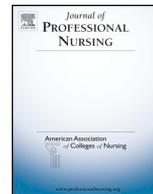




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Economic Trends in Higher Education



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Colleges and universities are facing unprecedented rates of change, forcing them to re-evaluate all aspects of their operation. Institutional leaders are confronting enormous pressures resulting from cuts in state and federal funding, mandates from stakeholders for proof of return on their investment and demands for graduates to be workforce ready. For many states, colleges and universities no longer are seen as economic engines but instead as financial burdens for taxpayers.

Nurse educators must be aware of the national economic trends in higher education summarized in this editorial. We must proactively examine their impact on nursing education. Additionally, it is imperative that we help seek answers to the issues faced by higher education and view these challenging times as opportunities to lead the search for solutions.

Closure of Colleges and Universities

Despite some politicians' claims of a thriving national economy, colleges and universities are confronting turbulent economic times. Smaller private colleges are especially struggling to remain open (Jenzabar, 2019). Approximately 40% of American colleges enroll 1,000 or fewer students and another 40% enroll less than 5,000 students. Seventy-two institutions have shut down since 2007, and most were those with enrollments of less than 1,000. The size of institutions is predicted to remain a key factor in their sustainability (Selingo, 2016). And, the risk of closure is even greater for colleges with no online programs, tuition discount rates greater than 35%, and deficit spending (Dusst & Winthrop, 2019). Even if a nursing program is thriving, it may be vulnerable to closure if housed in a small private college.

Questionable Financial Stability and Sustainability

Financial sustainability is in jeopardy as colleges and universities struggle to stay financially stable and maintain programs when

expenses exceed income (Hershan & Lauderdale, 2018; Hanover Research, 2019). Only 44% of chief financial officers at four-year colleges expressed confidence that their school would be financially stable over the next 10 years, a figure that has decreased from 52% in 2017. In 2018, one in eight chief business officers reported that senior administrators at their institutions engaged in serious internal discussions over the previous year about merging with another college or university (Hanover Research, 2019).

In addition to considering mergers for survival, institutions are contemplating acquiring smaller institutions and seeking new revenue streams through creative education models that serve nontraditional students (Hanover Research, 2019). These new business models, some of which are for-profit, have been met with resistance at some colleges and universities. Some faculty believe that these new business models are not aligned with the organization's mission, but the new models may be the institution's only hope for survival.

Reduction in State and Federal Support

Another factor contributing to economic strain for colleges and universities is the significant reduction in federal and state support for higher education, especially grants and scholarships (Murray, 2017). State funding for higher education has been declining steadily, showing few signs of recovery despite improvements in the economy. Between 2008 and 2017, state funding for public higher education institutions declined by 16% (Hershan & Lauderdale, 2018). And, a total of \$5.7 billion has been cut in federal funding for public higher education between 2008 and 2016 (Hanover Research, 2019). State spending on instruction per student at public colleges is at its lowest since 1980 (adjusted for inflation; Selingo, 2016). For the 2014-2015 academic year, states spent on average \$1,448 per student, yet the average cost per student was \$10,221 (including student services, academic support, and instructional support; Hershan & Lauderdale, 2018).

If current funding trends continue, state spending on higher education will be nonexistent for some institutions. For example, Colorado is predicted to be the first state where aid to higher education would be zero by 2022. It is projected that 15 other states would join Colorado by 2050. Higher education in states is usually funded after pensions, healthcare, roads, prisons, and elementary and secondary schools (Selingo, 2016). The lower priority for funding higher education occurs because states rely on the revenue stream of tuition to cover the costs.

The public system of higher education in Alaska has been devastated recently by budget cuts. The state legislature voted in July 2019 for a 41% cut to the state's higher education budget and declared financial exigency. The legislators argued that if they did nothing, the university system would run out of money by February 2020. To cope with the severe budget cuts, the regents are considering shutting down

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campuses, consolidating the system into one university, closing programs, and laying off tenured faculty. Alaska's Governor Michael J. Dunleavy indicated that the state system of higher education relies too much on state money, too many programs overlap, too few students graduate, and too many administrators get paid more than they should (*Chronicle of Higher Education*, 2019). This drastic cut should be a wake-up call to all state systems of higher education. It is unclear at this time what impact this drastic cut will have on the nursing programs in Alaska.

Demand for Data that Demonstrates the Value of Higher Education

In the past, no one seemed to question the value of higher education and the resources needed to support it. Higher education was viewed as a source of answers to societal issues and as a route to employment with a good salary. In recent years, the landscape has dramatically changed. The public is questioning the costs and value of higher education and employers argue that graduates do not have the requisite skills to enter the workforce (*Hershan & Lauderdale*, 2018; *Morton*, 2018).

In response to the demand to demonstrate value, institutions must expand their use of data and analytics to show better return on student and government investments. Data collection and analysis must be used to drive strategies and decision-making at all levels (*Unglesbee*, 2019; *Oster*, 2019). Colleges and universities traditionally have used data analytics to track student applications, progression, retention, and enrollment. Often, institutions would brag about their data regarding the number of students they turned away as if the figure was a measure of quality. The demand for data has shifted. The public and policymakers are requiring explicit information on higher education's return on investment. Data now must be used to track outcomes such as graduation rates, employment rates, and program costs (*Selingo*, 2016).

Outcomes-based Funding Models

Colleges and universities are under significant pressure to develop new models for funding (*Murray*, 2017; *Hershan & Lauderdale*, 2018). This demand forces institutions to navigate uncharted waters in order to contain costs and remain viable (*Unglesbee*, 2019). Outcomes-based funding, an evolved form of performance funding, is now being used by many institutions. As of fiscal year 2015, 10 states are developing an outcomes-based funding model for higher education and 25 states are already implementing this approach (*Dougherty & Reddy*, 2011).

Outcome-based funding seeks to incentivize and reward progress toward a set of stated goals. The objectives of outcome-based funding include:

- to align higher education funding method with the institution's and/or state's strategic goals and student success priorities
- to align institutional priorities with those of the state or Board of Trustees and support the development and implementation of evidence-based student success practices
- to hold institutions accountable for performance and their role in achieving strategic goals (*Snyder*, 2015).

Increased Reliance on Tuition Revenue

In response to the gravity of their economic difficulties, colleges and universities are relying more heavily on revenue from tuition rather than from state and federal appropriations to remain viable (*Jenzabar*, 2019). This move to increased reliance on tuition revenue has shifted the burden of the cost for higher education to students and their families whereas a decade ago students and families paid for only about one third of the cost of their education (*Selingo*, 2016; *Hershan & Lauderdale*, 2018). Thus, the gap widens between those who can and those who cannot afford higher education.

Not only is the cost shifting to the student and family, but the tuition

cost continues to rise at a significant pace. Annual tuition rates increased over the past 10 years by an average of 35% with a figure as high as 60% or more at some public institutions (*Hershan & Lauderdale*, 2018). Since 1978, college tuition has risen over 1,000%. The median tuition and fee price for the 2014-2015 academic year was \$11,550. By contrast, the 2013 median income in the United States was \$51,939 (*Murray*, 2017). As tuition costs have steadily increased, the median income for families only grew by 2%, a figure nowhere near the upsurge in costs to students and families (*Hershan & Lauderdale*, 2018). When adjusted for inflation, the median per capita income has been essentially flat since 2000 (*Selingo*, 2016). Family incomes cannot keep pace with the rising cost of college. Even with discounted tuition rates, tuition is out of reach for many families. And the problem is not predicted to get any better over the next decade (*Selingo*, 2016). If college tuition remains flat over the next decade, the cost to a family will increase since income lags behind the rise in college costs (*Selingo*, 2016). The issue is no longer families' willingness to pay or not; they simply are no longer able to afford the ever-increasing cost of higher education, and state and federal sources are not making up the difference anymore. This significant disparity has left students and families to wonder about the true value of a college degree (*Hershan & Lauderdale*, 2018).

Rise in Student Debt

The substantial gap between the rate of increase in college tuition compared to the rate of increase in household income has contributed to a significant spike in student debt with higher education now out of reach for many students (*Hershan & Lauderdale*, 2018). Between 2008 and 2016, there has been a more than 9% rise in student debt (*Hershan & Lauderdale*, 2018). Thus, those attending college increasingly have had to borrow to cover costs and more and more students are working full-time while attending college. Nationally, 68% of college students graduate with a debt at an average of \$30,000. Collectively, student loans now exceed \$1.4 trillion (*Murray*, 2017).

Increased Reliance on Philanthropy

With the decline in state and federal funding and eventual market limits on tuition increases, higher education is increasingly turning to philanthropy to fill the economic gap. Some universities are launching multi-year billion-dollar capital campaigns and this trend for very ambitious campaigns is expected to continue (*Jenzabar*, 2019). For fundraising to be successful, sophisticated data analytic systems are an essential tool to identify donors and to track those with the potential to increase their gifts (*Oster*, 2019). Unfortunately, many institutions do not have these systems in place.

Alumni giving accounts for 26.1% of total funding support for higher education (*Hanover Research*, 2019). A recent survey by *GiveCampus* (2019) revealed that alumni with student debt (34%) are three times more likely than those without debt (12%) to have donated to their alma mater in the past 12 months. Alumni who received a scholarship for their education were more likely to give. A total of 30% of scholarship recipients donated to their alma mater in the previous 12 months compared with only 10% of non-scholarship recipients. About 40% of all respondents said they would be more likely to donate if they could select how their gift is used. Most (57%) alumni would like to see their donation used to fund scholarships followed by academic purposes (44%). A total of 37% of all respondents and 57% of those who donated to their alma mater in the previous 12 months indicated that receiving updates on the impact of their gift would make them more likely to give. For those alumni who donated in the previous 12 months, 40% indicated they would be more inclined to donate a larger amount or give more frequently if they could donate easily and quickly using their phone. Solicitation for gifts by email was the preferred method of 47% of respondents whereas very few wanted to receive phone calls or text message solicitations (*GiveCampus*, 2019).

Achieving a successful fundraising program requires colleges and universities to invest in hiring staff and creating needed infrastructure. In these turbulent economic times, these actions are difficult to afford, but must be done.

Actions for Nurse Educators

Considering these important economic trends in higher education, it is imperative for nurse educators to take immediate action. Some of my recommendations include:

- Discuss national trends in higher education at professional meetings and in meetings in your colleges. Avoid a parochial view of only focusing on issues in nursing education while the world of higher education around you is dramatically shifting.
- Teach about trends in higher education to students, especially to those with a major in nursing education.
- Learn about the financial situation of your institution at large as well as your college/department of nursing.
- Remain open to new business models as they may be the lifeline for your organization.
- Develop new revenue streams for your college/department of nursing through continuing education offerings or by renting of your simulation laboratories to other organizations such as emergency medical technician and paramedic training programs.
- Calculate the cost of your programs and have a plan in place if suddenly your budget was cut, and programs needed to be eliminated.
- Develop a robust system for collecting and analyzing outcome data. Share data with key stakeholders that demonstrate the value of your programs.
- Learn about outcomes-based funding models and be prepared to implement one. Teach nursing students, especially nursing education majors, about outcomes-based funding.
- Consider alternative plans of study to ease the annual tuition burden on students and families. Develop part-time plans of study for all degree programs since students are working many hours in addition to going to school and may only be able to afford the tuition for a part-time plan of study each year. Demanding full-time enrollment in programs is most likely a thing of the past.
- Partner with healthcare organizations so that pre-licensure students can work as certified nursing assistants to pay for tuition while studying part-time,
- Ask healthcare organizations to cover the cost of the last semester or last year of a student's program in exchange for a post-graduation work commitment.
- Create, if you do not already have, an advancement office that focuses on alumni relations and development.

- Form an alumni board and development board who will help with fundraising and alumni relations.
- Develop a strategic plan for alumni relations and development that includes a use of social media and a digital strategy (Bentz Whaley Flessner, 2018).

It is only through an understanding of key issues and carefully crafted proactive plans that nursing and higher education can flourish. I urge you to prudently consider the issues and quickly develop the next steps for your institution.

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