

Achieving the 55% College Completion Goal: The Path Forward in an Era of Disruption

The goal of this paper is to help frame for the Board the major challenges the USM faces in pressing forward on its 55% degree attainment goals. Critical to understanding—and resolving—this challenge is the issue of enrollment, and how well the USM institutions are doing at managing it. Enrollment dictates to a very large degree not just whether the USM will be able to increase its degree production to the level necessary to achieve its portion of the state’s 55% degree goal but also whether its institutions are able to balance their budgets. Over the coming months, as the USM negotiates and implements its FY 16 budget, the Board, along with Campus and System Office leadership, is expected to engage in an extended debate over the enrollment challenges facing our institutions and the impact they have on both the USM’s ability to reach its strategic goals and maintain a healthy balance sheet. To jumpstart this debate this paper lays out three scenarios, each designed to show how the USM and its institutions, working as a system, can successfully move to tackle enrollment and its related challenges.

I. Introduction to the Issues

The enrollment challenges faced by USM institutions and their connection to the fiscal health of System institutions

In 2014, the major enrollment challenges facing each USM institution vary dramatically. Some institutions, like College Park, face extremely high demand and must make near constant efforts to reasonably constrain/manage growth. Other institutions, such as Towson, face demand that is sufficiently predictable and manageable to allow them to sustain and, if desired, grow operations. Other institutions, such as Coppin, have demand profiles that compromise the sustainability of current program levels. This causes stress on all aspects of their operations. UMUC is experiencing, in real time, disruption in the highly competitive educational environment. It is a circumstance that is playing out on a national level with other institutions that have business models similar to UMUC’s – high volume/low cost. The players include *for-profit* and *not-for-profit* institutions as well as emerging on-line campuses connected to public universities, all vying for greater enrollments.

Further complicating these demand-related issues are the missions and populations served by each institution. These must be looked at not as isolated markets unique to each institution but a series of overlapping markets that all USM institutions share to some degree. So a change in one institution’s market strategy can have an opposite and sometimes detrimental impact on that of another.

Managing these challenges is one of the critical problems facing the USM and its institutions because enrollment doesn’t just drive the USM’s ultimate success under such “academic” goals as the number of degrees produced. Enrollment also directly affects the underlying economic health and operational sustainability of the institutions. Enrollment brings direct revenue to institutions in tuition and fee dollars, and indirectly it brings state general fund support for institutional educational activities and program development. Without a sustainable enrollment model, USM institutions are at greater financial risk. This paper, then, focuses on how USM can work to ameliorate this risk. It seeks to explore and pursue a comprehensive strategy (or set of strategies) that will allow the USM and its institutions to

attain beneficial economies of scale in their enrollment without sacrificing the critical goals of quality, access and affordability as we work to achieve the national priority of greater degree completion.

How enrollment drives success under the USM's strategic degree goals and the challenges ahead

A useful starting point for this discussion is the ambitious degree completion goals set by the USM and the State of Maryland. That goal, to have at least 55 percent of Maryland's adult population attain a college degree—either a two-year associate's or a four-year baccalaureate—is based on the determination to equal or exceed the performance of top competitor nations. This level of attainment will help ensure Maryland's long-term competitiveness in an increasingly global knowledge economy. In its 2020 strategic plan the USM established a goal of producing at least 28,000 undergraduate degrees annually by 2020. That is the number of undergraduate degrees the System estimates our institutions need to produce annually if the USM is going to do its part to help the state achieve its 55% degree attainment goal. When this target was being developed, USM institutions were producing between 18,000 and 19,000 degrees a year – a level of output that had increased just 25%, or 3,800 additional graduates, over the prior ten years. In comparison, the 2020 plan called on the USM institutions to ramp up degree production to at least 28,000 degrees annually (an increase of over 45%) by the end of 2020, a level of growth that at the time was acknowledged to be a huge stretch for our institutions but one that was also critical to the state's ability to achieve its 55% degree goal.

To date, the USM has been very successful in pursuing this goal. In FY 2014, USM institutions awarded 23,724 undergraduate degrees, an increase of almost 4,500 degrees over five years ago. This level of degree growth places the USM well ahead of where it expected to be when the plan was adopted in 2010. Additionally, USM institutions are performing efficiently in terms of student success. Two out of three entering freshmen now graduate within six years and three of five Maryland Community College transfers graduate within five years. Based on the Higher Education Research Institute's (HERI) predicted graduation rate calculations, 10 of 11 USM institutions meet or exceed their predicted national graduation rates.

With that progress noted, serious challenges lie immediately ahead that will substantially affect the USM's ability to reach its 28,000 degree target. Growth in undergraduate degrees is likely to level off within two years and there is real danger that it will begin to decline. This is largely because the enrollment of new students, particularly new freshmen students, fell off dramatically after the conclusion of the Enrollment Funding Initiative (which ran from FY 2006 through 2009). Improved efficiencies have meant that USM institutions have graduated or will graduate more from these smaller entering classes, and additional incremental improvement is possible. **However, without enrollment growth, it is unlikely we will reach 28,000 degrees.**

The impact of disruptive forces on the university business model

Adding complexity to the enrollment challenge is the fact that every aspect of the current higher education business model is being tested and examined by our elected officials, education advocates, and new entrepreneurial actors seeking to gain a leadership stake or market advantage through the use of new technologies. In this era of disruption and academic transformation some of the key questions

for this topic are: What will our core set of activities be in the years to come? What are the new expectations about how we will go about those activities? How will technology impact those activities? How is our relationship to those we serve evolving? And, perhaps most importantly, where will the resources to carry out these activities come from?

Although rapid technological change has made this period particularly unpredictable, disruption has focused on two areas: technological innovation and increased competition. Many of these disruptive forces have been developing for years, but in the last three to five years they have begun to undermine the ability of many universities to carry out their most basic mission. This disruption of the institutional business model can rise rapidly to crisis levels.

As noted above, UMUC provides a case study in rapid disruption and strategies for addressing the effects of such change. After more than a decade of rapid growth in both enrollment and the market for online education, UMUC was confronted with an explosion of competitors (including top-tier state research universities) entering the online marketplace. These competitors have sought to claim a piece of the lucrative market even as that market matured and its rate of growth slowed. The result has been a rapid intensification of competition. Simultaneously, the advent of MOOC's and other modalities have called into question the long-term viability of the "traditional" online model of teaching. These trends have impacted the enrollment (and revenue) environment at UMUC significantly. The institutional leadership has responded with a sweeping reorganization of teaching and enrollment management operations. It has applied analytics at a level among the most advanced in higher education to improve UMUC's enrollment management and business functions. But even with all of these interventions, the challenges facing UMUC are still dramatic going forward.

These and other cases of disruption have guided our development of some general assumptions on these issues and the starting point for the scenarios we introduce below.

1. First, although we have had good success in obtaining state funds for both operations and facilities, we have assumed that direct state support of higher education alone will not keep pace with the escalating cost of higher education, including costs associated with increasing enrollments.
2. Logic takes us to a second assumption: Despite a highly successful, decade-long commitment to E&E, a "business as usual" approach toward institutional efficiency and accountability will not work. To meet the challenges facing us, the USM must achieve substantially higher levels of efficiency and accountability.
 - Working under these first two assumptions will serve a twofold purpose: a) they will maximize the impact at whatever level of funding is available and b) they will demonstrate our resolve to appropriators that we as a System are maximizing the return on their investment in us.
3. A final assumption concerns the need for greater coordination of enrollment management: A proactive system-wide coordination effort will be achieved by more effectively integrating enrollment management with both strategic planning and budget decision-making.

- System-wide solutions must focus simultaneously on meeting broad goals, and creating solutions to ensure sustainable business models for all of the USM’s component institutions. These solutions will vary based on the current health of the individual university and the areas of enrollment that the institution can reasonably hope to address. Therefore, coordination should not be confused with standardization. Rather, the likely outcome of coordination will be a greater degree of segmentation of activity; this is to say, solutions tailored to the circumstances of each institution, its mission, enrollment market, and mode of instruction.

II. Strategies for Addressing the Enrollment and Enrollment-Related Business Challenges Facing the USM

Presented below are three scenarios, each developed to promote progress toward the USM strategic plan’s degree attainment goal and support long-term institutional viability. Each scenario presents a different approach and each carries different levels of risk for attaining our strategic plan goals, for the fiscal health of USM institutions, and for different segments of Maryland students and potential students. The three scenarios outlined in this paper are as follows:

- 1. Maximizing Undergraduate Graduation Levels within Existing Resources** – Using enhanced efficiencies and existing unused capacity to enroll and graduate more students,
- 2. Growth as a Driver of Success** – Embracing substantial growth with enrollment funding along with efficiencies to ensure growth with high quality throughout the USM,
- 3. Focused Production of High-Demand Degrees** – Shifting focus from overall number of graduates to the highest impact degrees for students and the economy.

Scenario 1— Maximizing Undergraduate Graduation Levels within Existing Resources

Assumptions

1. The overall State budget will provide funding of current services only. No enhancement funding will be provided by the State for achieving the State's 55% college completion goal.
2. If a campus seeks to increase degree production through higher enrollment levels and/or improved student success rates it would do so via internal budget reallocations or additional external funding or successful effectiveness and efficiency initiatives that can be achieved with existing resources.
3. USM institutions will have to go outside traditional target populations to expand pipeline of incoming students.

Strategies

Actions under this scenario will focus on improved retention and graduation of existing populations as well as managing enrollment towards under-enrolled or lower cost options—for example, tuition-funded growth at UMUC. These strategies include:

Analytics – Developing focused high-utility analytics would strengthen all the strategies discussed in this scenario and those that follow. Analytical modeling could yield considerable results through: 1) amelioration of financial risk to these students through refinement of financial aid or tuition discounting strategies, 2) creation and reinforcement of appropriate and robust “bridging” programs to guide students, and 3) identification of effective actions from high school through baccalaureate completion. This focus could dramatically alter efficiency of an entire range of interventions.

Transfer Pathways Programs – ACES and other similar strategies involve cross-segmental work with the Maryland Community Colleges and local school districts to more effectively use under-enrolled and low cost institutions/locations. These strategies rely on two critical changes in recruiting: 1) a new focus on qualified students who had not intended to be college bound, and 2) a more purposeful directing of these students to locations within the USM. Estimates indicate that as many as a third of Maryland High School graduates (more than 20,000 students each year) do not immediately go on to attend any form of higher education. These programs would begin to recruit some of these students.

Closing the Achievement Gap – This initiative is essential to the success of this scenario, specifically at institutions that have not shown significant improvement to date. The achievement gap programs are a mature set of initiatives, which, if the campuses met the 2020 goal to close the achievement gap, would add approximately 1,000 degrees to the USM total. A critical evidence-based review of these programs would be conducted to determine the contribution, feasibility and vitality of each activity, and would provide the basis for improving success and freeing existing resources for internal reallocation.

Focus Institutions

Although all institutions would participate in these strategies, some would be more involved under this scenario than others. Specifically, those institutions that are currently enrolling fewer students than their peak enrollments (e.g. Coppin) and could increase enrollment at lower costs than those at or near record enrollment would be the primary drivers under the scenario. Institutions with existing achievement gaps (e.g. UB) would be expected to make major progress. Similarly, recruitment to regional centers would both be beneficial to those centers and critical to reaching populations that have not had easy access to a USM institution. Finally, UMUC (with its tuition driven model) would also be expected to increase enrollment under this scenario.

Summary (Risks and Benefits)

The major benefit of this approach is that it can be pursued aggressively under the current services budget and scaled up effectively if additional State General Fund support is available. It would build on programs currently in place, and if properly managed could improve access. However, it carries a high risk of the USM missing its degree target as the combination of identified efficiency improvements are not sufficient to reach the 28,000 degree goal. Additionally, it relies on high levels of success from programs and institutions that have a mixed record to date. It also carries a potentially higher cost per student as those students with weaker academic preparation are integrated into programs, and require additional interventions.

Probable Outcome (with CSB only):

- Degrees in 2020: 25,000
- Date to hit 28,000 degrees: 2024-2027

Scenario 2—Growth as a Driver of Success

Assumptions

1. Enhancement funding will be provided by the State for achieving the State's 55% college completion goal, preferably in the form of direct enrollment funding.
2. All efficiency improvements discussed under scenario 1 would be pursued as part of this scenario.
3. A large number of institutions would plan and move forward with relatively rapid growth of incoming student classes.
4. Growth would involve three populations: Maryland high school graduates retained for in-state enrollment, out-of-state recruits to USM, and those not initially planning to attend college.
5. Institutions would receive funding based on enrollment of new students and maintenance or improvement of retention and (ultimately) graduation rates.

Strategies

To achieve the target degree production levels in the strategic plan, USM would substantially increase enrollment. This approach has yielded results historically and this scenario would include strategies that have been successful. These include:

Financial Aid as an Enrollment Driver –Financial aid (both merit and need-based) would be a primary tool for recruiting both in-state Maryland freshmen as well as out-of-state students. To retain more Maryland High School graduates in-state, competitive financial aid packages and aggressive recruitment to USM's strongest institutions for highly desirable programs would be required. If 10% of those who now leave the state for higher education were retained in Maryland, then it could yield 1,000 additional degrees per year. Out-of-state students from both contiguous areas and more broadly could be recruited to Maryland institutions if the cost differential was minimized. This could be accomplished through targeted financial aid packages.

Tuition Discounting – Strategic tuition discounting could be used by USM to attract students into USM universities. For out-of-state students, Maryland universities could improve recruitment if the cost differential was decreased. Reducing financial risk to potential first-generation students from Maryland through deep discounting at USM institutions could add to the pool of those seeking college. Finally, discounting tuition at locations with enrollment growth potential or for high-demand programs at under-enrolled institutions could also increase enrollment. Enrollment funding could be used to offset reduced revenue from this discounting.

Academic Programs to Expand Enrollment – New academic program offerings or expansion at multiple institutions or regional centers could drive enrollment increases. Institutions that have not been major attractors of in-state or out-of-state students in the past would benefit from more high quality, competitive programs. Expanding programs in regional locations for students that are not mobile would provide a powerful attractor for enrollment growth.

Funding to “Scenario 1” Programs – Finally, the programs outlined under scenario 1 would be funded beyond the levels possible through reallocation and tuition revenue. Enhanced retention would increase enrollment and drive degree production.

Focus Institutions

Under this scenario, most or all institutions would participate aggressively in one or more strategies and would increase enrollment. It is likely that those who had success under the earlier Enrollment Funding Initiative would grow most immediately (e.g. Towson University and UMUC). Similarly, those with currently expanding enrollment (e.g. UMBC) might take a leading role. The Historically Black Universities and Frostburg would be the location of programmatic additions to attract greater numbers of students.

Summary (Risks and Benefits)

Rapid enrollment growth based on dedicated funding and clear targets is the approach most likely to allow the USM to meet its degree goals. Implemented promptly, it is still possible to meet those goals by the 2020 target date. However, enrollment funding has proven a very difficult “sell,” despite a demonstrated record of success. Additionally, even if a USM-wide program is successful the results are likely to be uneven across institutions further complicating building and holding State support. Finally, some USM institutions have indicated that they would prefer to avoid rapid growth in enrollment because of concerns about student and program quality.

Probable Outcome (with strong enrollment funding):

- Degrees in 2020: 27,000
- Date to hit 28,000 degrees: 2021-2023

Scenario 3—Focused Production of High Demand Degrees

Assumptions

1. This scenario plans for growth of majors within certain high demand areas (e.g. healthcare) and majors (e.g. computer science) either with or without overall enrollment growth.
2. Enhancement funding may or may not be provided by the State to meet critical goals. Funding for general enrollment growth is not anticipated.
3. The focus would be on changing the degree mix of graduates in a fashion that would yield greater economic impact both for the State and for individual students regardless of the total number of degrees awarded.
4. Neither enrollment nor number of degrees would necessarily increase under this scenario.
5. In the event funding became available (through differential tuition, targeted funding or another source), institutions could receive funding to develop or expand specific targeted programs. Institutions would be held accountable for increases in degrees in those areas.

Strategies

Under this scenario, general degree growth would not be the central focus. This approach has proven successful at generating support in periods where generalized funding for enrollment was unavailable. The focus would be on the highest impact areas in terms of economic development and workforce demand. The three main strategies are:

Expansion of STEM and Health Care – Expansion of STEM and Health Care programs at USM’s research institutions would open these options to students in cases where majors have been limited to date. This would help retain more of the highest performing high school graduates in Maryland and attract high quality out-of state students to our institutions. The expansion of these programs could allow the expansion of graduate programs on those campuses and would require the addition of entrepreneurial faculty in some instances. These changes could help drive expanded economic activity and technology transfer from those campuses.

Institutional Support and Enrollment Expansion – The addition of high demand majors on comprehensive campuses (and particularly on the HBU campuses) could help draw students to those institutions, many of which have struggled to maintain or expand enrollment. These programs would be specifically selected based on their demand by students and high level of demand for graduates in the State’s workforce.

Regional Center Expansion – Expansion of programs at the regional higher education centers (RHECs) would add to overall enrollment, and open program enrollment to Marylanders who might not otherwise have been able to attend. To effectively support the expansion of these programs to these new venues and populations, appropriate and robust transfer pathways would have to be established. These would focus on the preparation of these students for extremely challenging programs from high school and through community college.

Focus Institutions

Under this scenario, the research institutions would be prominently featured for STEM and Healthcare programs, and the Historically Black Universities would be leaders in addition of new high demand programs. The remaining comprehensive universities would also expand current STEM and Healthcare programs, or develop new high demand programs, and shift students within their majors.

Summary (Risks and Benefits)

This scenario carries a high risk of missing the USM's degree production target. This risk is balanced against the benefit of a program mix that is matched closely with the State's workforce and other economic needs. More graduates would find jobs and other economic opportunities immediately available as added programs would be focused on high demand areas. However, this strategy will disproportionately benefit students who would have attended college regardless of intervention, and disadvantage students not prepared to pursue the most demanding courses of study.

Probable Outcome (with CSB budget only):

- Degrees in 2020: 25,000
- Date to hit 28,000 degrees: 2024-2027
- Increase in STEM/Healthcare Degrees in 2020 over present: 10-15% (1,000 plus degrees)