ABHE 79th ANNUAL MEETING

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How to Monitor Institutional Health

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AGB Principles of Trusteeship

<u>Highly effective trustees are a prerequisite for a highly effective board.</u> While the authority of a governing board lies in the collective action of its members, each individual trustee contributes to—or limits—the effectiveness of the board as a whole.

(The *Association of Governing Boards* provides resources and services to over 2000 higher education institutions.)

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Trustee Responsibilities

The board is accountable for:

1. Safeguarding the institution's mission
2. Hiring and evaluating the president
3. Ensuring the quality of academic programs and student services
4. Evaluating and improving the board's own performance
5. **Overseeing the fiscal health and integrity of the institution**

Fiduciary Responsibility of Trustees

- From the Latin word *Fiducia* = **trust**, reliance, confidence
- Expressed in three legal requirements
  - Duty of Care
  - Duty of Loyalty
  - Duty of Obedience
- Rooted in the Biblical teaching of **stewardship**
  - OT Examples
  - Parables
- Accountability

Monitoring is Critical to Good Governance

"For a good number of theological schools, business as usual is not a viable way forward. Accumulated operating deficits, a downward enrollment trendline, and significant deferred maintenance of campus facilities make it impossible to ignore the handwriting on the wall. When measured against the **standards of economic equilibrium**, many theological schools come up short, and yet presidents and governing boards are slow to recognize that a school is in trouble."

In Trust Center for Theological Schools

Standards of Economic Equilibrium

- **Operational Standard.** The institution regularly fulfills its mission with excellence and with an operating surplus.
- **Endowment Standard.** The institution looks to the endowment as a reliable revenue stream for operations and maintains the purchasing power of its endowment funds.
- **Facilities Standard.** The institution builds and equips needed facilities and maintains them in first rate condition.

The Zone of Insolvency
Five Warning Sign Metrics

1. Enrollment Decline – 30-50% in the decade before closure
2. Tuition Discount Increase – average rate hit 56.3%
3. Liquidity Crisis – lack of cash flow = lines of credit
4. Debt Greater than Assets – audited net asset decrease
5. Budget Deficits – operating costs exceed revenue

"If your outgo exceeds your income,
then your upkeep will be your downfall."

The Art of Asking Insightful Questions and Analyzing Information

What do I need to know so I can fulfill my fiduciary responsibility?

- ✓ **Informative questions** – simply for clarification.
- ✓ **Investigative questions** – go deeper than what is obvious, asking why?
- ✓ **Interpretive questions** – move toward speculation and productivity, asking what now or what needs to be done?

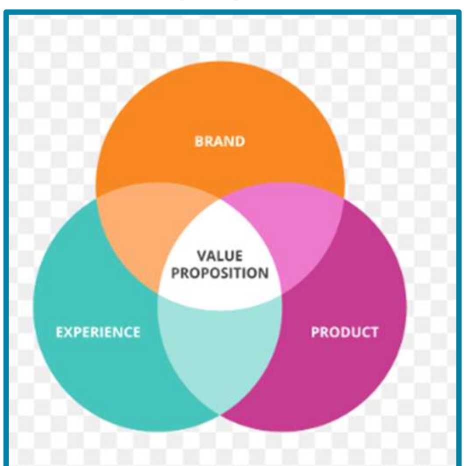
Sometimes trustees are reluctant to ask probing questions
for fear of appearing unsupportive or uninformed.

Twenty Questions Trustees Need to be Asking

- Look at the trend.
- Have a benchmark for comparison.
- Create a dashboard for consistent reporting.
- Explain the answer in the current context.

Enrollment Questions

1. Is our value proposition relevant?



Enrollment Questions

1. Is our value proposition relevant?
2. What is the yield rate from our enrollment strategy?

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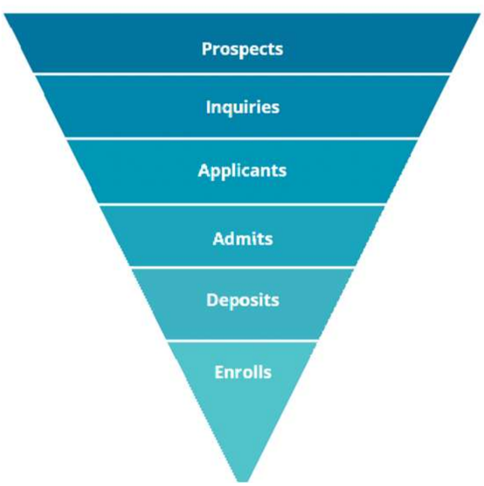
Critical Enrollment Metrics



- Prospects - general pool of potential students.
- Inquiries: Students who show interest and request information.
- Applicants: Students who complete the application process.
- Admitted: Students who are accepted into the college.
- Deposits: Pay the required fee to enroll in the next semester.
- Enrolled: Students who finalize enrollment and begin their studies.

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Cost to Recruit a Student in 2024

COST TO RECRUIT A STUDENT — 2024		COST TO RECRUIT A STUDENT — 2024	
All Participants	$4,630	Smallest #	$5,918
Canada	$4,778	Small #	$4,263
Great Lakes	$5,057	Medium #	$4,684
Midwest	$4,258	Large #	$4,339
Northeast	$5,711	Largest #	$3,837
Northwest	$4,884	Bible College	$6,487
Southeast	$4,081	CCCU	$4,421
Southwest	$4,777	Other CLA	$4,026

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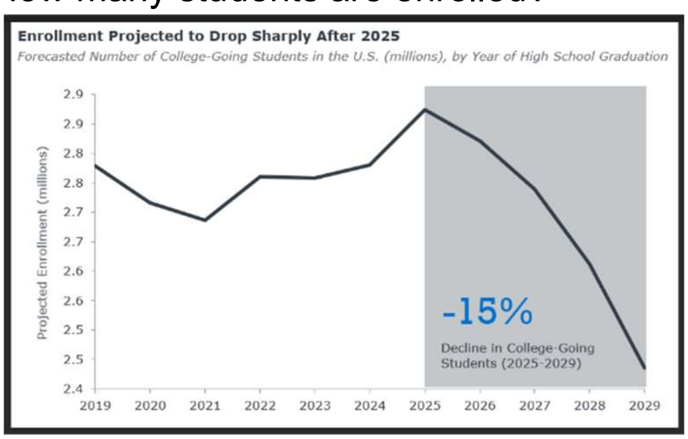
Enrollment Questions

1. Is our value proposition relevant?
2. What is the yield rate from our enrollment strategy?
3. How many students are enrolled?



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Critical Enrollment Metrics

Headcount – Registered and Attended Classes

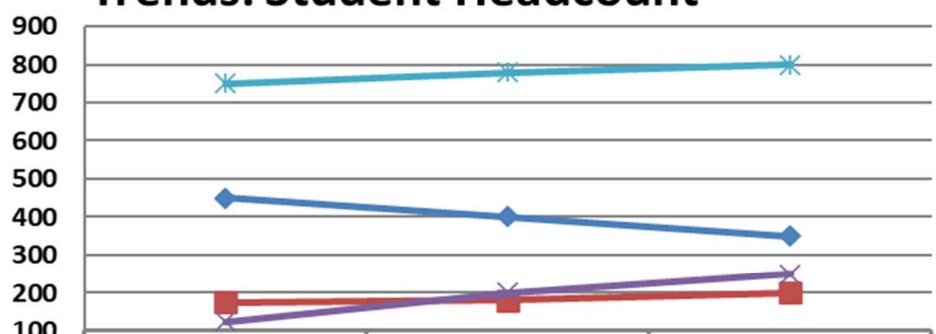
- Total number of students enrolled in the college
- Number of students enrolled by major and level

Full Time Equivalent (FTE) – All hours / 12 or 9

- Undergrad – 12 credit hours per semester
- Grad – 9 credit hours per semester

Do you know the optimum number of students required for your institution to remain viable?

Trends: Student Headcount



	2022	2023	2024
Undergraduate	450	400	350
Graduate	175	180	200
Certificate	125	200	250
Total	750	780	800

Enrollment Questions

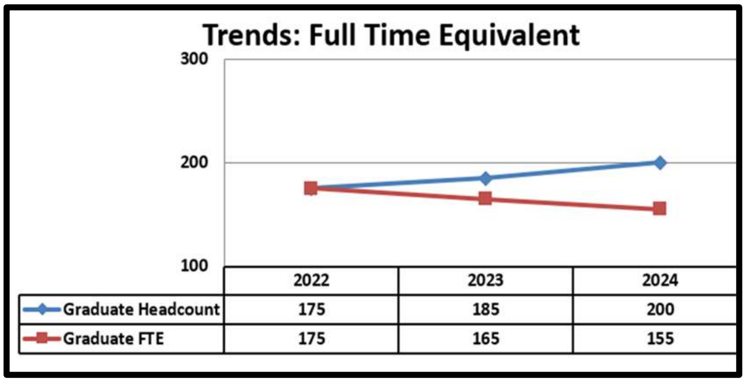
1. Is our value proposition relevant?
2. What is the yield rate from our enrollment strategy?
3. How many students are enrolled?
4. What are our retention rates for returning students?

Pay Attention to Retention

Impact – It costs less to retain a student than it does to recruit a student.

Retention Rate – the percentage of students who return the following year

Withdrawal Surveys and Interviews – What are the reasons students are leaving and what can you do about it?



Headcount	Avg. Hours	Tuition	Revenue
175	9	$495	$779,625
185	8	$495	$732,600
200	7	$495	$693,000

Head count is increasing but FTE and revenue are decreasing.

Financial Questions

5. What is our Financial Responsibility Composite Score?

(Ranges from -1 to 3)

- **1.5 and above**: financially responsible; full Title IV participation.
- **1.0 to 1.49**: weak but not failing; oversight required.
- **-1.0 to .9:** failing; letter of credit for Title IV access, subject to strict monitoring.

(Title IV – Pell Grants, Student Loans, Work Study, etc.)

Financial Questions

5. What is our Financial Responsibility Composite Score?
6. What is our tuition discount rate and net tuition revenue?

Critical Financial Metrics

Tuition Discount Rate – the percentage of tuition that is given to students as unfunded scholarships, from all college sources.

Net Tuition Revenue – very easy to calculate. It is the amount of gross tuition less the amount awarded in unfunded aid. It does not include endowed (funded) scholarships.

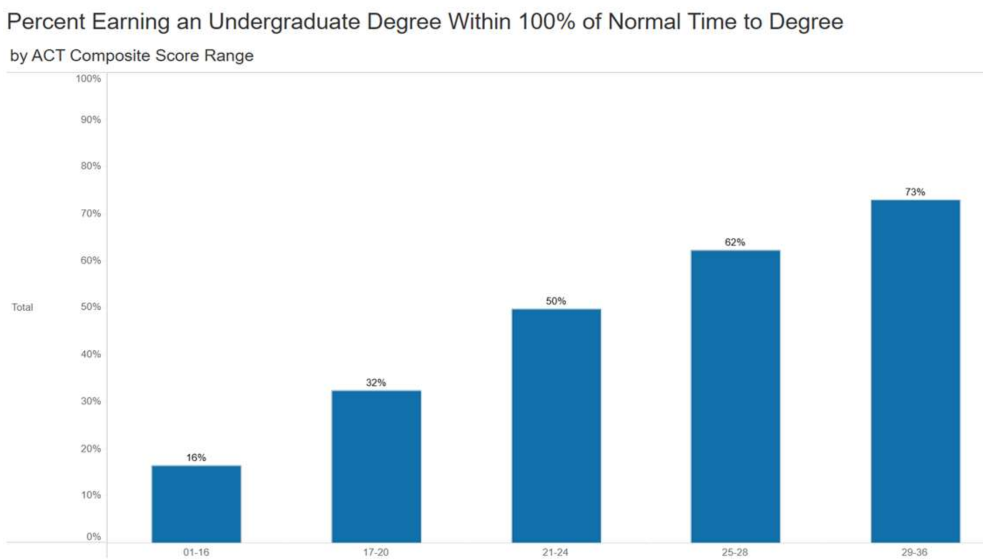
Financial Questions

5. What is our Financial Responsibility Composite Score?
6. What is our tuition discount rate and net tuition revenue?
7. What is our operating margin?
8. How much debt are we carrying?
9. Do we have any major deferred maintenance?
10. How much do we have in our endowment?
11. Is our annual fund gift income increasing or decreasing.

Student Outcomes Questions

12. Which programs are increasing/declining in enrollment?
13. What do students think of their experience here?
14. What percentage of students graduate in 4 and 6 years?
15. Are our alumni finding jobs in their chosen career?

![ABHE]



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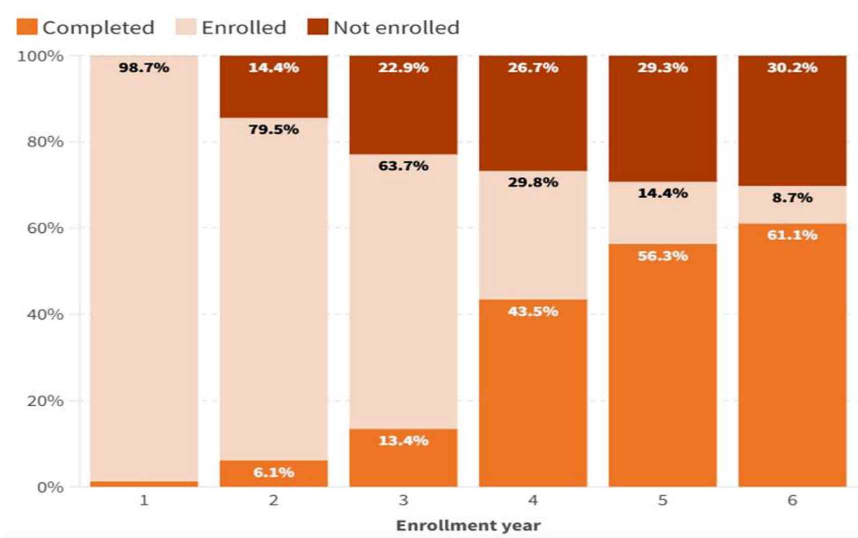

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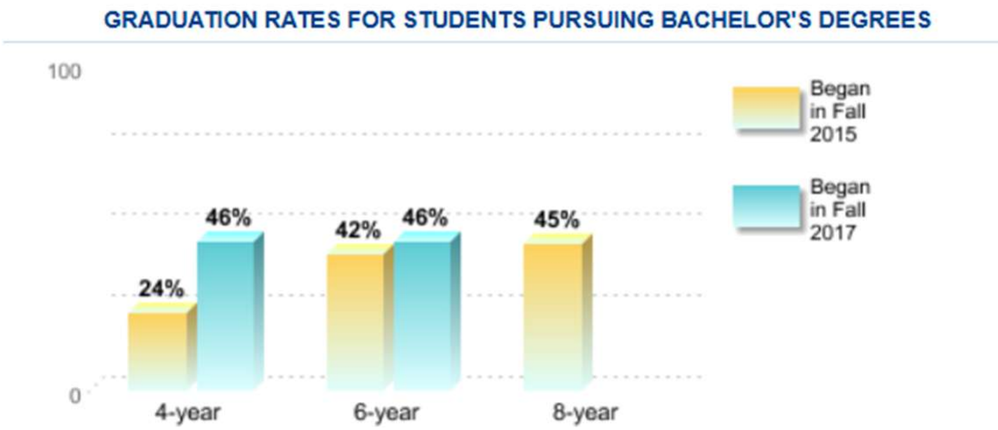
Data Resource: www.nces.ed.gov/collegenavigator



General Questions

16. Are we compliant with accreditation standards and federal/state regulations?
17. Are we effectively managing institutional risk?
18. Are we attracting and retaining high-quality faculty and staff?
19. Is our technology infrastructure reliable, secure, and up to date?
20. Do we have a **mission-focused**, realistic long-term strategic plan — and are we hitting our goals and objectives?

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A Major Challenge for Trustees

How do you manage all the information needed to monitor institutional health?

- **Academic**
- **Advancement**
- **Enrollment**
- **Finance**
- **Student Life**.

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The Role and Benefits of KPIs

- **Definition**
  - A quantifiable measure used to determine how well your college is meeting its operational and strategic goals.
- **Purpose**
  - Evaluation and Assessment of Success
  - Alert Leadership to Problem Areas
  - Sustainability – What is the condition of the college?
  - Benchmarking
  - Decision-making
  - Accreditation

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Board Policy Statement

- Prior to each trustee meeting, the administration will provide the board with a concise report of key **metrics** that indicate the status of institutional heath and effectiveness.
- Get the support and approval of the Board of Trustees.
- Designed and Prepared by the Administration.

Dashboards

- Essential High-Level and Relevant Facts
- Visually Presented for Quick Comprehension
- Consistently Provided at Each Board Meeting
- Aligned with Mission and Sustainability
- Executive Summary/Narrative as Appropriate

Reminder: *The Dashboard is NOT an exhaustive recap of activity and developments in all areas of the college.*

Creating a Useful Dashboard Processes and Reports

- ✓ User Friendly
- ✓ Visually Attractive
- ✓ Right Chart
- ✓ Color Coded
- ✓ Show Trends
- ✓ Simplicity
- ✓ Provide Context

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The Balanced Scorecard Model Adapted for Higher Education

Financial *or* Stewardship	• Financial Performance • Effective Resource Use	Debt, Endowment, Net Tuition, Composite Score, Default Rate, Donations
Customer & Stakeholder	• Customer Value • Satisfaction and/or Retention	Graduation & Retention Rates Placement Rates Student Satisfaction Inventory
Internal Process	• Efficiency • Quality	Tuition Discount Enrollment and Yield Rates Accreditation Status
Organizational Capacity *or* Learning & Growth	• Human Capital • Infrastructure & Technology • Culture	Facility Capacity/Occupancy Employee Status Faculty/Student Ratio

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Digital Dashboards

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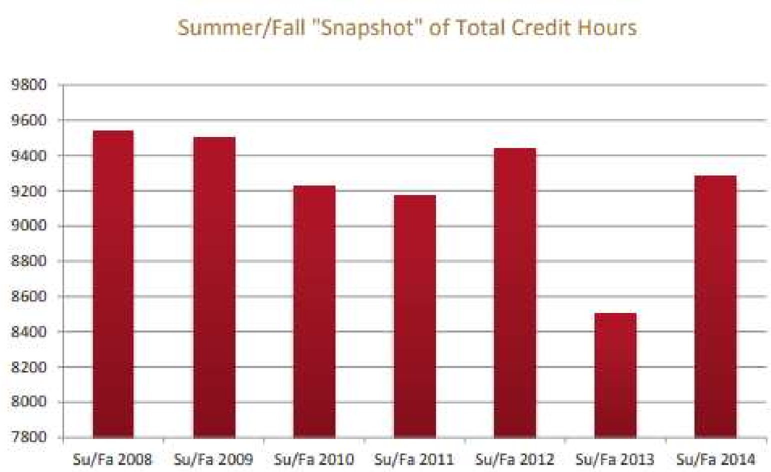
A Low-Budget Dashboard



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Indicator	Definition	Source	Prepared by	Green	Yellow	Red
Headcount	Number of students enrolled in degree programs	Registrar	VP Enrollment	Increase of 5% or more	Decrease of 4% to increase of 4 %	Decrease of more than 5 %
FTE	Full Time Equivalent for students enrolled in degree programs	Registrar	VP Enrollment	Increase of 5% or more	Decrease of 4% to increase of 4 %	Decrease of more than 5 %
Tuition Discount Rate	Unfunded scholarships percent of tuition revenue	Business & Finance	VP Business	45% or less	46% to 52%	53% or more
Net Tuition Revenue	Net tuition generated by TUG, OUG, GRAD	Business & Finance	VP Business	Increase over previous year	Equal to previous year	Less than previous year
Gift income	Total of donor giving to restricted and unrestricted funds	Advance. Office	VP Advancement	At or above budget	5% below budget	10% below budget
Operating Budget Surplus or Deficit	Net loss or gain at end of fiscal year	Business & Finance	VP Business	No Budget Deficit	Deficit of ___% to ___%	Deficit of ___% or more
DOE Financial Responsibility Score	Composite rating based on cash reserves, assets, debt, etc.	Business & Finance	VP Business	1.5 or above	1.1 to 1.4	1.0 or below
Housing Occupancy	Percent of capacity of residence hall occupancy	Residence Life	VP Student Affairs	375 or above	325 to 374	324 or below

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A Low-Budget Dashboard

Gross Tuition	$ 1,500,000	$ 1,750,000	17%	
Scholarships	(500,000)	(550,000)	10%	
Net Tuition	$ 1,000,000	$ 1,200,000	20%	↑
Church giving	$ 350,000	$ 375,000	7%	
Donor giving	250,000	260,000	4%	
Total Operating Gifts	$ 600,000	$ 635,000	6%	↑
Net Endowment Draw	$ 1,000,000	$ 950,000	-5%	↓
Other Income	$ 250,000	$ 235,000	-6%	↓
Total Revenue	$ 2,850,000	$ 3,020,000	6%	↑
Total Expenses	$ 3,000,000	$ 3,000,000	0%	–
Operating Surplus (Deficit)	$ (150,000)	$ 20,000		↑

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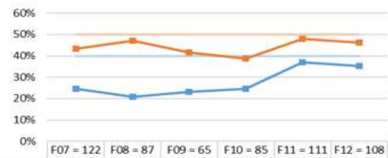
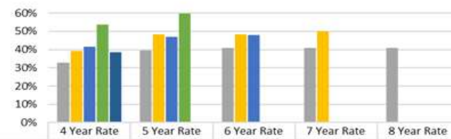
A Low-Budget Dashboard

Graduation Rate Trends by Cohort: TUG First-Time Students



	F07 = 122	F08 = 87	F09 = 65	F10 = 85	F11 = 111	F12 = 108
4 Year Rate	25%	21%	23%	25%	37%	35%
4 Year Benchmark	40%	40%	40%	40%	40%	40%
6 Year Rate	43%	47%	42%	39%	48%	46%
6 Year Benchmark	50%	50%	50%	50%	50%	50%

Graduation Rate Trends by Cohort: TUG Transfer Students



	4 Year Rate	5 Year Rate	6 Year Rate	7 Year Rate	8 Year Rate
F10 = 76	33%	40%	41%	41%	41%
F11 = 64	39%	48%	48%	50%	
F12 = 77	42%	47%	48%		
F13 = 67	54%	60%			
F14 = 52	38%				

Graduation rates are reported for each incoming fall cohort of both first-time, full-time and first-time transfer students for four, six, and eight-year completions.

6 year benchmark: 50%; GREEN = >45%; YELLOW = 35% to 45%; RED = <35%.

Retention and graduation rates are key indicators that are monitored by both accrediting associations and government agencies. In addition, these figures provide necessary information for academic, budgetary, and other elements of strategic planning. Federal reporting for these rates applies only to first-time, full-time students who enter in the fall semester. Both the four and six-year rates are presented for first-time, full-time students. Also shown are the graduation rates for transfer students. While these students vary in the amount of credits they transfer in from different institutions, they demonstrate a comparable six-year graduation rate to first-time students.

A Low-Budget Dashboard

Income Statement 2017-2018	Tuition Discount Rate 2017-2018	DOE Composite Score 2017-2018	Endowment Principal 2017-2018
$527,948 surplus	50.2%	2.0 (est)	+4.9%

Measures

Income Statement: net loss or gain at the end of the fiscal year.
GREEN = >$300K; YELLOW = >$50K and <$300K; RED = <$50K
Tuition Discount Rate: unfunded scholarships as a percentage of tuition revenue; benchmark is regional peers.
GREEN = ≤40%; YELLOW = 41% to 45%; RED = ≥46%
DOE Composite Score: based on cash reserves, assets, debt, etc. monitored for Title IV eligibility. Below 1.5 is in the failing range.
GREEN = >1.8; YELLOW = >1.5 and <1.8; RED = <1.5
Endowment Principal: book value of HIU's endowment funds.
GREEN = increase in value ≥4%; YELLOW = increase or decrease <4%; RED = decrease ≥4%

Student Loan Default Rate

	Number in Default	Number in Repayment	Default Rate
2013	26	448	5.8%
2014	42	489	8.5%
2015	27	444	6%

Monitoring financial indicators is essential for ongoing fiscal health. These four metrics, as well as a fifth – Student Loan Default Rate – are very instrumental. The 2017-18 fiscal year ended with a net surplus. This has a significant bearing on the DOE Composite Score that is currently estimated at 2.0. The Student Loan Default rate has seen a slight yet steady climb that is consistent with national trends. The Student Loan Default Rate is based on a three-year cohort. Schools with a default rate of 30% or greater in three consecutive years or 40% in the most recent fiscal year may be subject to sanctions in the school's Title IV program participation.

GREEN = < 5%; YELLOW = 5%-15%; RED = > 15%

Questions You Don't Want to Ask:

"Are things really that bad?"
"Why didn't someone let us know?"
"How could this happen?"
"Who is responsible?"
"Is it too late to make a difference?

Questions for Reflection

1. Do have the answers to the questions I need to fulfill my fiduciary role?
2. How well does our Dashboard of Key Performance Indicators inform us of the data necessary to govern strategically?
3. What metrics and trends are we not currently monitoring that need to be included in our dashboard?

Twenty Questions

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