



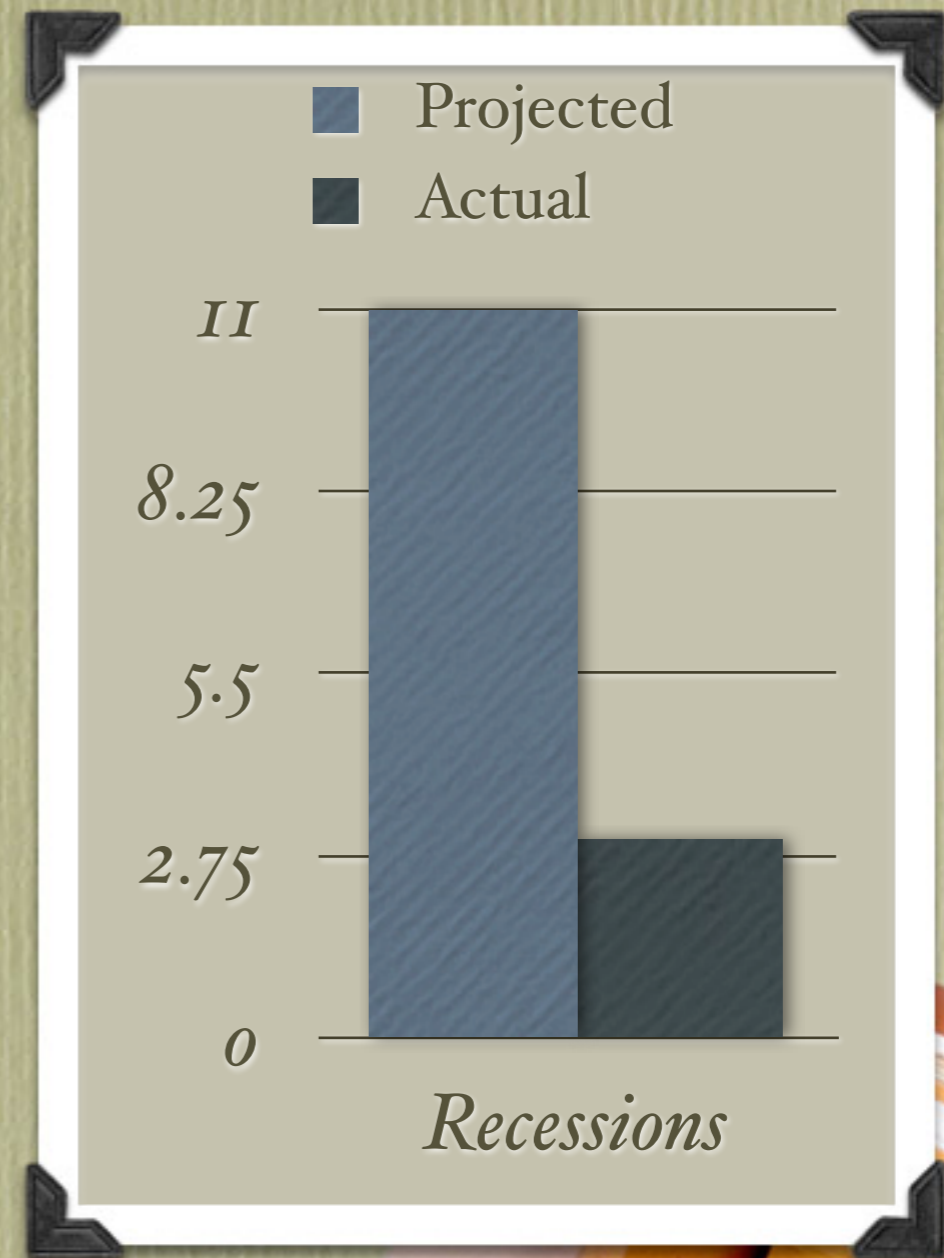
The Independent Sector

5 Challenges You Should Understand



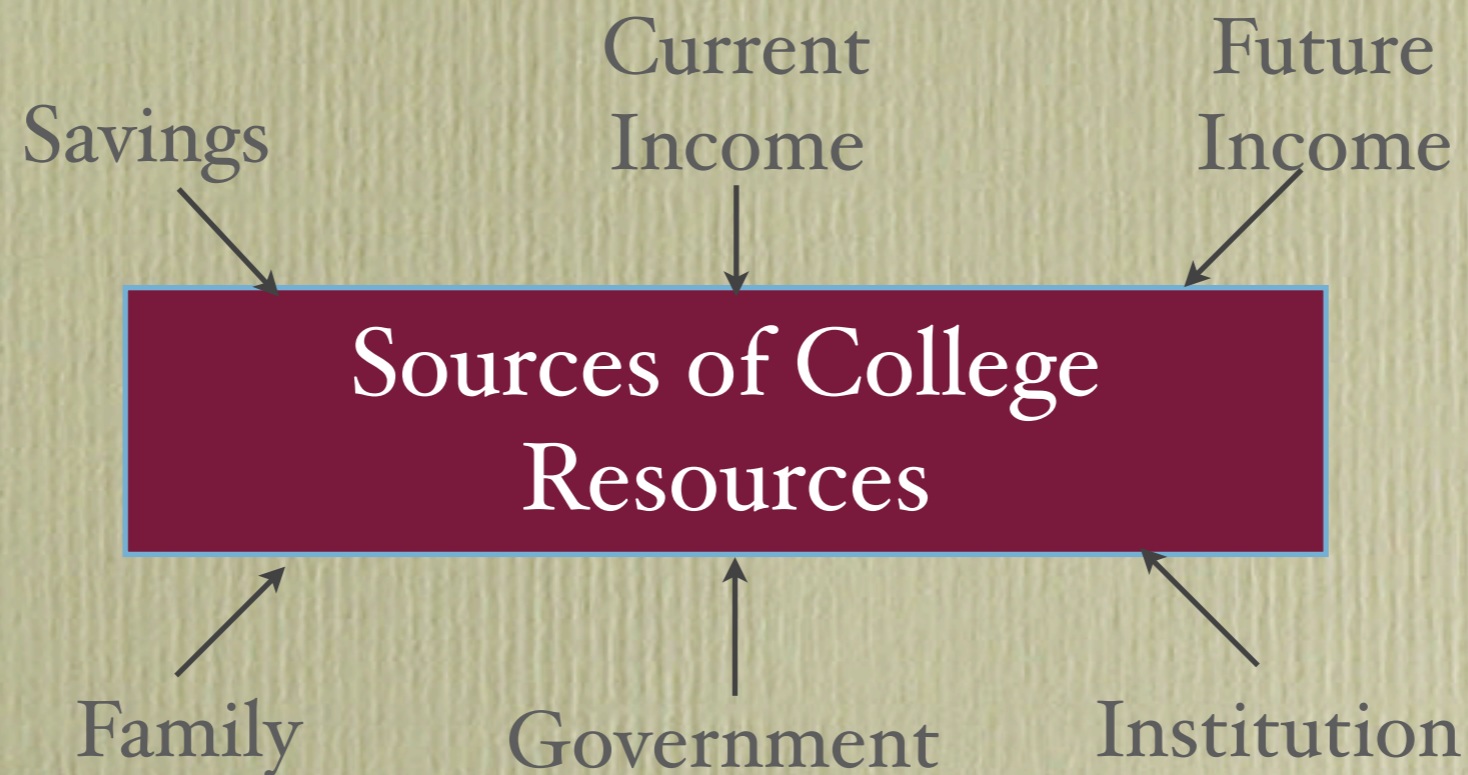
Prognostications are tough

- As an economist, I have a certain humility about projections



Conceptual Model #1

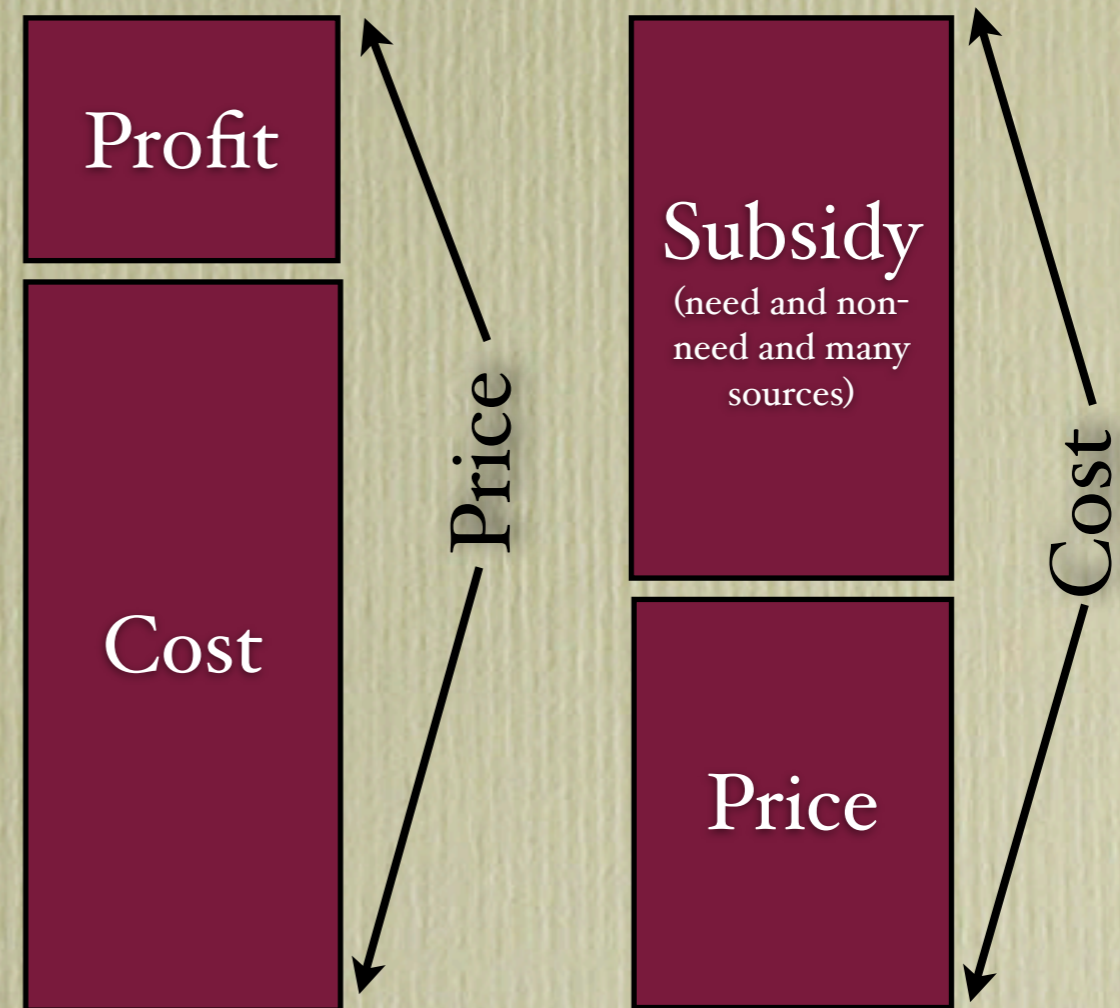
Time Based Perspective



Source Based Perspective

Conceptual Model #2

- ◆ The diagram on the left is a business
- ◆ The one on the right is a university





I. Government Largess is not

- For almost four decades (1972) independent colleges have counted on growth in publicly funded student aid
- That trend is not likely to continue
- Cost of regulation is now measurable





But.....

- The financial challenges to public institutions are greater
- In some states student aid is close to a protected category
- AND Budget Reconciliation will hit loans





II. Proprietaries

- They are fundamentally different - shareholders v. students but
- They have done some interesting things



The Proprietaries

One example

Total Revenues	\$3100
Committed to Advertising	\$125
Taxes Paid	\$307
Pell Funding	\$503
Student Loans	\$3788
Defaults on Federal Loans	-\$607



III. The “Don’t go to college” idea is real....

- The value proposition for independent higher education is in question
- When 80% of your consumers don't pay full price you need to think about the model



IV. Technology/ Diversity

- The sector has real problems in dealing with both issues (not without significant effort to address them)
- But the sector needs to tell their story





The RECORD

- Significantly higher graduation rates for Latinos and African Americans
- Continuing efforts to work with K-12
- Students often come with more tech savvy than the professoriate





V. Mirrors of the Past

- The next decade may look like the 80s and 90s did in the corporate sector - lots of mergers and acquisitions.
- Strong need to learn to collaborate without losing sense of mission





Role of NAICUSE

- Significant effort in several states for collaborations
 - Financial - Insurance, technology, supplies and more
 - Intellectual - beginning efforts at working together on admissions, administration





Conclusions

