# Table of contents

Introduction .............................................................................................................................................. 1

The higher education affordability debate ............................................................................................ 2

Aligning enterprise risk management, internal audit, and compliance ...................................................... 5

Regulatory compliance ............................................................................................................................. 7

Protecting information assets .................................................................................................................. 14

The evolving global higher education market .......................................................................................... 17

Facilities planning ................................................................................................................................... 19

Healthcare reform and the effect on higher education ............................................................................. 21

Crisis communications ............................................................................................................................ 24

Institutional data reporting ...................................................................................................................... 27

Megatrends – Considerations for the future of higher education ............................................................ 30

Contributors .............................................................................................................................................. 33
Introduction

There continues to be no shortage of challenges facing the education industry. While the challenges have varied from one year to the next, one common theme has emerged — the higher education environment continues to be complex, with increasing expectations about performance, accountability, and value from many constituents, including students, parents, regulators, donors, and federal and state governments. From business model challenges and higher regulatory expectations to an ever-growing and competitive international marketplace, institutions are being pushed to keep up with the dynamic pace of change. Educational institutions have responded to these challenges, as well as many others.

In our current edition of “Perspectives in higher education,” we have highlighted several of the pressing challenges, as well as the related opportunities, facing colleges and universities. From a financial perspective, institutions continue to debate the topics of tuition affordability, potential changes to the educational delivery model, funding the expansion and maintenance of facilities, and the risks and rewards associated with global strategies. From an operational perspective, other key issues have emerged that demand the attention of management and the board: protecting sensitive information, managing emergency communication plans, and developing and maintaining an effective and efficient institutional risk and compliance program.

We believe the pace of change within higher education will remain robust. Those institutions that respond appropriately to the current challenges will be in a position of strength, while those that maintain the status quo may struggle to achieve their goals. Embracing change will be imperative, and will require focused efforts by many within an institution. Establishing a culture where change is encouraged by senior management and the governing board will be a critical component in ensuring both short- and long-term strategic success. In that light, this edition also provides a glimpse into the future of higher education as it might be influenced by certain global trends (or “megatrends”) identified by PwC’s Board of Governance.

The higher education industry in the United States continues to be the finest in the world. To maintain this global position, institutions must be proactive in encouraging dialogue amongst their many different constituents on how to best position themselves to succeed in the years ahead. Doing so will ensure the industry continues to fulfill its responsibilities to society, as it has done for many generations.

As a leader in providing audit, tax, and advisory services to the higher education and not-for-profit industry, PwC has been honored to work with many of the nation’s premier educational institutions in addressing their most pressing challenges. Our contributors to this paper are working with your peers on regulatory, tax, risk and operational issues and are in an excellent position to share consistent trends and perspectives. While this document is not meant to be comprehensive, it draws upon our understanding of the diverse nature of higher education institutions that have complex educational, research, and clinical activities, and we hope that it will serve as a broad platform for discussing these issues.

I invite you to contact me at (646) 471-4253 with any questions or comments you may have.

John A. Mattie
National Higher Education and Not-for-Profit Practice Leader
The higher education affordability debate

Background

Social norms dictate that a college degree is a necessity, and high school guidance counselors encourage more than 90% of graduating high school seniors to pursue college. In the United States, 70% of high school graduates attend college, up from 40% in 1970. Well-paying jobs for less skilled workers have virtually disappeared. These are only several of the current “headlines” regarding the benefits of a post-secondary education.¹

Pew researchers released a report in February 2014 that found young adults or millennials who have college degrees made approximately $17,500 more in 2012, on average, than those who have only a high school diploma. This reflects a widening pay gap based on education and directly correlates to fewer manufacturing jobs and an increased concentration in the service industry. The Pew report also notes that nine out of 10 millennials (i.e., born between the early 1980s and the early 2000s) with at least a bachelor’s degree say that college has already paid off or will do so in the future. In order to obtain well-paying employment, young adults feel they must go to college, and the majority of those who graduate from college believe the benefits they have received justify the costs.

At the same time, many also believe that college should be more affordable. In speeches given by President Obama over the past year, he has been quoted as saying that he wants “a better bargain for the middle class and everybody who’s working hard to get into the middle class — a national strategy to make sure that everybody who works hard has a chance to succeed in this twenty-first century economy.” His plans for that success relate directly to making higher education more affordable. During 2013, the president advanced ambitious proposals aimed at making colleges more accountable and affordable. In previous years, the Obama Administration put colleges and universities on notice that if tuition did not stop rising faster than inflation, financing from taxpayers (through federal financial aid) would drop. A plan resulted that would create a new rating system for colleges, one in which they would be evaluated based on various outcomes (e.g., graduation rates and graduate earnings), on affordability, and on access. Students enrolling at a more highly rated college would receive larger Pell Grants and more favorable rates on student loans.

Impact on educational institutions

Students are looking for more cost effective ways to attend college while institutions are looking to reduce the cost of higher education. Online and non-traditional learning programs such as massive open online courses (MOOCs), open course ware (OCW), CLEP exams, ed2go courses, and StraighterLine courses have become commonplace. The goals of these initiatives are two-fold: to attempt to reduce the cost of higher education and to expand the colleges’ reach to individuals outside their typical recruiting area.

The majority of students who enroll in MOOCs are currently non-traditional college students. They tend to be international students or individuals looking to take an occasional course. Only a fraction of enrolled students typically complete the course and an even smaller fraction pass. It is currently difficult to determine the success rate of individuals who are participating in non-traditional learning programs and whether they ultimately receive a degree. It is also not known whether a student who is successful in passing and earning credits through a MOOC will be able to find gainful employment.

For the first time, a tuition-free online university (University of the People), which was built to reach under-served students, has received accreditation. With support from large foundations, expansion of free, online universities may continue to expand.

Competency-based education has become an increasingly popular discussion point as a way to improve college affordability. Competency-based education measures the amount a student has learned, rather than the time the student has spent in school. Students can progress through school by demonstrating their mastery of knowledge and skills. The Center for American Progress recently released a white paper noting that “Competency-based education could be the key to proving quality postsecondary education to millions of Americans at a lower cost.” However, there are currently very few such programs, mainly because US financial aid programs are based on time, rather than on what or how much students are learning. However, this form of education may be a viable option in the future, if colleges and their faculty are open to changing the model.

The White House has specifically stated that “earning a post-secondary degree or credential is no longer just a pathway to opportunity for a talented few; rather, it is a prerequisite for the growing jobs of the new economy.” The Obama administration has already implemented or is seeking to implement the following:

- Double the amount, financially, of Pell grants to students, expand education tax credits, and keep student loan rates through subsidized Stafford loans low;
- Reform the way student aid is given and shift aid away from colleges that fail to keep net tuition down and toward colleges that keep tuition affordable;
- Strengthen community college initiatives through additional funding in order to partner with businesses to train workers in high-growth and in-demand areas; and
- Improve transparency and accountability by creating a model financial aid disclosure form and establishing a college scorecard that describes cost, graduation rate, and employment success by major.

Yet when college presidents were polled by Gallup and Inside Higher Ed, only 2% believed that the Obama plan would be “very effective” at making higher education affordable and 19% believed that it would have a positive impact on their institution. Many critics fear that the president’s plan will favor the top-tiered institutions with larger endowments that are not as dependent on federal student financial aid. They also fear that to improve their “college scorecard,” colleges may modify their admissions and financial aid programs, which would result in providing less access to low-income college students who traditionally have a lower graduation rate.

As Gallup CEO and Chairman Jim Clifton and Purdue University President Mitch Daniels noted in their December 16, 2013 article titled “A Real Measure of Higher Ed Success” in The Wall Street Journal, “Beginning in 2014, the new Gallup-Purdue Index will measure not only material success, asking college graduates such things as: Are you employed? How much do you earn? It will also measure those critical qualities that Gallup finds employers truly value and are predictive of work success: a person’s workplace engagement and well-being.” As constituents of higher education begin to track and analyze data, the education industry will have a better understanding of the true benefits of higher education.

Several studies have been conducted that track the wealth that each generation has built and address the question of whether the current generation is “worse off than their parents.” A study by the Washington, DC-based Urban Institute on “wealth building among young Americans” shows that the net worth of Generation X (born between the 1960s and the early 1980s) and Generation Y (born between the early 1980s and the early 2000s) is 21% lower than that of their parents at that age. College debt and falling rates of home ownership have been two factors in this decline. The study also showed that the net worth of those 46 and younger “stayed about the same as their predecessors more than a quarter-century earlier.”
Our perspective

While online education may be able to reduce the cost of education for some, data is not yet available on the long-term success rates of online learners versus traditional learners. We do know, based on online programs’ experience to date, that college students who enroll in an online course at a traditional college or university are significantly more likely to fail or withdraw than those in traditional classes. In non-traditional learning approaches, professor interaction is often limited, questions may not be answered, and identifying students who need assistance is difficult or even impossible.

Colleges and universities are still seeking the ideal online programs and alternative teaching styles to reduce their costs and enhance the quality of academic programs. Overwhelmingly, colleges and universities have not yet made money on these types of programs; in fact, to date, they have tended to be an additional burden on the operating budget. However, until educational institutions find a lower-cost alternative to educating students, tuition rates will not likely decrease. Online or a hybrid type of learning will continue to be viable strategies that should not be ignored.

As institutions continue to seek out ways to make a college education more affordable, they should closely monitor the following:

- The program costs as perceived by their various constituents compared with actual program costs
- The success rates of students in new programs, including class completion and graduation rates
- The potential impact of reduced financial aid and flat tuition rates on long-term budgets
- How the federal government’s assessment of the institution’s college scorecard would be perceived and the potential impact of the scorecard on the institution’s admissions

Higher education institutions are entering a time of significant change. In order to meet the demands of students, parents, and the federal government, marginal cost reductions may not be enough to support decreasing tuition. For-profit online institutions and free online colleges have shown that there may be lower-cost alternatives to the traditional educational models. The question now being asked is, are college and university presidents, boards, and faculties ready to seriously consider and implement non-traditional educational delivery alternatives to truly make education affordable and competitive?
Aligning enterprise risk management, internal audit, and compliance

Background
Along with other industries, higher education has recently been faced with increased complexity and risk in the business, including rapidly increasing regulatory requirements, increased public scrutiny and demands, and rapid technological change. In response to these risks, as well as highly publicized incidents affecting certain higher education institutions, many colleges and universities have been evaluating and implementing various enterprise risk management and institutional compliance structures. While many risk managers would agree that the most effective way to manage risk is to ensure that a risk-focused mind-set is well integrated into the culture of the organization, a formal structure for ensuring that risks are identified and management processes are re-evaluated is critical to ensure accountability for effective risk mitigation throughout the organization.

A significant component of the expanding risk universe currently demanding attention is compliance risk. Many institutions and their boards are seeking to strike the right balance of investment to effectively manage risk with the need to fund important student and other mission-focused needs. In the majority of industries, the time spent on external regulatory compliance currently as compared to five to ten years ago has increased significantly.

The answer is no different for higher education. According to the American Council on Education, approximately 150 new federal regulations impacting higher education have been issued since 2008. In addition, “the rate of administrative hiring has surpassed that of enrollment-driven academic recruitment. Lawyers, government relations specialists, risk managers, compliance officers, regulation analysts, and procurement specialists now compete for the same budget dollars, along with instructors and teaching assistants.”

Many institutions are considering similar questions surrounding risk including the following:

- Do we have the right risks identified?
- Who are the key employees responsible for the risk management process across the institution?
- With limited resources, how do we prioritize and effectively manage our response to risks?
- What is the right structure for our institution to manage and monitor our response to risks?
- What is the role of internal audit and compliance in identifying, managing, or evaluating the institution’s response to risks?
- What skills are needed in today’s environment to maximize the value from those departments involved in managing risk?
- What metrics can we use to evaluate the effectiveness of the risk management program?

---

Impact on educational institutions

Most universities have been working on the implementation of some form of enterprise risk management (ERM) for several years. Many are also beginning to consider how best to align compliance programs and internal audit departments with the risk management program. While there are different organizational models for managing institutional compliance, most are at least partially, if not fully, decentralized. Institutions are currently focusing on ensuring that functional units, schools, and departments are working to ensure risks are not going undetected for lack of an owner, and that the disbursed compliance responsibilities are not leading to gaps in effective risk management. Compliance officers, along with internal auditors, have a unique view of these topics and can provide critical information to senior management and the audit committee as to the most effective risk and compliance models.

From a governance perspective, while different committees of the board have oversight responsibility for various facets of strategic risk management, most commonly, the audit committee remains responsible for ensuring the process exists and functions as intended. Given the increased focus on compliance risk and the natural intersection with ERM, several institutions have formally assigned the responsibility for coordinating and managing the institutional compliance and ERM functions to one individual.

From internal audit’s perspective, there is a shifting expectation toward advisory skills from traditional assurance-related skills. PwC’s 2014 State of the Internal Audit Profession survey spotlights this growing trend in the evolution of the internal audit role as a trusted advisor within the organization when they are able to bring the right attributes to bear, including a deep understanding of the business and strategic risks, being engaged in areas of change within the business, and contributing to innovation. Internal audit executives at a number of educational institutions have already begun defining for themselves more formalized roles and responsibilities in the broader institutional compliance and enterprise risk structure.

Our perspective

There will be increased focus on the cost of higher education, and the ever-growing industry regulatory expectations are not expected to decrease. Institutions should continue to seek synergies among institutional compliance, internal audit, and risk management functions. Institutions will also need to continue to evaluate the evolving skills necessary for individuals responsible for managing and coordinating an institution-wide risk and compliance program. Such skills will include the ability to think strategically, interact at an executive level, and speak with a strong voice about the challenges and opportunities the organization is facing, as well as how well they are addressing those challenges and managing the right risks. A key question to ask is whether individuals with those needed skills exist within the institution today, or whether the institution will need to recruit from outside.

In order for these risk identification and mitigation activities to be successful within an institution, it is important to embed the key components of the risk and compliance framework within the entire organization. It is also important to determine what the criteria are for success and how success will be measured. In order for any risk or compliance program to be regarded as a long-term, viable option for the identification, assessment, and monitoring of risks, there must be perceived and real value derived from execution of the framework.

As educational institutions appropriately increase their focus on enhancing enterprise-wide risk, compliance, and internal audit functions, it will be important to focus on the efficiency and effectiveness of the integrated risk and compliance program. Ensuring that the return on investment in these individual functions is realized and that institutional accountability for risk identification, monitoring, training, and internal auditing is clear throughout the organization will be critical to the effectiveness of the broader risk and compliance program.

---

### Background

The regulatory spotlight continues to be focused on educational institutions. Congressional attention on colleges and universities, both not-for-profit and for-profit, have challenged institutions to seek ways to improve operations, maintain compliance and reduce costs. The SEC expects institutions to provide reliable information to bondholders, and the IRS expects revenues to be appropriately spent. The Office of Management and Budget also recently issued significantly revised compliance and audit requirements as part of the president’s goal to modernize and streamline regulations and to focus on the elimination of fraud, waste, abuse, and improper payments.

In light of such regulatory initiatives, educational institutions are under ongoing pressure to demonstrate their compliance and accountability. The impact of actual or perceived failure of an institution to identify and manage compliance functions could lead to a damaged reputation among various stakeholders, administrative or financial sanctions imposed by regulators, and the potential for fines and penalties.

Most institutions are challenged to respond to the changing and increasing regulatory requirements, as well as the continuing political and public focus. Adhering to these requirements and responding to regulatory scrutiny have been difficult for many educational institutions and have strained internal resources. Colleges and universities are continually implementing new policies and procedures and modifying existing financial and information systems to accommodate new and revised regulations. This has resulted in the need for more data collection and enhanced training.

### Impact on educational institutions

The following is a high-level summary of selected regulatory matters on which educational institutions are currently focusing their resources — or may need to focus their resources — to ensure compliance and to manage the risks associated with noncompliance.

#### Municipal bond market requirements

Many educational institutions finance their long-term capital needs by issuing long-term debt securities. Often, these borrowings take the form of tax-exempt or taxable municipal securities. Through covenants with underwriters, municipal issuers and conduit borrowers are required by SEC Rule 15c2-12 to provide certain information about their finances and operations on an ongoing basis throughout the life of a bond issue. While the SEC cannot directly regulate the municipal securities market, it can and does undertake enforcement actions for violations of the antifraud provisions of the federal securities laws. Such violations would arise if the SEC determines that an institution has made a material misstatement of fact or omitted a material fact in its disclosure documents to investors.

The SEC’s specialized muni enforcement division was active in 2013, and its heightened level of activity is expected to continue for the foreseeable future. Through a number of municipal enforcement actions in 2013, the SEC is sending strong signals to expect an increased focus on the conduct of non-profits in 2014. A common theme underlying a number of the enforcement actions is the importance of having appropriate controls in place over the dissemination of information included in municipal bond disclosure documents. Such controls include instituting written policies and procedures related to disclosure of information to markets, the need for appropriate training of employees involved with preparation of disclosure documents, and the need for management and boards to better understand their responsibilities with respect to muni bond disclosure documents under Rule 15c2-12. Adopting such practices and controls serves not only to enhance the quality of an institution’s disclosure but also aids in establishing a defense, should an allegation of misleading disclosures arise.
**Financial accounting requirements**

A recent National Association of College and University Business Officers (NACUBO) article stated that “Audited external financial statements are at the heart of higher education fiscal intelligence sought by specific stakeholders and the general public. ... Diverse use, potentially widespread consumption, and the public emphasis on the higher education industry — from the White House and Congress, federal agencies, state governments and legislatures, think tanks, analysts, researchers, national and local media organizations, and others — point to the importance of communicating effectively through external financial statements.”

Today, the standard-setting authority for the financial statements of higher education institutions is divided between the Financial Accounting Standards Board (FASB) for private institutions and the Governmental Accounting Standards Board (GASB) for public institutions. The FASB works closely with the Not-for-Profit Advisory Committee (NAC), a standing committee established in 2009 to ensure that the concerns of not-for-profit entities are considered when developing new standards.

The lack of financial statement comparability between public and private institutions increases decision-making complexity for boards, management, bondholders, and regulators attempting to understand the similarities and differences among institutions regarding factors such as financial condition, business risks, and cash flow prospects. Differences in accounting for similar transactions by similar types of entities increase the risk that misstatements in financial statements might arise and heighten the potential for misunderstanding reported information.

Recently, PwC recommended to the Financial Accounting Foundation (the parent organization over both FASB and GASB) that it consider whether opportunities for convergence exist between GASB and FASB standards. PwC also recommended that the Financial Accounting Foundation explore whether the use of private sector accounting standards by certain governmental business-type activities (such as higher education and healthcare institutions) would benefit stakeholders.

Both standard setters continue to issue new rules. For the past decade, the FASB’s agenda has been dominated by the goal of converging US GAAP (generally accepted accounting principles) with International Financial Reporting Standards (IFRS). As the major convergence standards projects — revenue recognition, financial instruments, and leases — approach the finish line, private institutions must begin preparing for several years of implementation of major new standards. The new revenue recognition standard, issued in May of this year, will become effective in the 2017-2018 time frame. While that sounds like a long way off, the amount of work that may be required to implement it — including training, changes to financial reporting systems, and internal controls — could be significant. In addition, the FASB plans to issue an exposure draft later this year that is designed to enhance the external financial reporting model for all non-profits, with a specific focus on improving disclosures regarding financial liquidity, operating performance, and funds availability.

Public institutions continue to grapple with changing their financial statements and systems to incorporate a new financial statement element created by GASB — deferred inflows/outflows of resources — and an accompanying overhaul of existing reporting of assets and liabilities. In addition, GASB recent rule revisions regarding the financial reporting entity have trained a spotlight on how governmental institutions report subsidiary corporations (for-profit or not-for-profit) in their financial statements. GASB’s new standard on government business combinations may also have far-reaching implications for institutions that have healthcare operations, as healthcare reform ushers in a period of heightened activity in the areas of mergers, acquisitions, and divestitures.

---

5 Source: PwC Point of View, The municipal securities market: Greater transparency and comparability of financial information would benefit stakeholders, February 2014.
Higher education leaders must be mindful of the impacts of new accounting and reporting standards on an institution’s financial reporting systems and internal controls. A recent SEC enforcement action against a muni conduit obligor reiterates the SEC’s expectation that entities that obtain capital through the municipal securities market have an obligation to maintain accounting systems and controls that produce financial information that investors can rely upon. In periods of heightened implementation activity, the risk of misapplication of GAAP increases; as does the risk that a potential significant deficiency or material weakness in internal controls over financial reporting systems will occur.

**IRS items**

**IRS college and university study:** Colleges and universities continue to evaluate their processes and procedures in light of the IRS final report on its Colleges and Universities Compliance Project, which was released in April, 2013. The final report summarizes findings from IRS examinations of thirty-four colleges and universities focusing on unrelated business income (UBI) tax and compensation issues. The report indicates that the examinations resulted in disallowance of a significant amount of UBI losses claimed by the colleges and universities on their tax returns, in many cases because the claimed losses were associated with activities for which the IRS determined that the institution lacked a profit motive. The report also indicates that although most colleges and universities attempted to meet the rebuttable presumption standard under Section 4958 (which provides that, if certain steps are followed, the burden is shifted from the organization to the IRS to prove that executive compensation is unreasonable), approximately 20% of schools failed to use appropriate comparability data in determining reasonable compensation.

The IRS indicated that as a result of its findings, it plans to look at UBI reporting more broadly, especially at recurring losses and the allocation of expenses, and to ensure, through education and examinations, that tax-exempt organizations are aware of the importance of using appropriate comparability data when setting compensation. The report also sparked interest in Congress, and prompted the House Ways and Means Committee to hold a hearing on the report in May 2013.

**Proposed legislation:** On February 26, 2014, House Ways and Means Chairman Dave Camp released a draft “Tax Reform Act of 2014.” The draft legislation contains numerous proposals affecting tax-exempt organizations. Although the draft legislation may never become law in its proposed form, it does indicate the degree of scrutiny the tax-exempt sector is receiving and the types of changes that are under consideration. A number of provisions in the draft legislation would significantly impact colleges and universities, including:

- Limit on housing benefits: The exclusion for housing provided for the convenience of the employer and for employees of educational institutions would be limited to $50,000.
- Tax on investment income: A 1% excise tax would be imposed on the net investment income of private colleges and universities with endowment assets of at least $100,000 per full-time student.
- Tax on excess compensation: A 25% excise tax would be imposed on exempt organizations that pay specified compensation to certain employees that exceeds $1 million for a taxable year.
- Modification of excess benefit rules: The definition of disqualified person for purposes of excess benefit transaction rules under section 4958 would be expanded to include athletic coaches and investment advisors. The rebuttable presumption standard would also be eliminated; instead, organizations would be required to meet certain procedural standards in establishing compensation for disqualified persons in order to avoid a proposed 10% entity-level tax.
- Changes to the unrelated business income tax: Certain present-law exclusions from UBI would be curtailed, including the elimination of the exclusion for royalty payments for the use of an organization’s name or logo, and the imposition of significant limitations on the exclusion for corporate sponsorship payments.
Affordable Care Act - Employer provisions: Employers continue to focus on compliance with ACA provisions that are currently in effect, as well as planning for those provisions that are set to phase in over the next few years. In 2014, employers received transition relief and further guidance from the IRS with respect to the employer shared responsibility provisions of the ACA. Under the employer shared responsibility provisions, an applicable large employer (generally, an employer having 50 or more full-time-equivalent employees) must offer affordable, minimum value health coverage to its full-time employees or a shared responsibility payment may apply if one or more of its full-time employees receives a premium tax credit to assist the employee in obtaining insurance on a health insurance exchange. On July 9, 2013, the IRS published Notice 2013-45, which provided that the applicability of employee shared responsibility payments, which had been set to take effect for 2014, would be delayed until 2015. On February 10, 2014, the IRS issued final regulations implementing the employer shared responsibility provisions. These new regulations contain a number of provisions affecting the determination of whether employees of educational organizations will be considered full-time, including:

- Educational employees: Teachers and other educational employees will not be treated as part-time for the year simply because their school is closed or operating on a limited schedule during the summer.
- Student work-study programs: Service performed by students under federal or state-sponsored work-study programs will not be counted in determining whether they are full-time employees.
- Adjunct faculty: As a general rule, employers of adjunct faculty are to use a method of crediting hours of service for those employees that is reasonable in the circumstances and consistent with the employer responsibility provisions. To accommodate the need for predictability and ease of administration, the final regulations expressly allow crediting an adjunct faculty member with 2 ¼ hours of service per week for each hour of teaching or classroom time as a reasonable method for the purpose of determining whether the faculty member is full-time.

IRC Section 501(r) update: Section 501(r), which was enacted in 2010, contains requirements that not-for-profit hospitals, including academic medical centers, must satisfy to maintain tax-exempt status under Section 501(c)(3). These include requirements for financial assistance and emergency medical care policies, limitations on charges, restrictions on billings and collections practices, and the requirement to complete a community health needs assessment (CHNA). Failure to comply with Section 501(r) can result in loss of tax exemption and the imposition of excise taxes. In 2012 and 2013, the IRS published proposed regulations addressing the range of issues under Section 501(r). The proposed regulations are not binding, but hospitals may rely on guidance contained in the proposed regulations until temporary or final regulations are issued. Importantly, the proposed regulations published in 2013 indicate that hospital organizations will be given opportunities to correct unintended violations of Section 501(r), and the revocation of exempt status is expected to be limited to egregious cases. In January 2014, the IRS published proposed procedures under which certain failures to meet the requirements of Section 501(r) will be excused, provided failures are corrected and disclosed in accordance with specified guidelines. Final regulations on the requirements of Section 501(r) are expected by the end of 2014.

Federal award compliance and audit requirements
On December 26, 2013 OMB published its "Sweeping Reform" guidance, "Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards" (the guidance or document). This represents the culmination of a process undertaken by OMB to accomplish several objectives. These objectives include streamlining existing federal administrative, cost, and audit circulars, reducing administrative burden, and reducing the risk of fraud, waste, abuse, and improper payments. OMB received numerous comments from multiple stakeholders over the past two years. The document includes a substantial section devoted to comments received, and OMB's considerations when deciding whether or not to implement the comments.
This document replaces several existing OMB circulatrs, including the administrative circulatrs A-110 and A-102; cost circulatrs A-21, A-87 and A-122; and the non-federal audit circulat A-133. The effective date of the cost and administrative portions of this guidance is December 26, 2014 for new awards and funding increments issued on or after that date. The effective date for the audit guidance is audits of fiscal years beginning on or after December 26, 2014. Each federal agency is required to issue implementing regulations, and any changes from this document must be approved by OMB unless a federal regulation, statute, or executive order requires a change.

The document includes numerous changes from existing compliance and audit rules that each institution should now be considering and planning to implement by the effective date. The more significant items are included below — but this is not a complete list of all changes.

- Federal agencies must provide award performance goals, indicators and milestones, and recipients must relate award financial data to the performance goals and provide cost information to demonstrate cost efficiencies. There is some relief for research and development awards.
- Procurement requirements are largely taken from A-102 rather than A-110. Because of this, there is much more emphasis on competition and competitive bids.
- Recipients must maintain effective internal controls. COSO and the federal Green Book (federal agency internal control framework) are listed as two examples that "should" be followed as a best practice.
- Subrecipient monitoring has largely not changed and there is specific emphasis on performing a risk assessment of each subrecipient. Subrecipients must be paid a minimum indirect cost rate of 10%.
- The traditional three examples of effort reporting have been removed. Emphasis is placed upon using existing payroll distribution systems, and strengthening internal controls to assure an accurate distribution of payroll.
- OMB plans to develop new required compliance audit procedures for auditors to follow. The procedures will be designed to focus on and have greater emphasis on the goal of reducing fraud, waste, abuse, and improper payments.

The new OMB guidance represents the first time in decades where OMB and the federal agencies have focused on reducing the burden of compliance and audits while still achieving effective program management and accountability of public funds. The changes are extensive, and many of them will require institutions to take a critical look at their internal compliance structure and processes to determine where change is required to existing institutional practice.

Given the relatively short time to the effective date, institutions should be examining each of the more significant items to their institution, and develop an implementation plan and timetable. These plans should include training of both financial and compliance administrators, as well as the faculty and investigators who carry out the work of the federal awards.

In addition, the greater emphasis on internal control best practices will necessitate in practice a review of internal controls over compliance at a minimum, to determine where there may be significant gaps that should be addressed.

**DATA Act**

During 2012 and 2013 the House and Senate each issued versions of the Digital Accountability and Transparency (DATA) Act. The intent of the Data act is to amend the 2006 Federal Funding Accountability and Transparency Act to further increase transparency of federal spending by federal agencies and the recipients of federal awards. During May 2014 the House and Senate reconciled their respective versions and President Obama signed the DATA Act into law on May 9, 2014.
The Data Act includes the following:

- The OMB and Treasury Department are to develop government wide financial data standards for federal agencies and recipients of federal funds to use for reporting. Common data elements will to be mandated for use in financial reporting and payment information by all federal agencies.
- The new data standard must incorporate a “widely accepted, nonproprietary searchable platform — independent, computer readable format,” such as XBRL. This is similar to the electronic data tagging and reporting mandated by the SEC for public companies several years ago.
- There is a three-year development period that includes a pilot study to be conducted by OMB to determine the feasibility of pushing the electronic tagging and reporting down to the recipients’ funding.

The Data Act, when fully implemented by federal agencies, will significantly increase the visibility the general public has into federal spending and undoubtedly will impact the federal award decisions made in the future.

**Debit cards**

The Education Department Office of the Inspector General, at the request of Congress, has looked into and reported on the use of debit cards as a means for schools to provide students access to their financial aid remaining credit balances. Often, schools contract with a third-party servicer to provide the debit cards to students.

The Inspector General, in its report issued in March 2014, noted several concerns and recommended the Department of Education issue new rules. The concerns include a lack of school monitoring over the servicer’s compliance with student financial aid regulations, lack of full disclosure to students of options available to them to receive access to their funds, charging transaction fees, and collection of personal information not necessary for student financial aid compliance but rather for marketing purposes.

The Inspector General also noted concerns about potential conflicts of interest associated with schools that contractually might benefit financially from issuance of debit cards. This is similar to the concern the Department of Education addressed with preferred lender arrangement service years ago.

**For-profit education**

For-profit educational institutions provide access to higher education programs for a large segment of the population. The cost of the programs offered by the for-profit sector compared with the not-for-profit sector, and the resulting level of student loan debt incurred by students, is a focus of several regulators.

This sector of the education industry continues to be under the microscope as Congress investigates perceived abuses of Department of Education regulations and the level of oversight provided by the Department of Education and accrediting agencies. Incentive compensation paid to recruiters, questionable recruiting techniques and the rate of program completion are some of the areas Congress is investigating. Accrediting agency and Department of Education oversight is also being called into question, as well as management practices.

The “gainful employment” rule is considered a first step toward reducing the perceived abuse and improving oversight of this sector. Although certain significant components of the rule were overturned in a court ruling last year, the court clearly indicated the Department of Education has the statutory authority to issue regulation similar to gainful employment as long as it is based upon more factual studies and analysis. The gainful employment disclosure requirements survived the court ruling.

In March 2014, the Department of Education issued draft revised gainful employment regulations for public comment. The revised rules continued to include a graduate debt-to-income test, but also add a loan repayment test and a program level cohort default test.
This revised regulation also requires that each for-profit school program must meet state licensure and accreditation requirements in order for the school to participate in the federal student financial aid program.

It is likely that these new proposed rules will cause some percentage of programs to be disqualified from being eligible for student financial aid program participation, and others may fall into a “warning zone” that would require student notification.

**Our perspective**

The attention to educational institutions from Congress, the president, and other regulatory bodies is not slowing down. While some legislation is in progress to streamline compliance requirements and reduce the financial burden, other legislation in progress, as described previously in this paper, will result in more compliance requirements and added cost of implementation. Therefore, when the opportunity arises, educational institutions should continue to be vocal with regulatory bodies and political leaders as to their perspectives on proposed changes and the regulatory cost associated with such changes. In the meantime, institutions will need to continue to be vigilant in enhancing internal controls over compliance.

In connection with the development of an organizational framework for institutional compliance, educational institutions should continue to develop other proactive responses to manage and monitor regulatory compliance. Institutions should consider the following to enhance overall compliance and reduce the financial, operational, and reputational risks associated with noncompliance:

- Stay abreast of new regulatory developments and ensure their voice and points of view are heard through industry associations and political influences.
- Continue to educate trustees, faculty, and staff of the ever-changing regulatory environment to ensure there is the appropriate level of focus on compliance with not only external rules and regulations but also internal policies and procedures.
- Determine who is responsible throughout the organization for compliance with rules and regulations and whether actions are needed to improve or maintain compliance.
- Assess key exposures and implications to the institution from an operational, financial reporting, and legal perspective, and respond to these exposures through risk management programs, involvement of appropriate parties with the identification and monitoring of risks (including senior management, internal auditors, and other key departmental administrators), and establish ongoing programs to mitigate potential noncompliance.
- Identify best practices for appropriate compliance metrics and other means to track and report the processes and procedures associated with regulatory compliance.

While educational institutions are not SEC registrants, many are considered “public interest entities” due to their issuance of tax-exempt municipal bonds and other factors. As a result, institutions must be cognizant and proactive with respect to the level of reporting, controls, and compliance responsibilities associated with this designation.
Protecting information assets

Background

An organization's ability to adequately protect valuable information assets, such as personal and proprietary data, is an urgent issue for both the private and public sector. With each high-profile security incident or data breach that makes the media headlines, comes increasing worry by a variety of internal and external stakeholders about whether an organization’s information assets are being adequately protected and used appropriately.

Organizations across a variety of industries, including the education industry, collectively reported over 63,000 security incidents throughout 2013.6 While only approximately 1,300 of these security incidents confirmed data compromise, the tangible and intangible costs that organizations expend to confirm whether the information was potentially exposed to an unauthorized party are insurmountable. Furthermore, an analysis of the 2014 Verizon Data Breach Investigation Report (DBIR) survey dataset tells a story that perpetuators of these security incidents are getting better at what they do at a higher rate than the individuals within an organization who are tasked with detecting and preventing such incidents.

With respect to the public-sector specifically, the 2014 PwC Global State of Information Security survey noted that public-sector respondents reported a significant increase in data loss as result of security incidents. Compromise of employee and customer records remain the most cited impacts, potentially jeopardizing an organization’s most valuable relationships.

Higher education is not immune to the internal and external forces that are influencing how organizations are expected to protect and use their information assets. Increased scrutiny on compliance with regulations under the Family Educational Rights and Privacy Act Regulations (FERPA), Health Insurance Portability and Accountability Act (HIPAA), EU Data Protection Directive, and various state-level data protection and breach notification laws are joined now by other high-stakes business drivers — revenue and reputation — which are calling for educational institutions to take action.

Once considered the domain of the educational institution’s administrative departments, such as legal, compliance, or information technology, the responsibility for protecting and appropriately using an institution’s information assets is now a top priority for the academic leadership, and others tasked with governance. Rethinking how information assets can be adequately protected is just one key part of keeping pace with today’s changing realities. As part of a bigger picture, institutions have an opportunity to re-evaluate their approach to how they collect, use, and share personal and other proprietary information in the wake of the new and existing threats and opportunities that a digital world brings.

Impact on educational institutions

Educational institutions are collecting more information than ever about students, research, alumni, and faculty, resulting in personal information becoming one of the institutions’ most valuable assets. In addition, institutions globally are struggling with appropriately allocating sufficient resources to prevent, detect, and respond to sophisticated cyber-threats targeting access to the institution’s proprietary and sensitive information. As higher education looks to strike a balance between the risk and reward of having so much valuable information, two key questions are being asked: How much decentralization and autonomy can be accepted in a historically decentralized and open information technology culture? Should an institution be more proactively collaborating across academic and administrative departments to create an integrated information protection and management strategy?

---

For example, an institution with a student health center or medical school may see one of its departments focused on adopting a controls framework that demonstrates compliance with applicable regulatory requirements such as HIPAA. The same institution may also have a research department focused on a more operational approach to protecting information, such as Privacy by Design, whereby a common set of privacy principles are embraced because of the agility with integrating information management concepts across new research projects.

Higher education institutions have an opportunity to take greater advantage of building trust and transparency with their internal and external stakeholders through their information protection and management practices. Many institutions have focused attention in the following areas:

- **Avoiding information protection silos.** Has the institution formed a governance structure to ensure that academic and administrative departments are integrated with respect to defining and operationalizing their strategy and programs for protecting valuable information and evaluating the sufficiency of existing policies, processes, and controls?
- **Getting the right fit.** Does the institution’s information protection and management programs align with the institution’s broader business strategy and priorities and its approach to interacting and engaging with its constituents?
- **Minding the policy gap.** Can the institution validate that information protection and management policies and processes are aligned with current business practices and that the underlying internal controls supporting these programs are designed and operating effectively?
- **Finding the weakest link.** Does the institution perform due diligence procedures on business partners to ensure that they are honoring the institution’s information protection and management commitments which have been made to key stakeholders?
- **Checking the defaults.** Do standard service provider contracts and inter-department service level agreements meet the unique information protection or management needs of a given department?

**Our perspective**

By considering the appropriate information protection and management strategy, an educational institution will be building a program that considers more than how to prevent loss of trust, damage to brand and reputation, fines, or litigation. Specifically, by focusing on creating and implementing the foundational elements of an effective information protection and management program, institutions build trust and transparency. The foundational elements of well-designed programs to protect information assets today and in the future will include:

1. **Establishing an accountability and governance structure.** Many institutions still lack a dedicated executive for information protection, or they appoint a role but not the resources. Even those that do have a data czar or chief privacy officer are now embedding privacy and security consultants within administrative and academic departments. Working together, these specialists and department leaders are able to determine how information protection and management activities affect institutional goals and then craft an appropriate strategy.

2. **Identifying and inventorying information that needs to be protected.** Institutions should treat their information assets the same way they would their financial and physical assets. Institutions need to make sure that they understand what information they have, the value of this information, what laws and regulations apply to such information, and who has access to the information and for what purposes. Consideration should also be given to third-party service providers and outside partners with whom such information is shared. Information inventories should also be updated on a periodic basis based on the results of risk assessment activities, operating model changes, new regulations or other changes to the processes and controls impacting the information management lifecycle.
3. **Performing a risk assessment.** Once institutions have identified their most valuable information, ensuring that academic and administrative departments understand their fiduciary obligations for protecting institutional information must be a top priority. Often times, individual departments may not fully understand the relevance of these obligations and the related processes and controls that may be required to effectively manage the institution’s risk and regulatory requirements. A comprehensive risk assessment should outline the institution’s risk appetite, identify external and internal risk factors, and therefore drive an overall consideration of the administrative, technical and procedural controls required for an information protection and management program.

4. **Training and educating institution personnel and other key stakeholders.** A comprehensive training program can be a significant deterrent, and highly effective for employees, faculty, and students alike. For example, it may help demonstrate how to better identify, react and respond to current external threats such as phishing and social engineering attacks. Training can also help ensure employees have a solid understanding of an institution’s security policies, procedures and best practices and mitigate risk derived from human error.

5. **Managing and monitoring third-party relationships.** Institutions need to ensure that they are undertaking proper due diligence when selecting a third party, including consideration of the third party’s information security posture and resilience. Written contracts need to exist and outline the rights and responsibilities of all parties. Clear roles and responsibilities for overseeing, monitoring, and managing the relationship need to be defined, documented and communicated.

6. **Developing a robust breach detection and response strategy.** Institutions need to be able to maintain a comprehensive inventory of all incidents and breaches, including corresponding investigative results. It is also becoming more common for institutions to develop an integrated incident detection and response program that also covers cybersecurity threats and broader information privacy and security-related incidents.

7. **Evaluate ongoing program effectiveness.** Monitoring the effectiveness of the information protection and management program should be embedded into the day-to-day operations. In addition, the provost, trustees, and management are expecting assurance that their institution is honoring its information protection commitments which often introduces the need for periodic independent reviews of the institution’s information management practices.

In short, while many higher education institutions continue to make improvements in how they protect and manage their information assets, they continue to be at risk of falling behind the determined adversaries of today. Rethinking how information assets can be adequately protected and managed should be a critical component of an institutions’ overall business strategy and will help ensure that an institution does not solely rely on yesterday’s practices to combat today’s threats.
The evolving global higher education market

Background
The higher education landscape continues to evolve as the international demand for a highly skilled and knowledgeable workforce increases. This need has prompted the global higher education community to transform the means for its citizens to obtain degrees at both the undergraduate and graduate levels and has also led to new strategies and practices at institutions in the United States.

Policy changes continue to take effect internationally as a way to address the demand for higher education. For instance, in Europe, the Bologna Declaration united forty-seven countries in an effort to streamline the transparency across curriculums, increase student and faculty mobility among institutions and standardize the degrees offered. European institutions have also moved toward offering a three-year bachelor’s degree, which is attractive to students not only from a cost perspective but also to accelerate the process of obtaining higher-level degrees.

Demographic changes have also prompted countries to identify better ways to educate their residents. In 2013, India had over 140 million people at the age where they could attend a college or university. Furthermore, the country’s growing middle class continues to enable more families to pay for their education. Significant efforts are underway to offer schooling for the growing population, including developing a mandatory accreditation system, standardizing benchmarks between institutions and creating a rewards and tenure based system to attract and retain qualified faculty members. Similarly, China is looking to retain its ever growing population of college bound citizens, as well as appeal to international students by implementing strategies such as increasing the number of scholarships offered by the government. These efforts are paying off; from 2011 to 2012 the number of international students attending Chinese institutions increased approximately 12.2% from 292,600 international students to 328,300 students.

The global educational market also continues to have a significant impact on institutions in the United States. According to the US Department of Commerce, during the 2013 academic year, approximately 820,000 international students came to US colleges and universities, contributing more than $24 billion to the economy. Furthermore, the primary source of educational funding for 61% of these students is personal and family funds. These students are paying full tuition, which is especially attractive as US institutions continue to be challenged with financial pressures.

Impact on educational institutions
US institutions continue to adapt to the evolving global environment, and many are expanding into new and different territories to accomplish their goals. Several are expanding their presence in international markets by setting up branch campuses, which can be attractive in certain countries where start-up funding from both the public and private sectors is available. For those institutions that do not want to outlay the capital requirements and related funding associated with branch campuses, consideration is being given to study centers, partnerships with international institutions, and other types of joint ventures as viable alternatives to a traditional “bricks and mortar” overseas campus.

Staying competitive with international institutions and capitalizing on the growing demand for higher education has also led to increased overseas recruitment efforts by many US institutions. Specific roles have been created at universities to focus on these efforts, including opening international offices to make the recruiting process more
efficient. These international offices are often outsourced to firms that specialize in the policies and procedures in the local country where recruiting is being conducted.

US institutions are also expanding their study abroad programs for their students. As the educated workforce extensively operates on a global basis, the need for international experience continues to be magnified. To respond to this need, certain institutions are requiring an overseas educational component before obtaining a degree. Through collaborations with other domestic institutions, growing study-abroad offices, and faculty rotations to overseas locations, greater international opportunities for students are being promoted as a differentiator between competing universities.

Our perspective

The continued globalization of higher education presents both opportunities and challenges for US institutions. The increasing population of foreign students who are demanding access to education beyond traditional resources offered in their countries advances the possibility of both domestic and international expansion by US institutions. Offsetting these expansion possibilities is the fact that foreign countries are responding to the demands of their citizens by making improvements to their current higher education models, thus attracting their residents to remain in their home country. As US institutions grapple with these opportunities and challenges, consideration should be given to the following:

- **Academic quality** – As institutions deal with domestic pressures to define and measure the quality of a student’s academic experience, expanding on a global basis only increases the challenges of monitoring whether the international academic experience is on par with the standards established in the United States. Universities should establish a quality assurance program to ensure the experiences overseas coincide with the expectations of the domestic campus.

- **Recruitment practices** - The pressure to attract and keep international students at US colleges and universities has led to the need for stringent policies and procedures when recruiting from foreign countries. Qualified admissions counsellors and/or independent contractors should abide by established principles of a university to ensure proper representations are made to recruited students.

- **Regulatory** – Multiple rules and regulations must be considered when a presence is contemplated in a foreign country. These include licensing requirements, taxation, student visas, and export rules, among many others. Whether establishing an overseas location, sending faculty and students to a foreign country or setting up a recruitment office, US institutions should involve both domestic and international legal counsel, as well as other specialists knowledgeable about the regulatory requirements in a specific country.

- **Financial** – Regardless of the type of foreign program established, long-term forecasts and budgets must be considered to determine the viability of expansion into a new territory. Projections that consider fluctuating enrollment, currency exchange variability and operating and capital requirements should be factored into the forecasts that are developed.

- **Centralization of international efforts on campus** – Given the decentralized nature of many universities, international activities are often dispersed across multiple schools and departments. To properly address the opportunities and challenges of international activities on a coordinated basis, the centralization of such international efforts as study-abroad programs, overseas travel by faculty, recruitment goals, and long-term international initiatives should be moved to a centralized unit within an institution.

Expanding to new territories and capitalizing on the international demand for higher education is requiring extensive discussions at the highest levels of management and with the boards at US universities. The engagement of faculty is also needed in strategy discussions to ensure their voice is heard when consideration is being given to expanding an institution’s global footprint. The rewards from an effective overseas strategy include reputational growth, new revenue sources, and additional opportunities for students. These rewards must be weighed against risks such as how an institution’s brand may be impacted, how local law may impact the educational experience, and how sustainable an overseas presence is, once initial funding is no longer available. Involvement of many different constituents will continue to be necessary to ensure the international strategy is in line with both short- and long-term goals and strategies of an institution.
Facilities planning

Background

Higher education institutions continue to face pressure to build, maintain, and renovate campus facilities. Institutions are competing with growing demand for large and new infrastructure projects such as research facilities, athletic venues, technology learning environments and residential and social facilities. There is also a need for more “green” buildings: those that are environmentally sustainable but come at a higher cost. In addition to these challenges, institutions continue to grapple with how to fund the growing deferred maintenance of their facilities as a result of aging campuses.

The funding for capital projects can be a challenge. Institutions are dealing with budget cuts from the federal government and pressures to reduce tuition increases. Third-party financing has become more difficult, as there is increased scrutiny on an institution’s debt service capacity. Development offices are trying to address these challenges by promoting capital campaign messaging not only around new construction, but also renovations to existing facilities and the inherent costs of maintaining infrastructure over a significant period of time.

In a recent publication by the American Association of State Colleges and Universities, state capital outlay and deferred maintenance funding was listed as one of the “Top 10 Higher Education State Policy Issues for 2014.” This issue is certainly not unique to state-supported higher education institutions, but is also relevant to private colleges and universities. Long-term facilities planning and strategies are at the forefront of discussions at the board and senior management levels, as institutions debate funding strategies with respect to the significant costs associated with campus renewal and replacement.

Impact on educational institutions

To address their facility needs, colleges and universities are developing comprehensive capital plans. These plans are addressing all phases of the capital life cycle, from new construction to ongoing operational costs to deferred maintenance of existing facilities. Included in the plans are space studies to determine the most effective and efficient use of existing space, and to evaluate whether it is more advantageous to renovate existing buildings or construct new structures. Detailed deferred maintenance reviews and cost-benefit analyses of owning versus leasing are all being factored into overall capital strategies.

Many institutions are seeing the benefit of having a collaborative capital planning process with involvement of key individuals throughout the university. This involvement includes key representatives from facilities, the budget office, finance, advancement, provost/academic planners and executive leadership. The collaboration continues with the board of trustees and appropriate subcommittees of the board including facilities, finance, audit and executive committees. Funding options are at the forefront of all discussions, given the long-range implications of campus planning.

The growing backlog of deferred maintenance has risen to the forefront of many discussions. Institutions are evaluating deteriorating facilities for code and safety concerns, as well as for general student satisfaction. A thorough understanding of the needs on campus is being assessed and prioritized for those that are most pressing. Long-term budgeting is taking into consideration the need to properly fund depreciation so backlogs of deferred maintenance do not continue to grow.
To fund campus projects, institutions are being more specific and creative with their capital campaign messaging. Historically, donors have been most willing to provide funding for new construction, but with limited resources available to renovate and repair existing facilities, campaigns are being focused more toward these needs. Renaming of existing structures and recognition of those gifts that support the long-term needs of a building are being used as ways to incentivize donors to provide funding for renewal and maintenance efforts.

In an effort to control the significant costs of new construction, institutions are evaluating their current buildings and making decisions to renovate or consolidate space. Outside specialists are being hired to review the entire campus footprint including space that may be rented to outside parties or leased by the institution, to evaluate the most appropriate use or ownership of these types of buildings. Ideas such as shared space arrangements, hoteling of offices, and remote learning considerations are all being factored into space reports.

To address the increased demand for “green” buildings, colleges and universities are developing policies to formalize their green initiatives on campus. These policies include goals for reducing CO2 emissions, energy use, and water use. Institutions are also striving to achieve higher ratings in the leadership in energy and environmental design (LEED) rating system, which provides verification that a building is environmentally sustainable. Efforts in this area are being promoted as a recruiting tool, given that students and other constituents view these endeavors in a positive light.

**Our perspective**

The challenges of dealing with facilities management is going to continue. Prioritizing the capital needs of the institution, conducting ongoing space and deferred maintenance studies and engaging constituents across campus are all important aspects of properly dealing with campus renewal and replacement. Long range planning and forecasting is imperative given the significance of construction and related financing on an institution. Active involvement of the board of trustees on decisions regarding significant facilities activities is also a key component of the process.

Responding to the growing facilities expectations of students, parents, faculty and other constituents is going to require strong messaging around financial aspects of the campus footprint. This messaging should include development personnel who will need to promote fundraising goals around capital, facilities personnel who will need to communicate the institution’s commitment to the environment surrounding new construction, and executive leadership on the long-term renewal and replacement plans at the institution. Education of appropriate parties is also needed on such concepts as funded depreciation, financing structures and non-availability of certain funds at the institution due to donor restrictions.

As institutions look at their long-term capital needs, proper consideration must also be given to how employees may work in the future, and how students may learn. Thinking creatively about workforce flexibility such as telecommuting arrangements, as well as distance learning initiatives and inter-university collaborations, must all be considered when looking ahead to facility needs. Those institutions that solely focus on traditional “bricks and mortar” campuses will miss the potential opportunities that are going to evolve in the future.

With the proper planning, dialogue and support from leadership, institutions can focus their facilities priorities and needs in a well thought out manner. Those that approach facilities management with a broad, long-term view will ensure their campus facilities keep up with ever-changing ways that employees work, students learn and faculty conduct research.
Healthcare reform and the effect on higher education

Background
As the Affordable Care Act (ACA) proceeds in 2014, new norms and opportunities are rapidly reshaping the $2.8 trillion US health sector. Healthcare organizations are adjusting to empowered consumers, rapid innovation, and, most notably, increased competition from non-traditional players. Newcomers such as retailers pose a mounting threat to the status quo, while at the same time, technologies are coming together to create new business models better able to coordinate care and offer greater value to purchasers.

In the past year, the ACA’s fifty-one health exchanges sputtered to life amid significant technical woes and a budget battle in Washington. Despite the turmoil, much of the health industry has accepted that reform is here to stay. Seismic shifts in the healthcare landscape are underway and are unlikely to be reversed in the near term, namely:

- More people have coverage through the exchanges and Medicaid expansion
- Medicare reform is increasingly rewarding value over volume
- Reducing costs is critical to long-term fiscal strength
- New collaborations, affiliations, and mergers are occurring rapidly in attempts to provide cost-effective and competitively differentiated care to patients and employers

Forward-looking executives are making decisions based on a post-ACA landscape that has altered the provision of private insurance and the delivery of care. Government and employers are shifting the way they pay for healthcare, placing greater control in the hands of consumers to manage their medical costs.

While the political turmoil around the ACA continues, a new health economy is taking shape. Healthcare continues to undergo a customer-centric transformation that many other industries long ago embraced. Consumers are empowered, engaged and more discerning as emerging technologies allow them to wield new tools providing better and more up-to-date information to comparison shop. The year ahead will be marked by how well the industry responds to these shifts.

Impact on educational institutions
Higher education, as with most industries, is not immune to the healthcare landscape transformation. In fact, many higher education institutions are uniquely impacted by the significant industry trends as they must balance the challenge of being a large employer and purchaser of healthcare while at the same time being a provider of healthcare themselves through an affiliated clinical enterprise. The manner in which higher education institutions are impacted by and respond to these trends reflects the multiple missions these organizations embody. The following represents several of the more significant areas that educational institutions are impacted by the ACA.

1. **Employer implications** – Today, more than 156 million Americans receive health insurance through the workplace. Employers in 2014 are looking for more creative, more affordable ways to provide that benefit. As large employers with a complex and diverse workforce, the health demands higher education institutions face are similarly complex and diverse. Higher education institutions must balance their healthcare needs with the fiscal realities of healthcare expenditures that have grown significantly over the past decades. As such, institutions are increasingly reviewing their benefits options and exploring the use of new and innovative approaches to support their employees and core missions. These options include the growth of high deductible or tiered plans, financially supporting employees’ choices on the healthcare exchange, as well as implementing plans to foster healthy lifestyles as a cost control strategy.
2. **Student implications** – Many universities are working to better coordinate their student health plans and contain cost. Student health insurance now must conform to certain minimum standards (with some temporary exceptions), and their risk pool may change, with students able to stay on parents' plans longer, and possibly be eligible for Medicaid or subsidies to assist buying coverage on an exchange. In addition, reform has placed an increased regulatory burden on student health centers, increasing the cost of delivering care and driving some institutions to consider outsourcing.

3. **Clinical implications** – Higher education institutions that also are academic medical centers (AMCs) face additional complexities, such as not only having to address all the same challenges of a large employer but also the impact of the previously identified industry trends and the resulting dynamic changes to one of their core missions. Clinical revenues that once could help subsidize the core missions of education and research now face increasing downward pressure, resulting in heightened scrutiny of the funds flow between the tripartite missions of the AMC. Rationalization of graduate medical education (GME) spending, strategic and programmatic support of the academic enterprise and optimization of administrative and functional support areas through new and innovative collaboration models (such as shared services) are all initiatives underway to support long-term financial sustainability of the AMC.

4. **Faculty implications** – As educators at this critical time in our history, the industry sits in a unique position to both study and measure the impact of healthcare reform and also support effective responses to the challenges reform is trying to address or is causing. As the aging population confronts a limited supply of healthcare providers, the industry’s response to such disparities is driving innovation in healthcare delivery, technology, and consumer expectations. At the same time, higher education is challenged to educate and train the existing and future healthcare workforce needs of the country while facing its own need for innovation in the face of rising costs and regulatory pressure, financial constraints, and students confronting the reality of mounting debt. Cost reduction efforts continue across the industry through development of innovative cost effective teaching methodologies and leveraging technology.

5. **Research implications** – As the healthcare industry comes under increasing pressure to replenish its product pipeline faster and with fewer dollars, researchers at higher education institutions must rethink their research methods and funding opportunities. Research insights drawn from consumer-generated data will play a bigger role in clinical trials and epidemiological health research initiatives, as well as facilitate greater research collaboration (e.g., big data and crowd sourcing). As it evolves, research will become more data driven and funding opportunities will be increasingly aligned with outcomes and population health.

Educational institutions as employers are not immune to the implications of the ACA. Many are mobilizing around developing and implementing effective short-term and long-term strategies in response.

**Our perspective**

Educational institutions must continue to effectively and proactively respond to the impact of healthcare reform. There is no doubt that an effective response will challenge institutional business models and cost structure. Institutions should continue to focus on the following areas in developing and implementing an effective strategic response to the ACA:

1. **Focus on benefits management to optimize the choices offered to employees and students within the fiscal realities facing the industry.**
   
   – Evaluate insurance options to continue to offer employees and students limited health plan choices or to participate in private exchanges.
   
   – Consider longer-term prospects of directing some employees and students to state exchanges in future years.
   
   – Focus on employee and student wellness in recognition that preventive care will be critical to long-term sustainability of robust health benefits.
– Educate and incentivize an intergenerational and diverse workforce and student body about the economics of their healthcare choices.

2. *Continue to focus on the cost, affordability and attractiveness of the educational curriculum to meet greater demand for medical education in an economically sustainable way.*

– Re-evaluate decentralized and/or ineffective administrative structures and processes to improve efficiencies through shared service opportunities
– Leverage technology to develop more cost effective and efficient delivery models that create new and valued learner experiences.
– Make the educational curriculum relevant and attractive to the next generation of healthcare providers seeking to pursue a sustainable healthcare career.
– Set performance expectations for faculty productivity that aligns the significant resources committed to faculty with academic goals and priorities.

3. *Develop alternative revenue sources to offset reduced clinical funds flow.*

– Consider new and creative partnerships or affiliations where the value inherent to an AMC aligns with other providers, payers and industry needs.
– Collaborate with inter- and intra-disciplinary research partners to increase successful grant funding opportunities.
– Align research with funding opportunities focused on population health and patient-centered quality outcome driven research grants.
– Leverage the translational research capabilities inherent to AMCs as a means to demonstrate new cost effective treatments envisioned by healthcare reform and to partner with industry on intellectual property development and its associated revenue streams.

4. *Expand GME programs to support the growing demand for physicians, particularly primary care specialists, and the increasing number of insured.*

– Grow and/or right-size programs in ways that match increasingly limited resources in cost effective ways to support training priorities.
– Explore alignment with the ACA’s funding increases to primary care training programs including critical access hospitals and federally qualified health clinics (FQHCs) in order to grow the physician workforce.
– Support growth at affiliated clinical sites through GME knowledge transfer, curriculum and faculty development, and potential sponsorship or collaborative program development.

Higher education continues to adapt to healthcare reform. Reform’s impact on the many constituents higher education serves and their ability to pursue mission goals and priorities must be addressed in order to continue playing a strategically important role in achieving healthcare reform’s goal of expanding cost effective quality care.
Crisis communications

Background
From campus shootings and other crimes to network and data breaches, student incidents, and adverse headlines related to faculty, staff, executive leadership, and affiliations, examples of crisis scenarios are plentiful. Many types of emergencies are expected and periodically recur, such as weather-related incidents, demonstrations on campus, missing students, and outbreaks of illness. Other crises are sudden and unexpected, and are instantly made public through social media. In the wake of recent incidents, campuses have embarked upon various efforts to evaluate and enhance their ability to respond to these events, including implementation of disaster recovery and emergency preparedness plans. Institutions focus planning efforts on a multitude of incidents believed to be reasonably possible.

Timely and effective communication is absolutely critical to ensuring the safety of all stakeholders and should be one of the key components of any emergency response plan. In addition to the immediate risks of the crisis itself, institutions may face serious reputational risk as a result of the crisis and the response. A communication plan must proactively consider the senders and receivers of information to effectively guide all stakeholders, from the onset of the incident to the resolution and through the aftermath, in some situations. Handling and response to emergencies can have dramatic downstream impact.

Even though institutions are doing more than ever to prevent crises, such as identifying at-risk students and attempting to intervene, and preparing for significant crime threats and campus demonstrations, they are often challenged to develop and maintain an effective, comprehensive communication plan to be activated when needed. Communication will continue to be a key component of any emergency response plan.

Impact on educational institutions
An effective communication plan is essential for institutions to develop and implement with the support of leadership, faculty and staff. There are many factors to consider when creating the plan, such as incident types, message control and delivery, establishment of communication channels, design of emergency alerts, policy and procedure enforcement for crisis communication, and testing/practice drills.

Most institutions have certain policies and procedures to address crisis or incident response. This documentation should be reviewed and revised periodically to ensure ongoing alignment with ever-evolving requirements. Institutions have considered the following when creating, reviewing, and updating crisis communication policies and procedures:

- Evaluation of historical emergency responses and lessons learned by other institutions can help to improve existing plans and identify additional types of incidents for which plans should be developed.
- Campus safety and emergency preparedness is an increasingly important selection criterion for prospective students and their parents.
- Transparency and ease of access to information should be emphasized in all plan documents, including policies and procedures and communication plans.

There are many stakeholders impacted by an emergency situation. These individuals are both internal and external to the institution and care must be taken to keep each category of stakeholders informed appropriately. The first priority is always to restore or maintain safety. The nature of the event and the stage of its progress will determine whether the communication is to inform, respond to, or drive action for the different groups of stakeholders involved. The table below identifies many of the parties that have typically been included in an institution’s communication plan as senders and/or receivers of information, depending on the nature and stage of the event.
Stakeholders intended to be receivers of information should also be considered potential senders of information and as such can pose additional risk. For example, a vocal faculty or staff member could verbalize opinions about the crisis directly to the media and may appear to speak on behalf of the institution. Institutions are managing the impact of these multiple, and sometimes conflicting, messages while continuing to address the crisis itself.

Maintaining control of the message and delivery of the crisis/incident information is essential for institutions. The organizational structure of communication/public relations function can vary considerably by institution and may impact the ability to manage communication effectively. For example, the communication/public relations function may be combined with community affairs, aligned to governmental relations/affairs for public schools or be a part of campus safety and security.

Leadership needs to be aligned and informed regardless of the organizational structure to support effective execution of the communication plans. Institutions are considering the following items when creating and reviewing their communication plans:

- How does the institutional structure affect the management and delivery of information relevant to the crisis scenarios in the emergency plan?
- What is the optimal frequency and level of detail of communications for each scenario?
- Who needs to be aware of the emergency response and associated communication plan?
- How will relevant stakeholders stay informed about changes to the current plan and know where to find relevant guidance when needed? (e.g. will there be training on the plan and for whom?)
- Who is the most appropriate spokesperson for each scenario type considered in the plan?
- What channels of communication are available to escalate developing information in a crisis situation to keep leadership and decision-makers appropriately informed?
- What contingency plans might be needed?

With various scenarios, a certain type of outgoing alert may be part of the communication strategy. Institutions are establishing which alerts are the most suitable communication channels for each scenario to keep relevant stakeholders informed and drive appropriate action. The most common methods include phone – voice, text messaging, E-mail, “Amber” type alerts/broadcasts, social media (i.e. Twitter, Facebook, etc.), and communication with local/national/international media outlets.
Each of these methods can be effective and appropriate means to communicate in an urgent situation. For example, it is common for texts and “Amber” type broadcast alerts to be used when communication is more urgent and immediate action is needed, as in a tornado warning or other situations where immediate action is required. Email may be more appropriate for reminding students to get their annual vaccine to reduce the likelihood of a flu outbreak on campus. As with all aspects of the plan, periodic testing and validation of all communication channels and an update of contact information is needed to ensure delivery of crucial messages in the event of an actual emergency.

**Our perspective**

Having a flexible, adaptive plan which is prescriptive enough to drive decisive action is necessary for successful management during a crisis. A decision tree type framework should be used to determine the most appropriate categorization of a given situation which points to specific plans of action. A detailed plan that can be executed at a moment’s notice should be developed for each category and should include a comprehensive communication plan to be readily adapted for multiple scenarios. Specific communication directives should be part of almost every step in each planned emergency response.

Response time will vary based on the type of incident as institutions may need to investigate first to gather facts. In time of crisis, media interest may flare at the onset and there could be a massive influx of inquiries from internal and external stakeholders. The communication plan should be developed as a detailed guide for each crisis category defined in the broader emergency response plan to drive what is communicated when, how, by whom, and to whom so that in the flurry of activity there is clear direction and unity in purpose. Also as part of the plan, institutions need to designate a spokesperson responsible for responding to inquiries from the media and others, including phone calls and social media. Roles and responsibilities for all stakeholders should be explicitly included in plans to the extent possible.

Practice drills should be performed on a periodic basis to ensure all those who support the process know what to do in the event of a true emergency. As appropriate, institutions should coordinate these drills with local police, fire, and other emergency responders. Practice drills should also be publicized to the students and broader community to the extent practicable in order to promote awareness of potentially dangerous situations as well as the existence of effective emergency plans. These are opportunities for educating the public and promoting the institutional brand.

As was noted in the 2013 edition of Perspectives in Higher Education, “External threats played out in mainstream media … will, unfortunately, require institutions to ensure they have appropriate plans to react swiftly and appropriately to maintain the health and safety of the student body and to communicate to the campus at large.”

Educational institutions have invested significant resources in making their campuses safer and improving crisis communication in recent years. The investment and attention should continue, along with an increased focus on the effectiveness of communication plans.
Institutional data reporting

Background
Recent and highly publicized incidents of erroneous and inflated collegiate reporting metrics used in ranking colleges and universities have raised questions on how to prevent this from occurring at institutions across the country. Colleges and universities strive to achieve the most favorable rankings possible and there are reputational impacts to publicized errors. The incidents of misreporting have called into question both the controls and processes surrounding external reporting practices, which are often highly decentralized on many campuses, as well as the reliability of reported metrics.

At their annual meeting in September 2013, the National Association for College Admission Counseling (NACAC) amended their Statement of Principles of Good Practice, to require members to have “an official policy regarding the collection, calculation and reporting of institutional statistics. This must include a process for validating all institutional data.” While not required, the NACAC commented that colleges and universities could fulfil the validation requirement by obtaining an audit of their institutional data by an outside entity prior to disseminating their statistics externally. While ambiguity and interpretation continue to exist in the metric definitions provided by many external reporting agencies, institutions can take action to improve their confidence in the reliability and consistency of their externally reported institutional statistics.

Impact on educational institutions
With the heightened focus on the reporting of key metrics, institutions are looking to strengthen the policies and procedures used to gather supporting information. Those institutions that have strengthened their reporting practices have focused on the following three areas related to data reporting.

System(s) of record
The system(s) of record that support the collection, querying and aggregation of student and institutional data used to prepare externally reported statistics is central to the reliability of the information reported. Questions that institutions are asking surrounding the system(s) include:

- How are individuals involved in the reporting process using the systems of record to collect, analyze and transmit information to the institutional research department?
- Are the systems helping to facilitate the effective use and understanding of institutional data used by various groups at the institution?
- Do the systems require extensive work around programs and queries to enable effective day-to-day processing and external reporting?
- Has the institution’s needs outgrown the capabilities of current systems?
- Are the system interfaces and configurations up-to-date and customized to maximize efficiency and effectiveness in the reporting process?
- Do individuals interacting with the institution’s systems have the proper training to maximize the capabilities of these systems?
Data ownership and change management
The ownership and management of changes to an institution’s data can have a direct impact on the institution’s ability to effectively and efficiently extract necessary data points from the systems of record and accurately report institutional statistics externally. Factors that institutions are contemplating when compiling information and preparing institutional data include the following:

- Does the institution clearly define key data points, and is this understanding shared by those responsible for external data reporting (e.g. what constitutes an “enrolled” student)?
- Are data inputs used to calculate statistics properly flagged and tracked within the systems of record?
- Are key data changes logged by the system to establish an audit trail?
- Are changes to the systems of record and data variables communicated to all of the teams involved in the reporting process? Does this include teams located across multiple campuses?
- Is access to data monitored periodically to determine whether the ability to alter institutional data is redirected to authorized individuals?
- Has management formally documented the guidelines and procedures for the capture, storage, use, and reporting of key institutional data points?
- Does one group/department oversee the institution’s data to standardize the process and controls by which data is input, updated and maintained in the systems?

Process transparency
The third element institutions are focusing on to foster accurate institutional reporting is the level of transparency surrounding the data collection, aggregation and reporting processes within the institution. Questions that are being asked around process transparency include the following:

- Is there an internal audit process to determine whether stated policies and procedures are consistently followed?
- Do internal or external parties, independent of those who compiled the data, validate the accuracy of institutional statistics prior to reporting?
- Are there documented policies and procedures supporting the acquisition, input and maintenance of student and institutional data, as well as the interpretation of reporting guidelines and definitions?
- Does the institution’s code of conduct cover an employee’s responsibility for accurate institutional reporting and the ownership of associated functions?
- Has the institution considered how job performance incentives may create conflicts, real or perceived, with accurate reporting?
- Has the institution’s statistic reporting to external parties been evaluated and addressed through the institution’s enterprise risk management program or by an equivalent committee/workgroup?
- Are individuals properly trained on institutional policies relating to accurate metric reporting?

The accuracy and reliability of reported institutional statistics is critical as increased attention is paid to ensuring this information can be trusted. Accomplishing this goal has required the leadership within colleges and universities to review and evaluate various areas and processes within their institution.

Our perspective
With the continued scrutiny regarding the accuracy of collegiate reporting metrics, it is vital that institutions implement processes to assess the accuracy of the information provided to third-parties. As noted previously, the systems of record that support the collection, querying and aggregation of student and institutional data is central to the reliability of the information reported. Given the importance a college or university’s systems of record play in the institutional statistic reporting process, it is imperative that the systems used fit both the institution’s internal process needs, as well as the external reporting requirements.
As it relates to data ownership and change management, colleges and universities may have a centralized Institutional Research Department that compiles, analyzes and reports key data to external parties, or the external reporting of institutional data may be decentralized across campus, increasing the risk of inaccurate reporting. Appointing a centralized group that is responsible for data reporting decreases the risk that inappropriate individuals have access to the underlying data and can further minimize the likelihood that key data variables will be altered within the systems of record without considering the downstream impact of these modifications.

Given the increased public pressure and scrutiny surrounding institutional statistic reporting, including the new requirements of the NACAC, the need for a defined and effective system of internal control and the validation of that system is important. By assessing process transparency and evaluating the personnel responsible for collecting, aggregating, and reporting institutional data statistics, potential issues can be identified prior to the release of reporting metrics to third parties.

In addition to a focus on the systems of record, data ownership and change management, the following items should also be considered when implementing controls and processes around institutional data reporting:

- Identifying opportunities to enhance data integrity;
- Increasing process effectiveness and efficiencies;
- Identifying system functionality limitations and modification opportunities;
- Evaluating the accuracy of reported institutional statistics;
- Raising awareness of vulnerabilities and issues within the institution;
- Providing guidance and points of view in interpreting guidelines and identifying areas of risk; and
- Strengthening procedures for future reporting.

Just as various other industries from banking to manufacturing have experienced increased regulatory requirements, colleges and universities should anticipate the increasing requirements over institutional statistic reporting to continue. In response, institutions need to assess their current processes and controls and where weakness or gaps are identified, implement the necessary actions to facilitate an environment of accuracy and integrity in their institutional statistic reporting.
Megatrends – Considerations for the future of higher education

PwC’s Center for Board Governance identified five megatrends that are shaping the world. These include some of society’s biggest challenges and opportunities, as well as the consideration of the potential implications on business — now and in the future. The five megatrends are:

- Accelerating urbanization
- Climate change and resource scarcity
- Demographic shifts
- A shift in economic power
- Technological breakthroughs

The following is a discussion of four selected megatrends that have the potential for the greatest impact across institutions of higher education, and select questions trustees and administrators should consider in determining how their institution is positioned to adapt to these potential trends.

**Demographic shifts**

Higher education is seeing a dramatic shift in student demographics. The typical student is no longer only the full-time, on-campus student. The student population includes international students, older students, either working full- or part-time, commuters and internet students. Additionally, demographic studies, for the first time in decades, are predicting a diminishing population of college age students in the US, with the number of high school graduates dropping sharply over the next decade.

There is however a continued expected increase in first-generation and low-income graduates and minority students. These shifts and the diversification of the campus will present more challenges in recruiting, enrollment management, financial aid programs and student retention across campuses. Student recruitment, both nationally and globally, will require a different outreach model and recruiting skills, which takes more time and institutional capital.

Enrollment management is also critical to achieving institutional priorities and goals, and the right balance across quality of the student, financial aid funding and diversification of the student body. An increasingly diverse pool of prospective students will continue to challenge institutions in determining that balance. Additionally, the student profile continues to change, and today’s students are demanding more cross-disciplinary learning and thinking, particularly in science, engineering, and technology. This cross-disciplinary learning demand shift is challenging institutions to create opportunities and redesign campus facilities to bring cross-disciplines and creative students and faculty together for increased collaboration. Institutions need to think about how these campus space changes serve as opportunities to advance the student learning experience and to serve as curriculum drivers.

Executive leadership and trustees should continue the dialogue on the challenges and opportunities around demographic shifts. Specific factors to consider include:

- Is the institution addressing the rapidly shifting demographics from the perspective of the student including what should they learn, how best to attract the new student and has the value proposition changed?
- Is the institution considering demographic shifts in their policy making, curriculum and programs offered?
- How is the institution preparing for demographic shifts and specifically the impact on recruiting efforts, enrollment management, tuition funding models and campus facilities?
Shifts in global economic power

The globalization of higher education is rapidly accelerating with the recent physical expansion of satellite campuses outside the US by several institutions. The current global expansion trend raises the profile of colleges and universities and provides greater opportunities to attract elite domestic and international students and faculty. The number of international students attending US institutions has risen steadily and has often compensated for reductions in federal and state funding. However, the number of international students attending US institutions may peak over the next ten years, as more institutions from the US and other countries expand globally.

Partnerships between institutions in different countries may also become more common to allow US colleges and universities with fewer reserves to obtain a footprint outside the US. Academic excellence in developing nations will also evolve as these countries will require a better educated population. Global faculty appointments and staff will also become more commonplace as the borders of higher education expand.

Executive leadership and trustees should continue the dialog on opportunities and challenges impacting the globalization of higher education. Specific factors to consider include the following:

- Has the institution developed strategic objectives that consider expansion outside the US, including consideration of partnerships with other entities?
- How does the institution intend to sustain and/or increase the number of international students in the face of increasing competition for these students here and abroad?
- Has the institution considered the nuances of its academic curriculum in other countries and how it achieves consistency in academic excellence in each country?

Resource scarcity

Reductions in education and research funding by the federal government have become a reality due to the current fiscal state of federal and state governments. Universities are subsidizing more education funding for financially needier students, as they can no longer rely on past levels of federal and state monetary support. In order to survive and remain competitive, colleges and universities will need to build their endowments, which may require targeting donor and research funding sources outside the US. Research funds from the private sector and large, well-endowed foundations may provide the largest sources of research capital over the next ten years.

The pressure for institutions to monetize intellectual property will also become more intense in the future, to counter continued reductions in governmental support and to sustain capital demand for funding strategic initiatives (e.g., global expansion) and to maintain academic excellence.

Executive leadership and trustees should continue to discuss objectives to secure future funding. Specific factors to consider include the following:

- Has the institution developed scenarios that consider varying levels of governmental funding and identified and pursued alternative monetary funding sources?
- How is the institution’s advancement function reaching out to potential donors outside the US?
- Is the institution aggressively pursuing partnerships and monetization of intellectual property?

Technological breakthroughs

Innovation continues to be at the forefront and technology is both a driving factor of success and a recruitment and retention tool for students and faculty. As new technologies emerge, the expectations of students and faculty is that state-of-the-art technology will be available to them with the same ease as they experience in their everyday life. For institutions to provide a high caliber of services, both support and innovation across the campus community is critical to allow students and faculty to be nimble and engaged from anywhere. The emergence and combination of the internet, social media, mobile devices, data analytics and cloud computing will continue to transform the higher education landscape.
While the digital revolution creates new learning experiences and opportunities, security is an important element to the equation. The profile of today’s students and their learning expectations extend beyond the classroom. To accommodate this culture, and stay ahead of the curve, institutions are expanding course offerings to include certain forms of on-line learning to enable a more flexible and accessible platform to reach a larger number of students.

Advancements in technology and creative tools have paved the way to promoting innovation in a cost-effective manner. The traditional learning experience is shifting to web-conferencing and media platforms to collaborate and solve problems, and more curriculum focus is directed to media creation, design and student-led projects. Studies show that employers are seeking more real world experiences from students entering the workplace and institutions, through the use of technology, are looking to advance learning opportunities that better prepare their students.

Technology will continue to play an expanded role in advancing student learning and meeting the demands of students. The continued investment in new technological developments may require campus-wide change. Investments in training and the development of faculty is critical.

Executive leadership and trustees should continue the dialogue on the challenges and opportunities related to emerging technological developments. Specific factors to consider include:

- Is the institution’s IT infrastructure enabled to take advantage of emerging technologies and adapt to new education models?
- Is the institution utilizing and capitalizing on big data and developing tools to identify patterns that may be applied to improving decision making?
- Does the institution’s strategic plan encompass initiatives to respond to technological developments and how these will affect students and faculty?
- Is the institution’s IT security infrastructure sufficiently flexible and far reaching to encompass the newest advancements in technology?

There are obviously many more trends and alternative views on what higher education will look like over the next generation. While no prediction can be certain, senior management and trustees should continue to discuss and challenge themselves, asking what their institution will look like fifteen to twenty years from now. These discussions should include expectations of the competitive marketplace at that time, and what can be done today to position their institution for the future.
Contributors

Matt Carlson
David Church
Marcy Culverwell
Ralph DeAcetis
Maria Esposito
Martha Garner
Tom Gaudrault
Melanie Glover
Alicia Harkness
Julianne Inozemcev
Elizabeth Klucznik
Frank Maggio
Dave Merriam
Sean O’Hara
Ann Pike
Carol Ruiz
Eric Schwartz
Shannon Smith
Gwen Spencer
Margaret Stover
Paul Tanis
Kelly Thornton
Ivy Xie