

Public Higher Education Business Challenges & Coping Strategies

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The University of Massachusetts

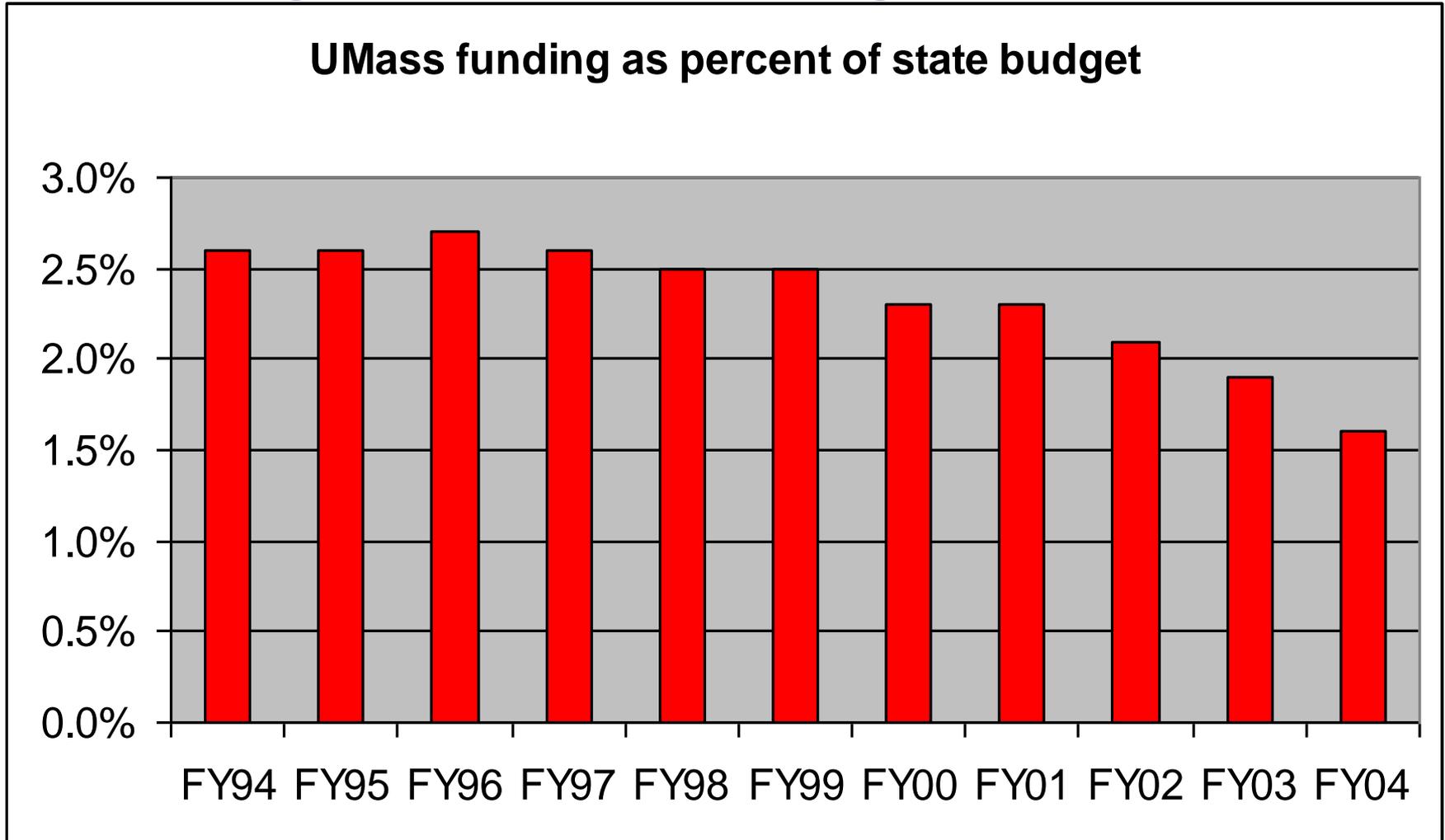
6 Nov. 2003



Challenges

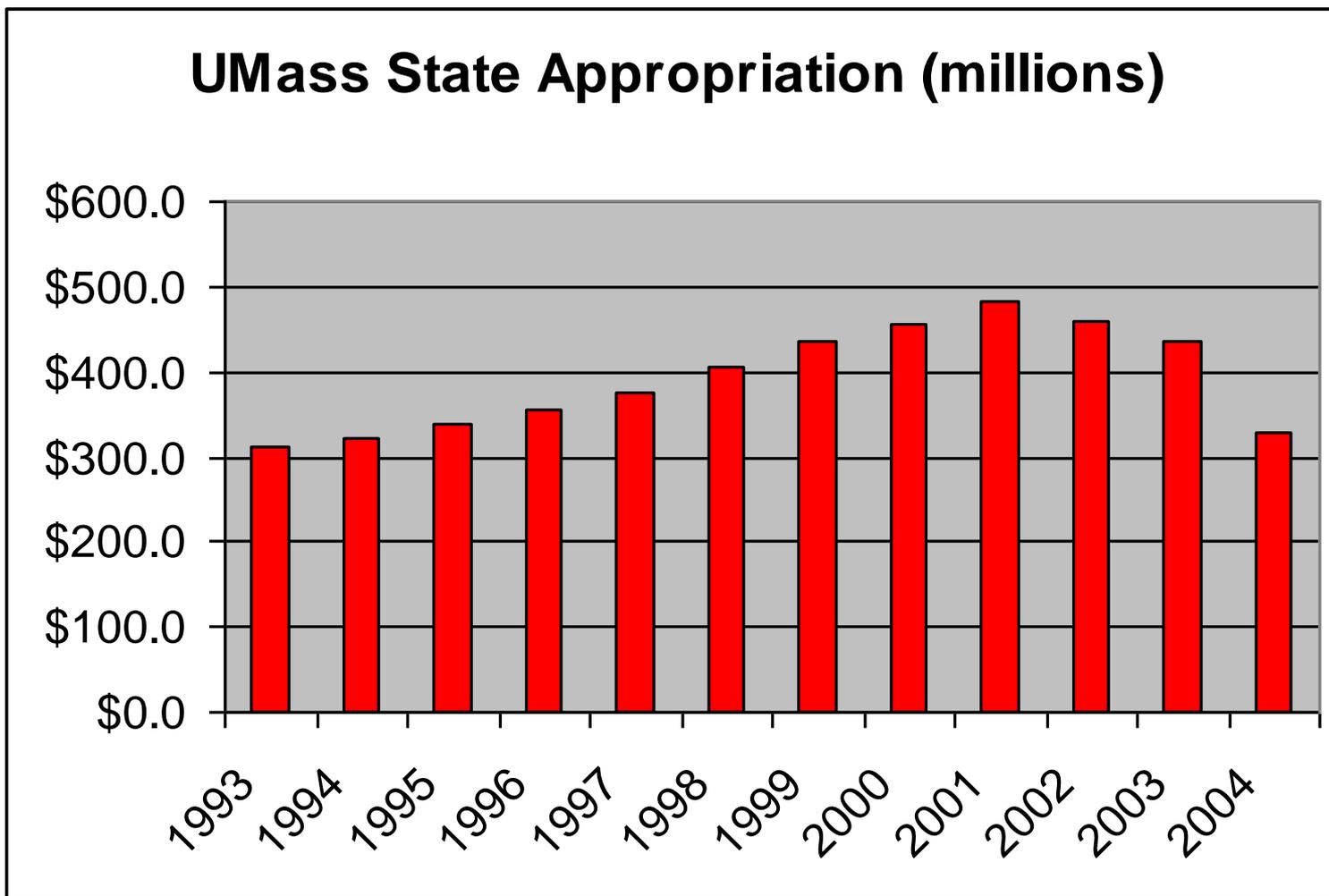
- From State **supported**
 - Through State **related**
 - To State **acquainted.**
-
- UMass cut by approximately \$ 80 million last year and \$140 million over 3 years.
 - State funding now stands at approximately \$340 million. (~23% of budget)
 - Total budget will be over \$1.5 billion this year.

Challenge: State Funding Trends



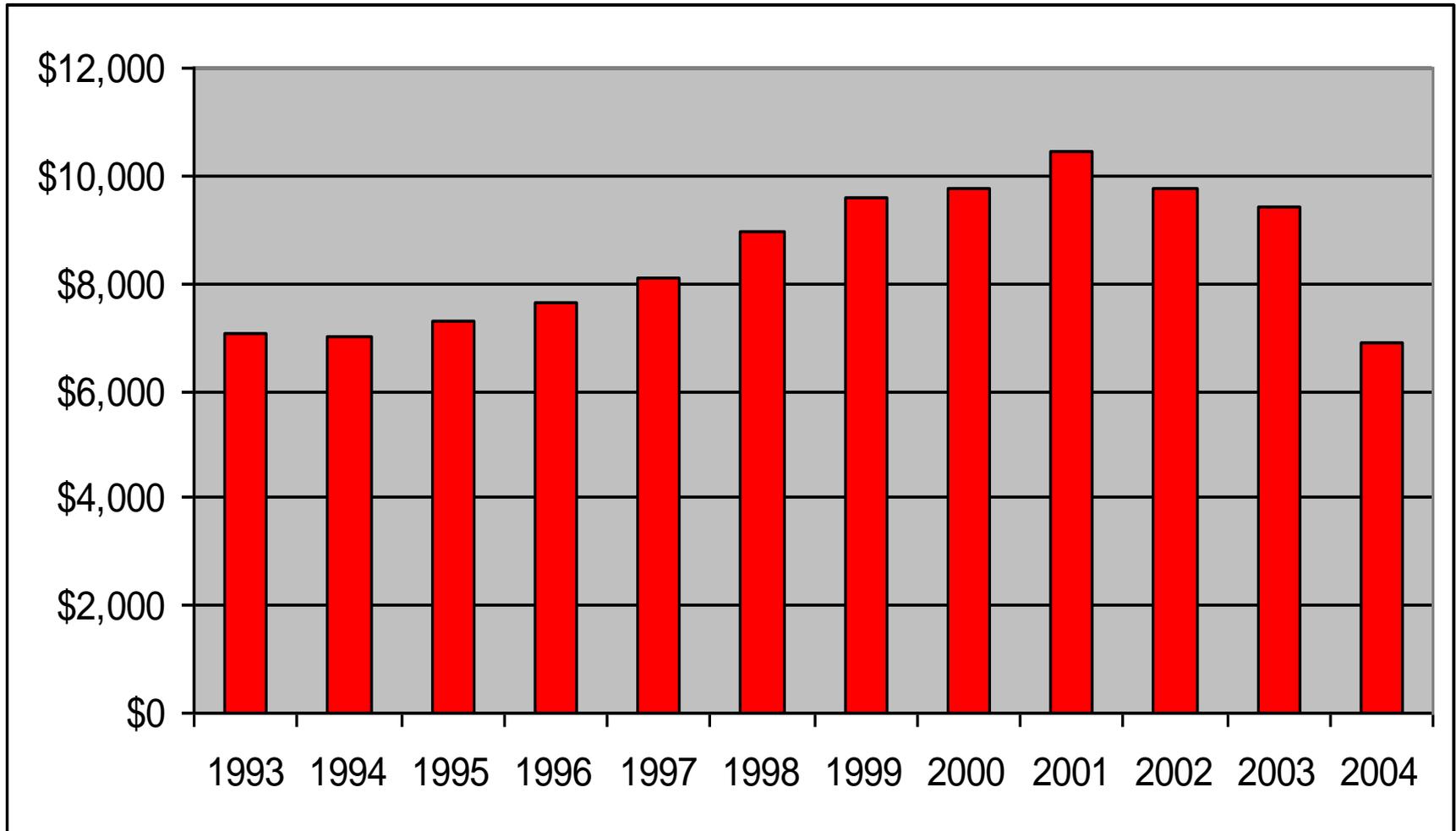


Challenge: UMass state funds (actual dollars)



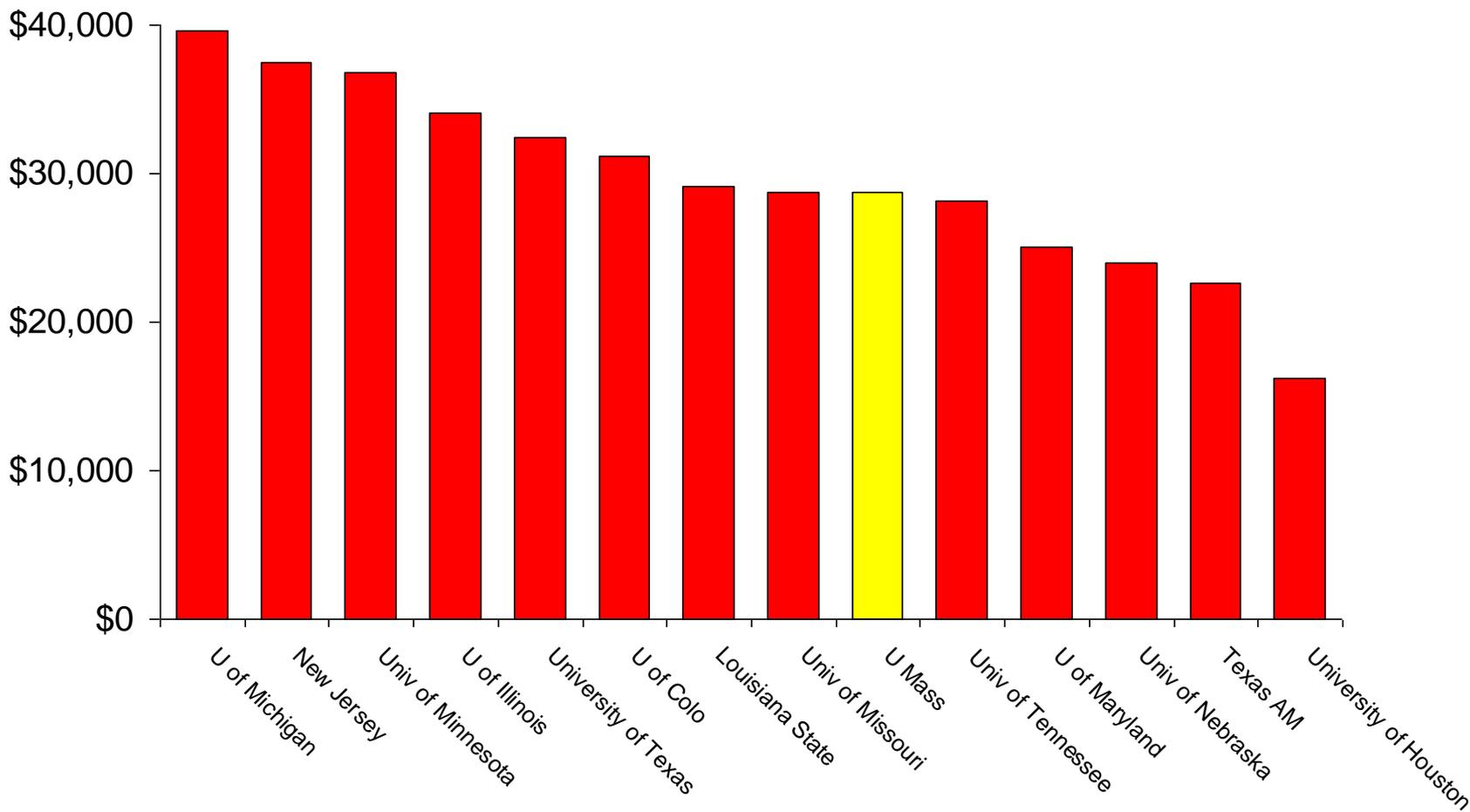


Challenge: UMass State Support per Student





Total E&G Income per FTE Student, FY2001— Selected Systems



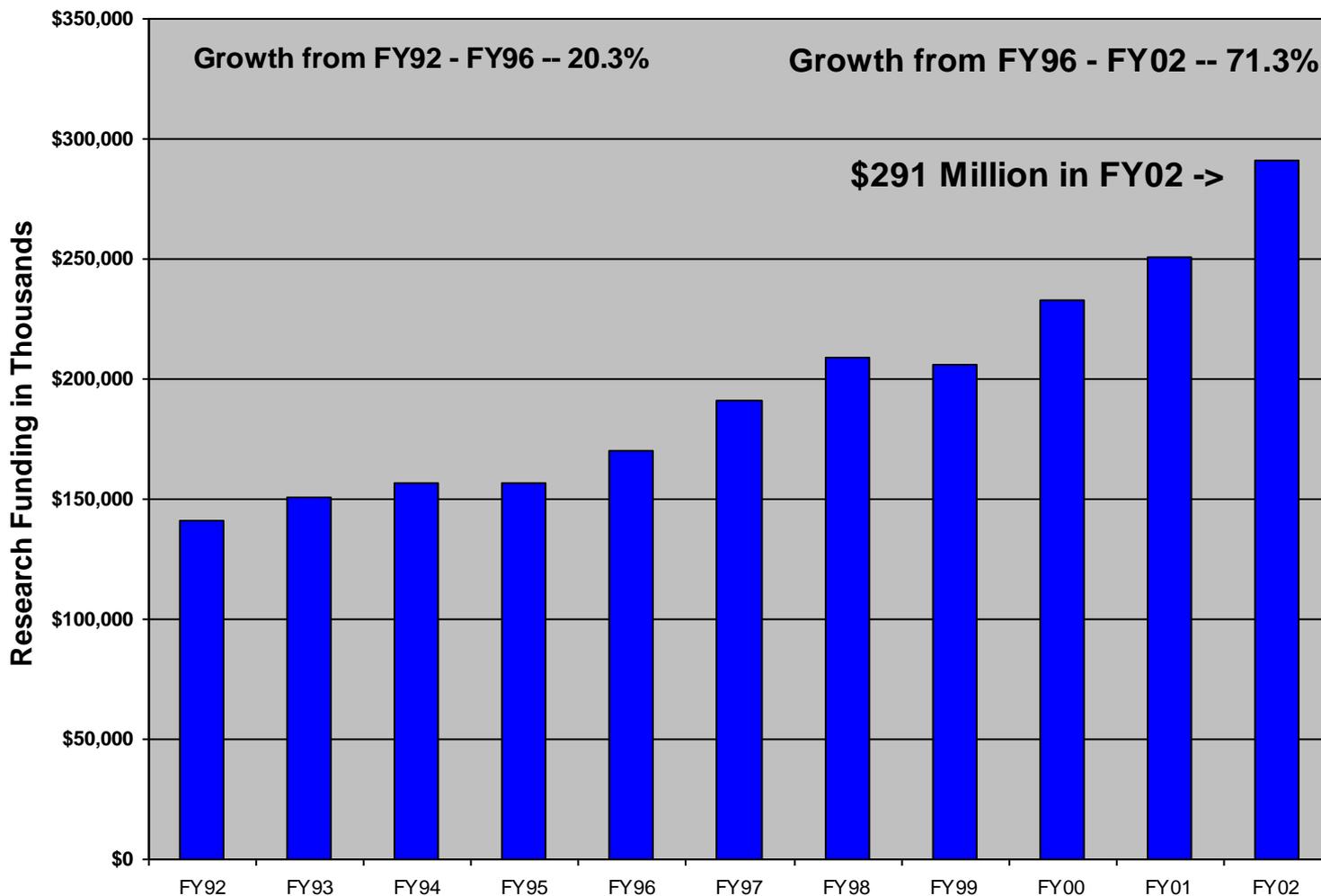
Source: NCES, IPEDS

Strategies

- Raise Revenues
 - Research UMass 3rd in MA at \$300 million/year
 - Commercial Ventures –UMass 17th in US at \$20 M/yr
 - Online Education –UMass top ten at \$11 million/yr
 - Community Service – ex: Commonwealth Medicine
 - Donations – UMass over \$100 million last year.
 - Fee increases - in nearly every state
- Cut costs
 - Consolidate Services (IT, HR, SIS, etc.)
 - Eliminate programs – especially small non core.
 - Reduce enrollments –UMass did NOT reduce enroll.

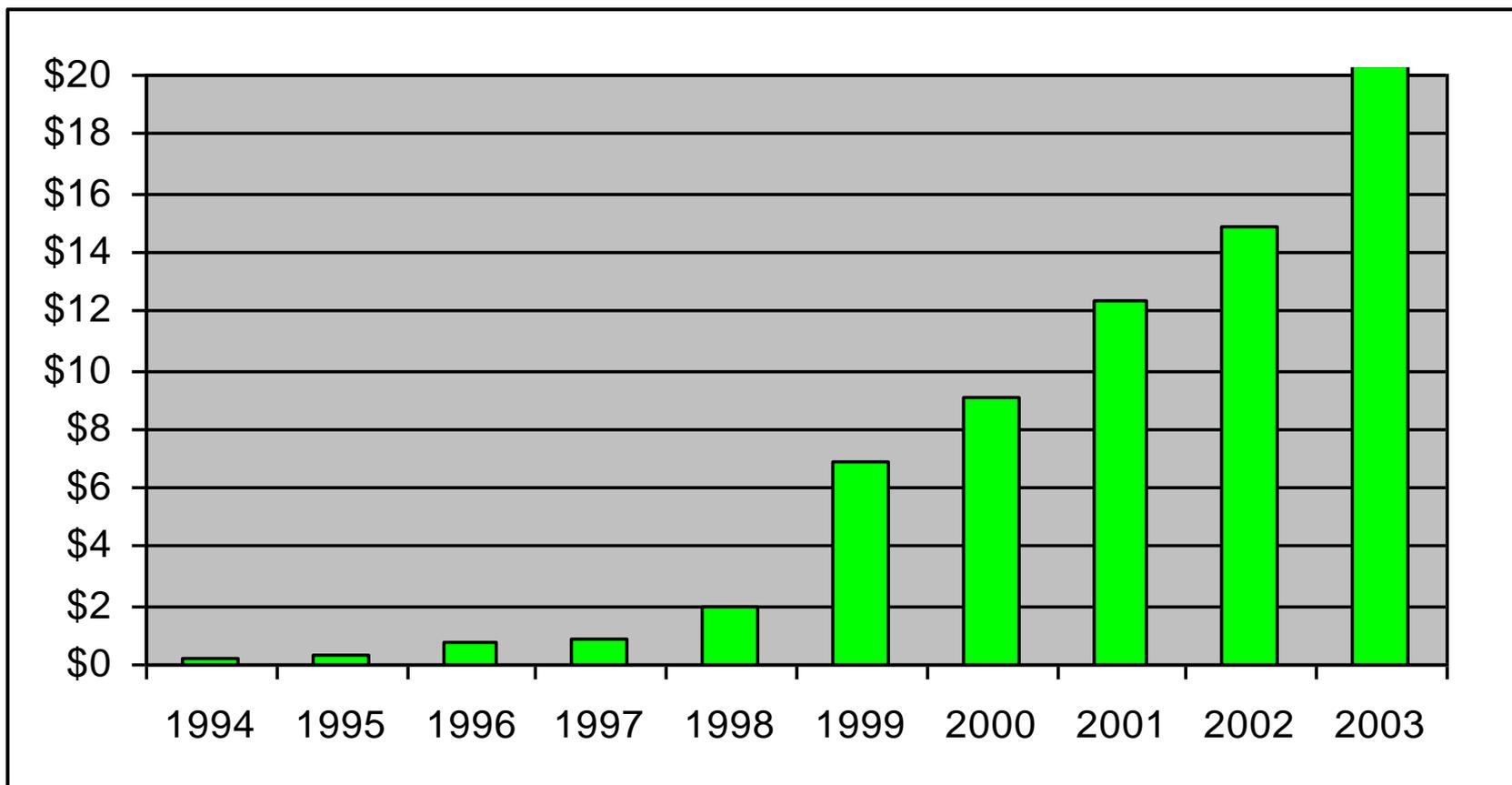


Response- Research & Dev. Funding





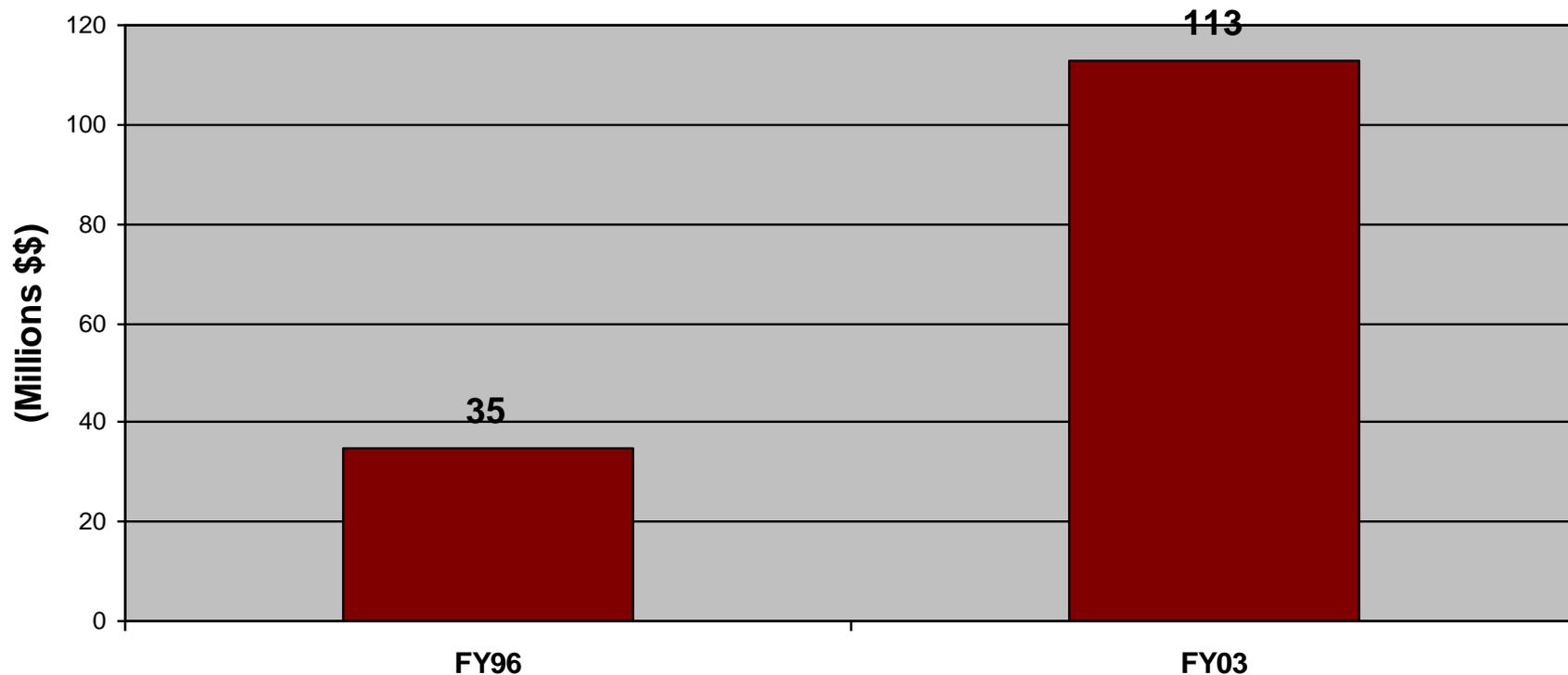
Response-Revenue from Licensing





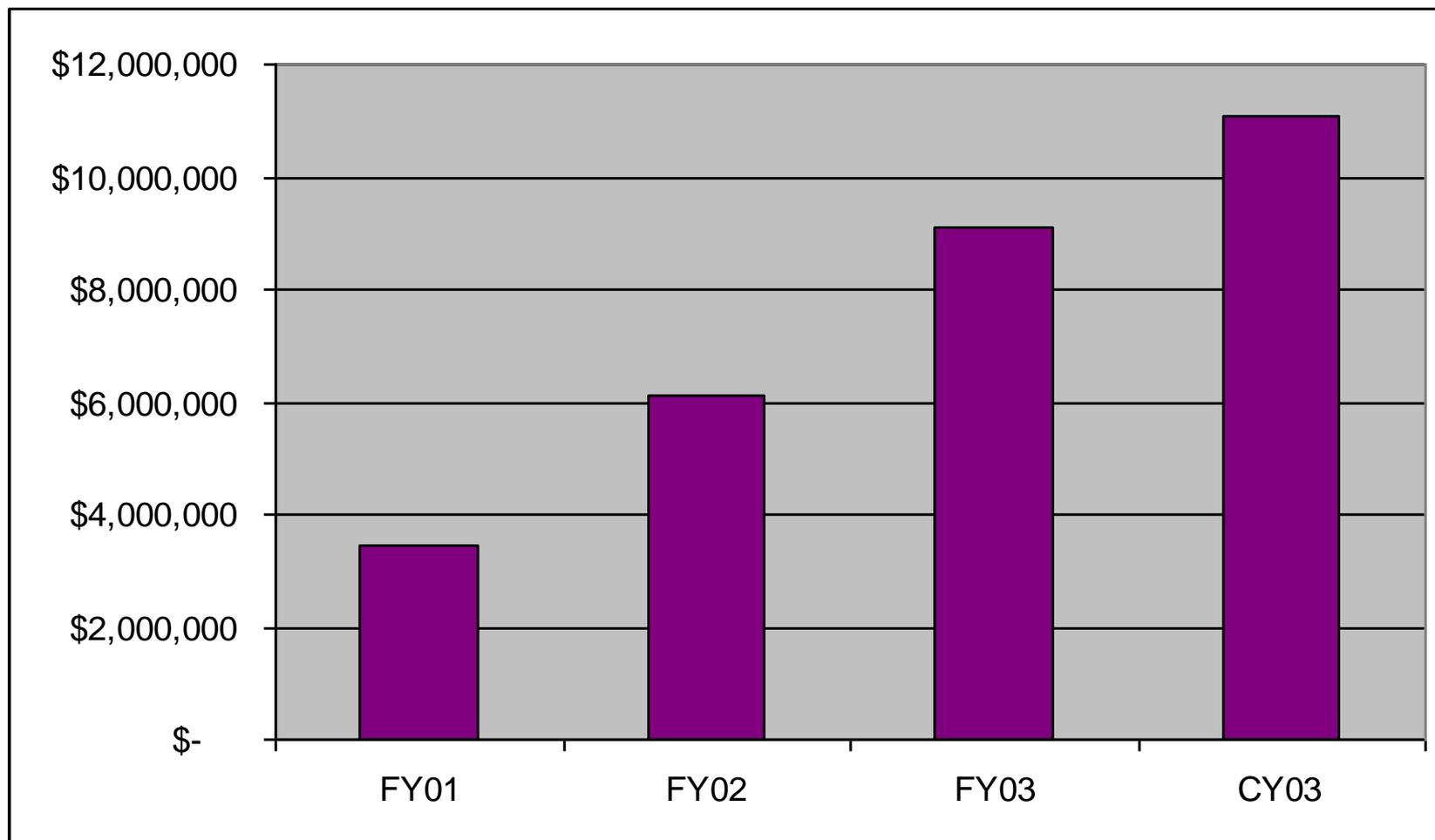
Response: Donations

UMass Annual Private Support (Cash gifts, pledges, gifts-in-kind)



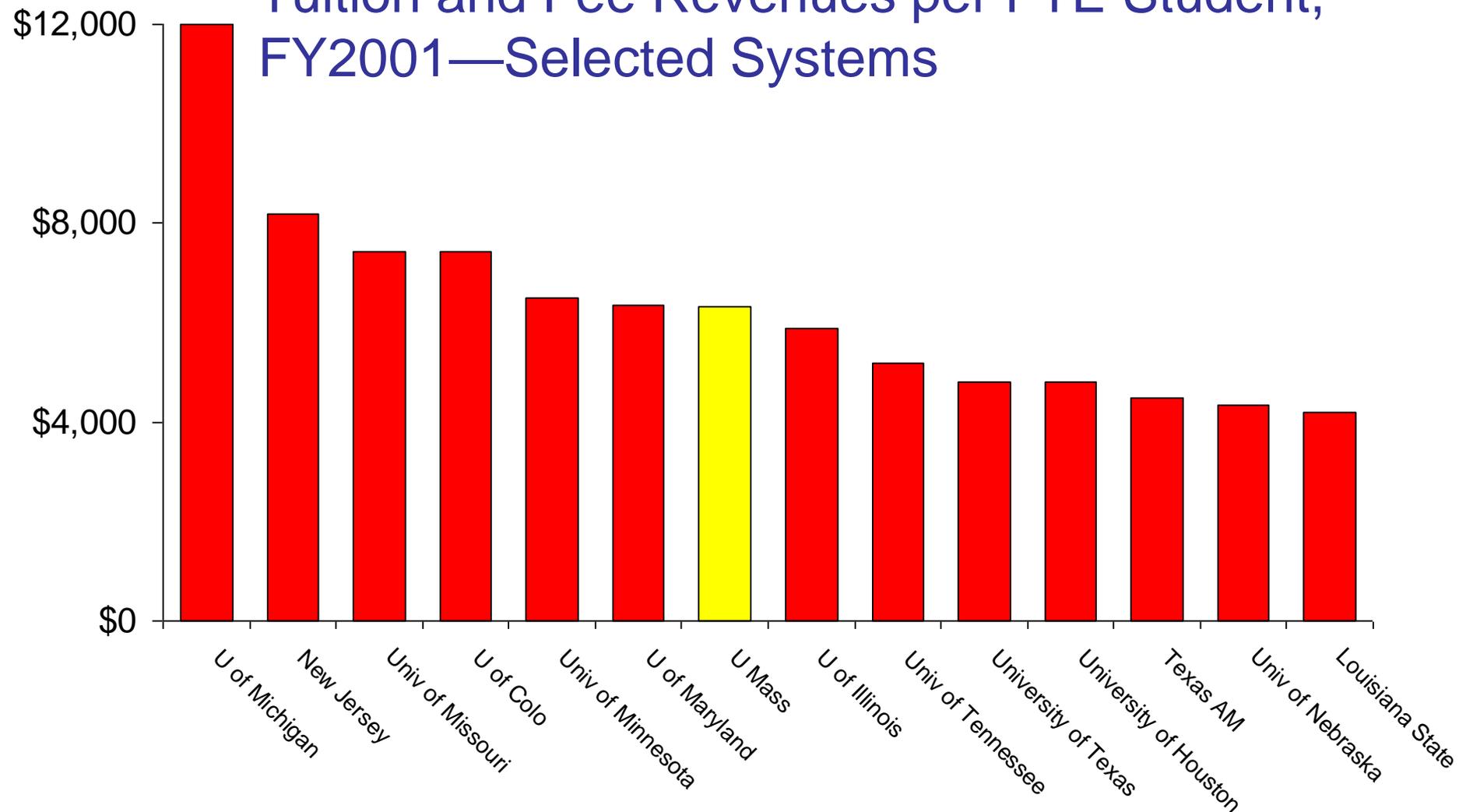


Response: UMassOnline Revenues





Tuition and Fee Revenues per FTE Student, FY2001—Selected Systems



Source: NCES, IPEDS

Strategies: Summary

- **Raise Revenues**

- **Research** UMass **3rd** in MA at \$300 million/year
- **Commercial Ventures** –UMass **17th** in US at \$20 M/yr
- **Online Education** –UMass top ten at **\$11 million/yr**
 - Serving 13,375 enrollments
- **Community Service** – ex: Commonwealth Medicine
- **Donations** – UMass over **\$100 million** last year.
- **Fee increases** - found in nearly every state
 - Remain competitive with nearby states
 - UMass puts a significant proportion of all new fee revenue into additional financial aid
 - UMass meets **93%** of all established student financial need.

Thank you!

Jack M. Wilson,
President, The University of Massachusetts

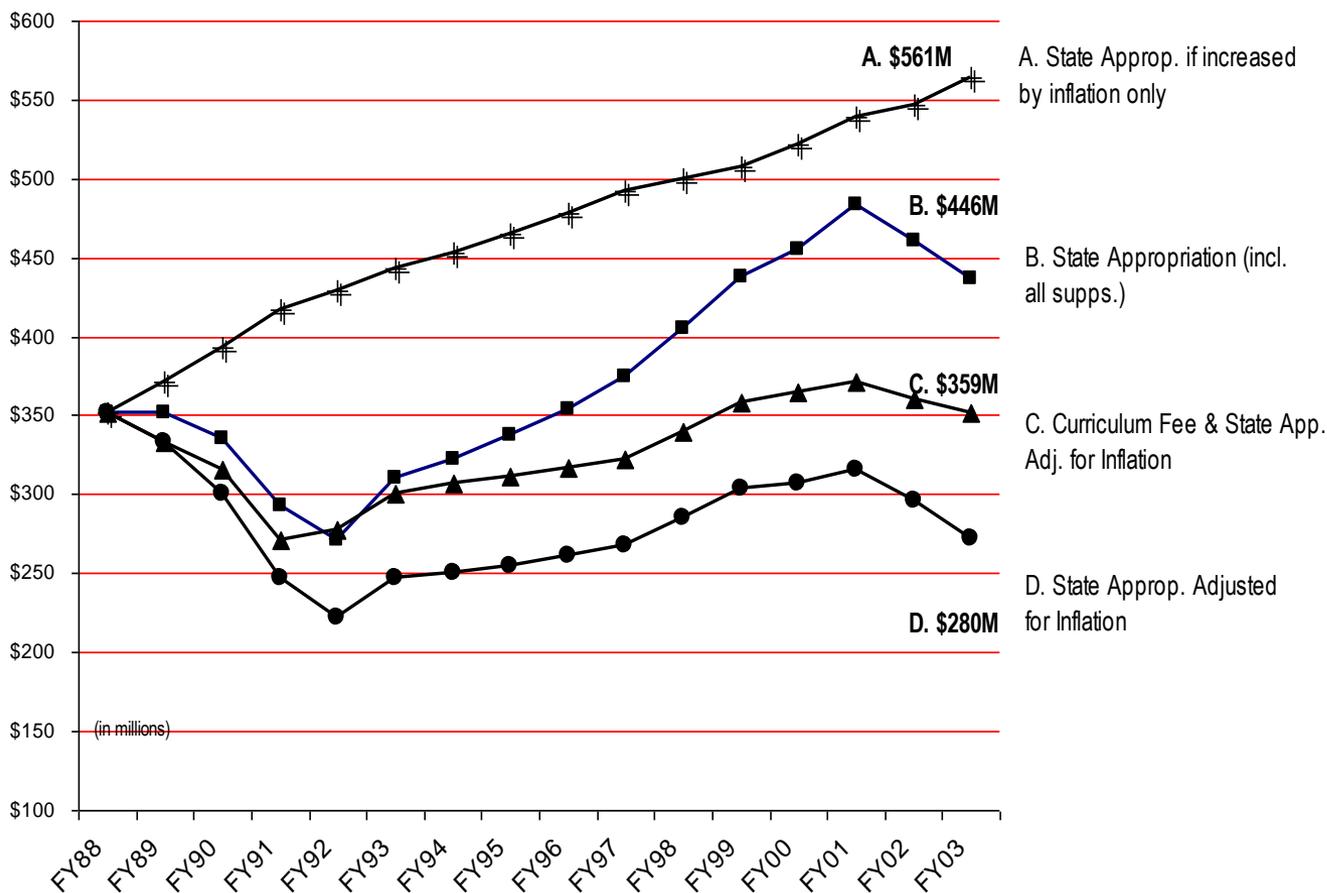
www.UMassOnline.net

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Appropriation versus Inflation



High hopes for eLearning

- **Columbia formed Fathom & teamed with XanEdu.**
- **U. of Penn Wharton School teamed with Caliber, a spin-off from Sylvan Learning.**
- **Cornell spun off eCornell with \$12 million internal investment**
- **UNext created Cardean University with Columbia, London School of Economics, Carnegie Mellon, Stanford, and Chicago.**
 - **Reportedly Cardean had pledged to pay Columbia, and perhaps the others, \$20 million dollars if they failed within five years.**
- **Temple formed “Virtual Temple”**
- **Pensare teamed up with Duke.**
- **Click2Learn teamed with NYU Online.**
- **North Carolina, Harvard, and USC went to University Access for help in getting online.**
- **Harcourt Higher Education was launched as a college in 2000 and confidently predicted “50,000 to 100,000 enrollments within five years.”**

And Now?

- Pensare is gone.
- Fathom is gone -needed ~\$30 million from Columbia
 - Faculty became restive, closed in early 2003
- Cardean laid off half work force –”restructures”.
- Temple University closes virtual Temple.
- NYU folded NYUOnline back into the campus.
- Harcourt gone after enrolling 32 students in 2001.
- eCornell open BUT with reduced expectations.
- Britain’s Open U. closes US branch -\$20 M later.
- Caliber goes bankrupt- acquired by iLearning(Sylvan).
- University Access -> Quisic withdraws from H.Ed.

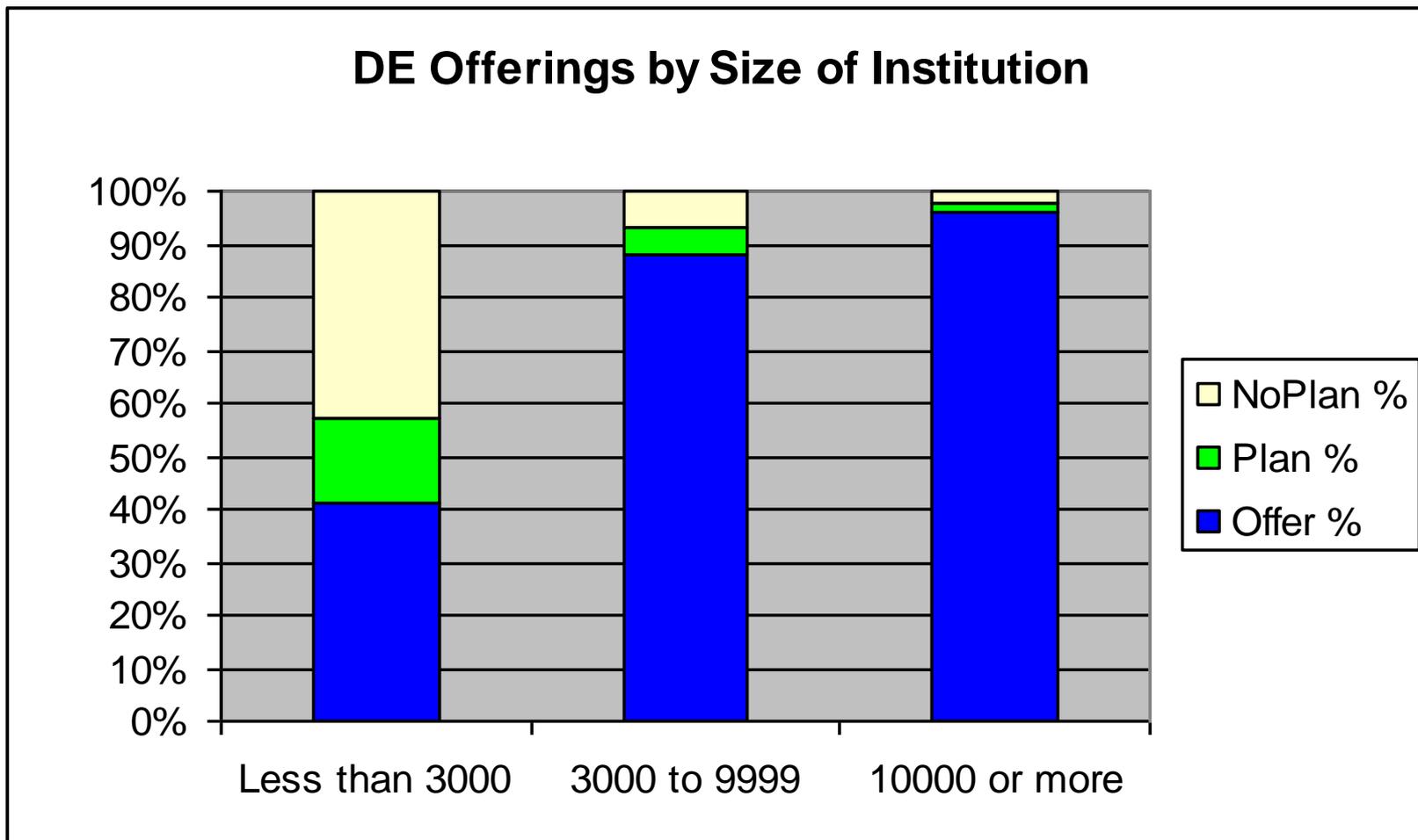
Lessons Learned

- For-profit model - not proven viable for universities (NYUOnline, UMUC, etc.).
- Joint ventures between universities and for-profits are hard to make viable (Pensare, Caliber, NYUOnline, U21 Global, etc)
- It is difficult to borrow brand equity from one institution to another: (Cardean, Pensare)
- Brand equity does not transfer easily from a different business to eLearning (Harcourt)
- To succeed in business one must have product to sell (Fathom, etc.)
- Content is a commodity, over investment in content is often fatal.
- Brand and prestige are not the same.

Enrollments

- In the 12-month 2000–2001 academic year, there were an estimated **3,077,000** enrollments in all distance education courses offered by 2-year and 4-year institutions
- There were an estimated **2,876,000** enrollments in college-level, credit-granting distance education courses,
 - with **82 %** of these at the undergraduate level (figure 2).
- Consistent with the distributions of the percentage of institutions that offered distance education courses, most of the distance education course enrollments were in public 2-year and public 4-year institutions.
 - **Public 2-year** institutions had the greatest number of enrollments, with **1,472,000** out of 3,077,000, or **48 %** of the total enrollments
 - **Public 4-year** institutions had **945,000** enrollments (**31 %**), and
 - **private 4-year** institutions had **589,000** enrollments (**19 %**).
 - [Source NCES 2003-017]

Size Matters the Most



[Source NCES 2003-017]

Big institutions fully committed

- While 97% of large institutions either are already offering (95%) or plan to offer (2%) distance education courses
- 43 % of small institutions have no plans and
 - only 41% are already involved
 - with another 16 % planning

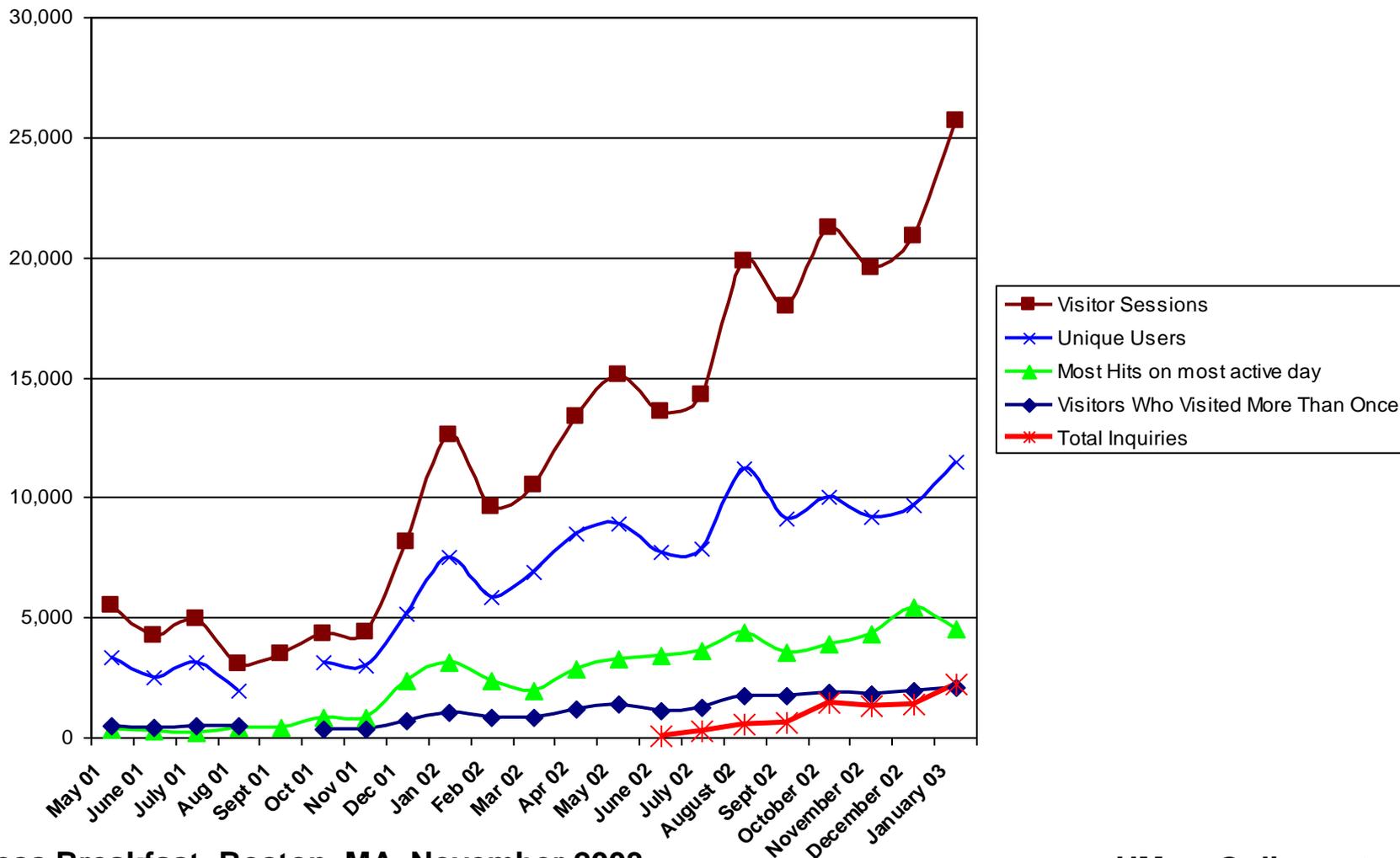
[Source NCES 2003-017]

UMassOnline

- UMassOnline will end calendar year 2003 with
 - over \$11 million in revenues
 - 13,375 enrollments from “new” students
 - an annual growth of nearly 50%
 - 38 (and growing) degree and certificate programs
 - Serving the educational needs of students in Massachusetts, New England, and the U.S.
 - Over 500% growth in inquiries through portal
 - 55% of inquiries from outside Massachusetts.
 - 8% of inquiries from outside the U.S.



Portal Traffic





Top Ten- Inquiries by State

Results: State	Inquiries	Percent of total
Massachusetts	780	29%
California	194	7%
New York	193	7%
Texas	132	5%
Florida	118	4%
New Jersey	100	4%
Pennsylvania	86	3%
Georgia	85	3%
Virginia	73	3%
Connecticut	64	2%