerings
2. Implement hiring freezes for non-essential positions in the near term
3. Introduce voluntary early retirement programs for all eligible personnel
4. Offer voluntary reduced workload schedules for non-student facing administrative roles
5. Reduce or eliminate overtime spend

Non-personnel opportunities

6. Rationalize supplies and IT licenses, contracts, and purchase orders, accounting for reduced campus presence
7. Launch zero-based budgeting and spend controls to reduce discretionary spend
8. Launch SUS-wide shared initiatives
9. Negotiate more favorable contracts (e.g., through competitive bids, bulk purchase) for supplies and IT
10. Leverage IT to reduce other costs through modernized systems (e.g., electronic payments)
11. Expand VoIP to all FAMU buildings to capture cost savings from telecom
12. Revise travel policies to reduce frequency of travel and average cost per trip (e.g., with advance purchase requirements or limiting count of individuals per trip)

1.Pain and gain classifications are illustrative for typical university. Actual opportunity and difficulty depends on particular circumstances of school

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Example: We worked with FAMU to assess profitability by program

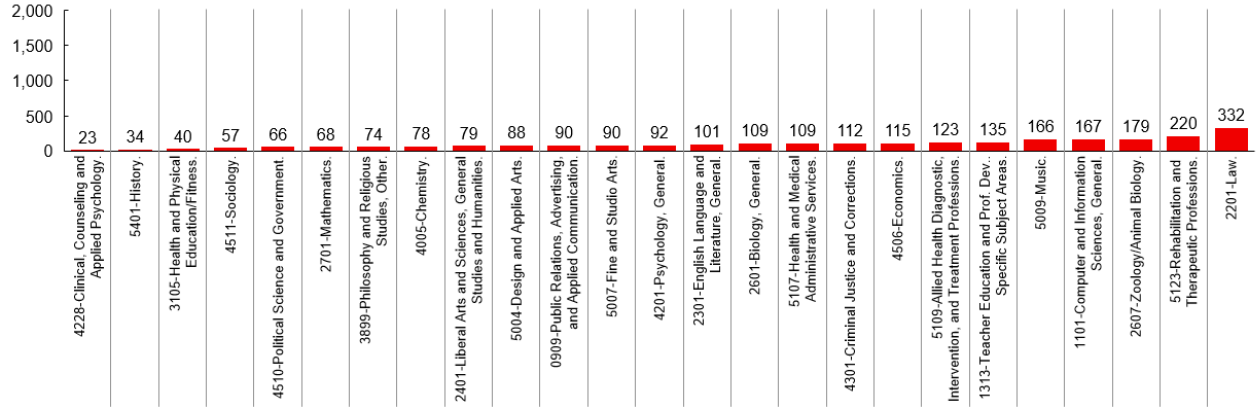
Academic programs vary by enrollment, gross margin, and instructional costs (1/2)

School/ College	Department	Enrollment CAGR ('15-'17), %	Gross margin, %	Net Revenue/SCH, $	Instruction cost/SCH, $
College of Education	3105-Health and Physical Education/Fitness.	1.7%	91.9%	491	40
College of Social Sciences, Arts and Humanities	4228-Clinical, Counseling and Applied Psychology.	6.6%	91.9%	280	23
	5401-History.	6.0%	86.9%	257	34
	4511-Sociology.	(3.6%)	76.1%	237	57
	4510-Political Science and Government.	5.2%	74.6%	261	66
College of Science and Technology	2701-Mathematics.	3.8%			
	4005-Chemistry.	3.1%			
College of Social Sciences, Arts and Humanities	3899-Philosophy and Religious Studies, Other.	0.0%			
	2401-Liberal Arts and Sciences, General Studies and Humanities.	(16.7%)			
	5007-Fine and Studio Arts.	(2.0%)			
	4201-Psychology, General.	7.6%			
School of Journalism and Graphic Communication	5004-Design and Applied Arts.	0.0%			
	0909-Public Relations, Advertising, and Applied Communication.	0.0%			
College of Social Sciences, Arts and Humanities	2301-English Language and Literature, General.	8.1%			
College of Science and Technology	2601-Biology, General.	4.2%			
School of Business and Industry	4506-Economics.	0.0%			
School of Allied Health Sciences	5107-Health and Medical Administrative Services.	(5.4%)			
College of Social Sciences, Arts and Humanities	4301-Criminal Justice and Corrections.	3.9%			
School of Allied Health Sciences	5123-Rehabilitation and Therapeutic Professions.	(2.8%)			
College of Education	1313-Teacher Education and Professional Development, Specific Subject Areas.	4.1%			
School of Allied Health Sciences	5109-Allied Health Diagnostic, Intervention, and Treatment Professions.	(0.9%)			
College of Law	2201-Law.	2.8%			
College of Science and Technology	1101-Computer and Information Sciences, General.	2.9%			
College of Social Sciences, Arts and Humanities	5009-Music.	4.5%			
College of Agriculture and Food Sciences	2607-Zoology/Animal Biology.	(20.6%)			

Source: FAMU program data and wage and benefit data. Note: engineering is a shared department with FSU; figures shown are not complete

Instructional cost also varies significantly by program (1/2)

Instructional cost/SCH[1], $



Key Questions

- What drives high instructional costs (e.g., specialized faculty, low enrollment)?
- What opportunities could help to resolve discrepancies across departments (e.g., combining sections)?

Source: FAMU program data and wage and benefit data. Note: engineering is a shared department with FSU; figures shown are not complete

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Beyond the completed engagement, FAMU can assess its programs based on a set of metrics in order to optimize the program portfolio

FAMU can build a responsive academic enterprise that seeks to have a portfolio of high-quality program offerings aligned with the demands and trends of the workforce

To assess FAMU's current program portfolio and set up a discussion around the strength of its program, we can examine programs across four dimensions:

1. Workplace relevance
2. Student interest
3. Student satisfaction and outcomes
4. Research productivity
5. Program profitability

Criteria for program portfolio analysis

Already completed

Category	Sample Analyses	Sample Data sources
1 **Workplace relevance**	**Program's occupation opportunity:** Number of program-related occupation and typical mid-career earnings **Projected occupation growth:** Percent of program-related occupation growth for the next ten years	Bureau of Labor Statistics Integrated Postsecondary Education Data System (IPEDS)
2 **Student interest**	**Number of University students:** Number of University students enrolled within program **Percent of University program growth:** Percent growth of students lost or gained within program **National growth in program completion:** Percent growth of degree completion within programs across the US	Enrollment Management Integrated Postsecondary Education Data System (IPEDS)
3 **Student satisfaction and outcomes**	**Teaching and coursework satisfaction:** Percent of students satisfied with teaching and program coursework **Successful placement rate:** Percent of students employed, continuing education, or engaged in other planned activities[2] within 6 months of graduation **Cost of attendance and student debt:** Average cost of attendance and student debt versus peers	Student surveys University Career Center
4 **Research productivity**	**Funding market share per faculty:** Funding amount per faculty within program divided by national R&D funding provided to disciplines **Percentage high impact faculty:** Proportion of program's tenured and tenure-track faculty who have published more than one paper that have been cited more than five times in the past year	Web of Science Institutional research department National Science Foundation Research funding data
5 **Program profitability**	**Gross margin per by department:** Gross margin for each department based on billable student enrollment **Cost per credit hour:** Instructional and other direct costs per credit hour	University enrollment and wage and benefits data