Succeeding in Turbulent Times: Challenges and Strategic Growth Opportunities for Rutgers

Prof. David Finegold
SVP, Lifelong Learning and Strategic Growth
Higher Education Entering Period of Major Disruption

- Signs that the current business model isn’t working
  - Capital-intensive delivery model (and RU has no capital budget)
  - Declining public subsidy
  - Losing money on each student, but making it up in volume
    - Board now blocking future undergrad growth on NB campus
  - Limited evidence of learning value-added (Arum, 2010)
    - Growing pressure for accountability
  - Graduates struggling to find work
    - Short- or long-term problem?
  - Decline in HE affordability for the middle class
    - Baumol’s law
Decline in HE Access
Student and State Share of Costs of a Rutgers Education FY1990–2012

Students are paying a steadily increasing share of the cost of their education as the state share declines.

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<tbody>
<tr>
<td>% Tuition and Fees</td>
<td>32.9%</td>
<td>36.4%</td>
<td>36.2%</td>
<td>37.6%</td>
<td>37.6%</td>
<td>38.1%</td>
<td>38.1%</td>
<td>40.7%</td>
<td>41.5%</td>
<td>43.0%</td>
<td>43.5%</td>
<td>44.3%</td>
<td>46.2%</td>
<td>48.2%</td>
<td>51.5%</td>
<td>52.0%</td>
<td>52.1%</td>
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<td>56.7%</td>
<td>60.7%</td>
<td>62.9%</td>
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<tr>
<td>% State Appropriations</td>
<td>67.1%</td>
<td>63.6%</td>
<td>63.8%</td>
<td>62.4%</td>
<td>62.4%</td>
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<td>44.7%</td>
<td>43.3%</td>
<td>39.3%</td>
<td>37.1%</td>
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Differing Perspectives on HE Funding

The State of NJ
- Grow HE support by 6% in 2012-13
- Money to student scholarships and healthcare benefits
- Over $2 B in total spending – cost of benefits approaching the size of the direct subsidy

Rutgers
- No increase in operating funds
- No money for salary or other real cost increases
- No capital budget
- No commitment yet to assist with true costs of HE reorganization
The U.S. Consumer as a Pending Restraint on Health Spending Growth

- At present relative rates of health cost and wage growth, consumers' real non-health purchasing power begins falling – exponentially – in 2020. I.e., the consumer's non-health standard of living begins to fall within ten years.
Signs of Disruption Are Everywhere
Major Unanswered Questions

- What happens if learning outcomes are decoupled from certification?
  - Difference journalism & music from law & medicine
  - Already occurring through badging

- How many big winners will there be in global delivery of online HE?
  - Scale economies in high value content creation and marketing

- Who will be the first to perfect student-centered learning?
  - Shift from the current mass production paradigm
Degrees No Longer Required: India School of Business

- Founded in 1999
- Doesn’t offer a degree
  - Post-grad 1-year certificate = billed as equivalent to MBA
- First Indian Business School to crack the *FT’s* Global Top 100 rankings
  - Top 20 last 3 years
- How did they do it?
  - Leveraged brand names of leading global B-schools: Kellogg, Wharton, later LBS
  - Boards filled with top employers
Bricks & Mortar Can Be a Liability
Strategic Differentiators in Higher Education

![3D cube diagram showing the intersection of Affordability, Quality/Brand, and Convenience/Flexibility.]
Strategic Differentiators in Higher Education

- **Affordability**
  - Low
  - High

- **Convenience/Flexibility**
  - Low
  - High

- **Educational Quality/Brand Value**
  - Public AAU's – out of state
  - Rutgers In-state
  - Private liberal arts colleges

Rutgers Continuing Studies
Strategic Differentiators in Higher Education

Private, For Profits

Low

High

Low

High

Low

High

Convenience/Flexibility

Educational Quality/Brand Value

Affordability
Strategic Differentiators in Higher Education

- Affordability
- Convenience/Flexibility
- Educational Quality/Brand Value

Example: USC Online
Strategic Differentiators in Higher Education

AFFORDABILITY

High

Low

CONVENIENCE/FLEXIBILITY

Low

High

EDUCATIONAL QUALITY/BRAND VALUE

MIT x, Stanford A.I
Forces That May Sustain Existing HE Model

• Universities = long-lived institutions
  – Only organized religion = older
• Demand for selective colleges at all-time high
• Surge in international students
• ROI on degrees remains high
  – No guarantee of a job, but better than the alternative in knowledge-driven economy
  – But contingent on grads finding a job
Rutgers Unique Challenge

• Provide broad access to a world-class research university without benefit of a large endowment
  – Half of Rutgers undergrads are immigrants or children of immigrants
  – Provide over $600 M/year in financial aid
  – Only AAU with an EOF program

• How can we sustain with declining public support?
Rutgers Revenue Sources

- 37.2% Tuition and Fees
- 19.5% State Appropriations with Fringes
- 19.8% Federal, State, and Municipal Grants and Contracts
- 13.7% Auxiliary Enterprises
- 4.9% Contributions and Nongovernmental Grants (both operating and nonoperating)
- 0.4% Federal Appropriations
- 0.3% Endowments and Investments
- 4.3% Other

Projected revenues based on FY2012 working budget. Percentages may total more than 100% due to rounding.
A Way Forward?
Set of Complementary Strategies

- Strengthen RU’s Global Brand
- Maximize Value of the On-Campus Experience
- Develop New Channels to Broaden Access and Revenue
Rutgers Worldwide: The Public NYU?

- Take “Jersey roots, Global reach” to the next level
- Mix of deep strategic partnerships and possibility of new foreign RU campuses
  - Joint venture with SCUT on China’s Hainan island
  - Renmin University at Rutgers
  - S. Korea, India and Kuwait opportunities
  - S. and Central America?
Rutgers Worldwide: The Public NYU?

• Use as opportunity to reinvent the educational experience
  – Seek optimal mix of face-to-face, hybrid, online and experiential learning
  – Develop global leaders
• Translate global reach and brand to enhance NJ student experience and the perceived value of Rutgers education
  – Liverpool –Jiaotong example: 97% of graduates go abroad for graduate education
  – Expand study abroad, service learning, and internships for RU students
    • Mason Gross Globe program model
  – Expand summer/winter and short-course options for international students in NJ
Enhancing the Value of the On-Campus Experience

- Strengthen efforts already underway
  - Engaging even more students in research
  - Expanding engagement with the community
  - Using hybrid courses to maximize benefits of face-to-face interaction
  - Upgrading the infrastructure
- Proposed new Honors College
- Leverage connections with NYC
  - E.g. the UN, Wall Street, global media and entertainment
- Increase internship and coop opportunities
- Deepen social relationships – with existing students and alumni network
  - Stretch goal: every RU student assigned a mentor before they arrive on campus
Maximize Value of Rutgers Presence in NJ

• Identify and leverage areas of global research excellence
  – International strategic alliances
  – Corporate and foundation partnerships
  – New company creation

• Economic and job creation engine for the state
  – Innovation Park
  – Hacker/Makerspaces
  – Entrepreneurship – Urban Entrepreneurship, Intersect Fund, etc.

• Community development and partnerships
  – YES Centers, Future Scholars, County colleges

• Optimize use of campus facilities
  – Planned hybrid courses
  – Proposed over-50 living-learning community
Develop New Channels to Broaden Access and Revenue

**Schools focus on core competencies**
- Knowledge creation
- Course design, delivery for primarily on-campus students
- Outreach

**Focus on specific student markets**
- Veterans and active military
- Working adults
- NJ & Global companies
- High school to Over-50s

**Expand Delivery Mechanisms**
- Online and hybrid courses
- Professional Master’s
- Certificates: Credit and NC
- Satellite Campuses
Target Veterans and Active Duty Military

• Leverage RU’s ranking as top public research university for Vets
  – Generous GI Bill support
• Building close partnership with Col. Abel’s office
  – Credit, non-credit, and online degrees
• Partner with companies committed to employing Vets
Grow Rutgers Online

- Complete negotiation with external partner to co-develop, market & support fully online degrees
  - Number of schools & departments are ready to begin
- Integrate instructional design support, research and policy in new RU-wide unit
  - Create community of practice for online instructors
- Possible new initiatives
  - Online High School, Semester Online
Extend Professional Master’s Degrees at Rutgers

• Well established in some professional schools, but overall trailing peers in adult, part-time market
• Master’s in Quantitative Finance = big success
• Master of Business & Science (MBS) – hybrid integrating MS and MBA
  – Modular, single degree framework for all 3 campuses allows for flexibility and rapid market response
  – Grown to over 230 students in 2 years
• Departments developing new degrees
  – But lack infrastructure to focus on professional students
Off Campus: Growing Community College Partnerships for Degree Completion

- Brookdale Community College (Fall 1998)
- Atlantic Cape Community College (Fall 2006)
- Raritan Valley Community College (Fall 2009)
- Potentially adding Mercer (both W. Windsor and Trenton) and Morris (2012-13?)
New Atlantic Cape Building Opens in Fall 2012
Summary

- New President will face a time of great challenges and uncertainty
  - Haven’t even mentioned Med School, Camden
- Continuing the old ways of operating likely to be a recipe for gradual decline
- But Rutgers has tremendous assets
- Huge new opportunities are within our control if we’re prepared to act
  - Balance incentives for entrepreneurship with a One Rutgers strategy wherever possible
SUPPLEMENTAL SLIDES
Growing Importance of Older Students
## Educational Attainment Data
### New Jersey

**US Census Bureau Educational Attainment - 2010 New Jersey**

<table>
<thead>
<tr>
<th></th>
<th>Population 18 to 24</th>
<th>Some College or associate's degree</th>
<th>Bachelor's degree or higher</th>
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</thead>
<tbody>
<tr>
<td>Population 25 years and over</td>
<td>5,970,904</td>
<td>%</td>
<td>&gt;&gt;&gt;</td>
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<tr>
<td>No High School Diploma</td>
<td>710,537</td>
<td>11.9%</td>
<td></td>
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<tr>
<td><strong>Some college, no degree</strong></td>
<td><strong>1,015,053</strong></td>
<td><strong>17.0%</strong></td>
<td></td>
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<tr>
<td><strong>Associate's degree</strong></td>
<td><strong>370,196</strong></td>
<td><strong>6.2%</strong></td>
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<tr>
<td>Bachelor's degree or higher</td>
<td>1,319,569</td>
<td>22.1%</td>
<td></td>
</tr>
<tr>
<td>Graduate or professional degree</td>
<td>794,130</td>
<td>13.3%</td>
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<thead>
<tr>
<th></th>
<th>Pop. 25 to 34 years</th>
<th>1,109,449</th>
<th>18.6%</th>
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<tbody>
<tr>
<td><strong>Pop. 25 to 34 years</strong></td>
<td></td>
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<td></td>
</tr>
<tr>
<td>Bachelor's degree or higher</td>
<td></td>
<td>457,092</td>
<td>41.2%</td>
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<tr>
<td>Pop 35 to 44 years</td>
<td>1,236,842</td>
<td>20.7%</td>
<td></td>
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<tr>
<td>Bachelor's degree or higher</td>
<td></td>
<td>494,736</td>
<td>40.0%</td>
</tr>
<tr>
<td>Pop 45 to 64 years</td>
<td>2,433,583</td>
<td>40.8%</td>
<td></td>
</tr>
<tr>
<td>Bachelor's degree or higher</td>
<td></td>
<td>885,824</td>
<td>36.4%</td>
</tr>
<tr>
<td>Pop 65 and over</td>
<td>1,191,030</td>
<td>19.9%</td>
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</tr>
<tr>
<td>Bachelor's degree or higher</td>
<td></td>
<td>276,318</td>
<td>23.2%</td>
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Steep Cuts in Public HE Funding

• At a time of rising demand for HE
• On average states projected to cut all HE subsidies by 2059
  – Colorado falling fastest – 69% drop since 1980, may run out by 2019
  – Illinois didn’t provide any higher education funding for most of 2009
  – New Jersey in relatively good shape
    • Funding projected to last until 2079

Source: Mortenson (2012)
Trends in New Jersey Appropriations for Rutgers FY1994–2012

FY2012 Appropriation for Rutgers is Lowest Since FY1994

Direct base operating support shown here does not include fringe benefits paid by state government. FY2006 figures also exclude one-time funds targeted for capital construction at the Rutgers Business School–Newark and New Brunswick. FY2010 figures include midyear cuts.
Online share up for all major credentials; strong associate growth; unrivaled master’s online penetration

<table>
<thead>
<tr>
<th>Credential</th>
<th>Est. Fall 2008</th>
<th>Online Share</th>
<th>Est. Fall 2009</th>
<th>Online Share</th>
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<tbody>
<tr>
<td>Associate</td>
<td>375,000</td>
<td>7.8%</td>
<td>486,000</td>
<td>10.1%</td>
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<tr>
<td>Bachelor’s</td>
<td>711,000</td>
<td>7.1%</td>
<td>835,000</td>
<td>8.3%</td>
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<tr>
<td>Master’s</td>
<td>438,000</td>
<td>20.9%</td>
<td>510,000</td>
<td>24.4%</td>
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<tr>
<td>Doctoral</td>
<td>46,000</td>
<td>11.8%</td>
<td>52,000</td>
<td>13.3%</td>
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Key points:
1) All main credentials expected to continue to grow online—with associate vulnerable to student maturity, bachelor’s to length, master’s to already high penetration, and doctoral to length/lackluster scale.
2) How much higher can online penetration at master’s level go?
3) What might accelerate/inhibit comparable online penetration at undergraduate level?
In Terms of Size, Business Is the Largest Online Master’s Degree Market Nationally Based on Eduventures Estimates as of Fall 2010; According to This Analysis, 38% of All MBA Students Nationally Were Enrolled Online in Fall 2010

Estimated National Online Headcount By the Top 10 Largest Online Disciplines in 2010

- Business: 190,000
- Education: 140,000
- Healthcare: 55,000
- Nursing: 28,368
- Psychology: 28,000
- CIT: 22,000
- Engineering: 20,094
- Public Admin: 19,503
- Criminal Justice: 11,500
- Theology: 9,000

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Source: IPEDS, Eduventures Online Database and Eduventures analysis
Est. Online Bachelor’s Market - top 10 unchanged; most with average or better growth; handful of fields with real penetration

Field of study skew - vulnerability or opportunity? At bachelor’s level overall, these ten fields represent c.55% of enrollment. In Fall 2009, these fields represent c.81% of online enrollment. The online market is steadily broadening by field of study, but remains very skewed by enrollment volume. Outside the top 10, no major field stands out as up-and-coming. Greater diversification is visible within key fields compared to total field range. This skew may signal longer-term growth limitations, as well as opportunities for disciplinary innovation.
External:

• Strong market demand, growing and diversified
• Maturity of technologies to support online
• Leading universities have entered the market: USC, eCornell, Penn State, Purdue
• Quality issues addressed
• New: Private partners enabling rapid growth to scale

Rutgers:

• RU revenue demands
• More active RU interest in participating in online programs and degrees
Pearson eCollege Enrollments
eCourse (Online) & eCompanion (Course Supplement and/or Hybrid)
Fall 2001-2011

Spring 2012: 5944 eCourse; 1184 Sakai/Bb
Current Online Rutgers Degrees

- SC&I – MLIS
- Nursing – RN → BSN, Professional Doctorate
- RBS Newark and New Brunswick - Master of Accountancy (Financial Accounting, Governmental Accounting)
- GSE – M. Ed. (Learning, Cognition and Development); Certificate in Educational Technology
- SSW – Weekend Intensive Hybrid MSW
- SMLR – BS in LER complete Fall 2012
Growing Rutgers Online

• Integrating instructional design support, research and policy in new RU-wide academic unit
  – Propose combining COHLIT, CTAAR, and faculty experts into a single institute
  – OIRT and experts within the schools included as full partners
  – One-stop shop to position RU as a thought leader in this field
  – Two-tier governance structure to insure quality meets or exceeds traditional classroom
  – Goal = Create vibrant community of practice
    • Share what’s working and identify areas to improve
Seeking a Private Sector Partner for fully online degrees

• Only way for us to get to scale with quality
• Partner would provide:
  – Comprehensive marketing and enrollment management support national & international
  – Up-front investment in world-class course design in partnership with faculty
  – 24/7 technical, student & faculty support
  – LMS – though all agree of declining importance
• RU would retain:
  – Ownership & control of content/IP
  – Selection and oversight of faculty
  – Decisions on admissions and financial aid
Process Leading to RFP

• Meetings with Deans and three potential external partners began 18 months ago
• Consensus on feasibility and desirability of this option for some schools
• State requirement to use RFP process to select partner for contract of this size
RFP Process

- RFP designed and reviewed this Fall in consultation with internal and external experts and the state
- 10 Bidders were invited to respond to RFP in Dec.
- 6 companies responded; 5 qualified and interviewed
- 15 member RFP Review Committee with wide representation of campuses, expertise and experience
- Down to two finalist(s)
  - Select and negotiate contract over next few months
- Partners would put up all initial investment in return for revenue share
  - RU will make up for lower % with much higher volume, lower demands on existing resources
  - Will seek value adds – i.e. use of courses for our F2F students
Workforce and Economic Development Strategy

• Assist displaced workers and help to create quality jobs in NJ
  – Create coordinated interface with WIBs and One-Stops
  – Work closely with talent networks
  – Targeted training leading to jobs – e.g. Alteryx
  – Seek opportunities to expand entrepreneurship, job creation
    • Bringing employers to campus
    • Innovation Park
    • Hackerspace
New Summer Initiatives

• Incentives to expand hybrid course offerings

• Growing short summer programs for international students
  – From high school to executive
  – Public and custom
  – PALS alone has 13 new programs this summer

• Creating a Rutgers Alumni College
  – Alumni & Friends cruise this summer = pilot effort

• Offering $1 M in new scholarships
  – Expand access
  – Fill excess capacity
  – Increase 4 and 6-year graduation rates
Changing Ways To Access Knowledge: Encyclopedia Britannica
Fiscal Relevance of Health Cost Growth

- Fiscal pressures quickly reach any of several breaking points

- Even before reforms (which add beneficiaries but do not reduce costs), if we hold tax and deficits at current (relatively high) levels, then we can only pay for rising health costs by reducing non-health federal spending. Under these assumptions, real federal spending on non-health items begins to fall in 2019 (upper exhibit)

- Also assuming no reforms pass, if we instead hold real non-health federal spending constant, then (already high) tax and deficit levels quickly hit breaking points (lower exhibit)