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The Business of College

With students re-evaluating the return on investment of higher education, colleges increasingly have to prove themselves. Are local colleges adapting? Are endowments suffering? POST finds out.

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In

37 years working in higher education, Daan Braveman can't think of another time when people questioned the worth of going to college. The president of Nazareth College marvels about this and a number of current conversations.

Ultimately, many of the topics factor into traditional revenue streams for colleges and universities. Higher education is under pressure. The 2008 recession took a toll on tuition-paying families and college endowments—investment accounts that buffer fluctuation in revenue. The millennial college-age population bubble is ending, with the U.S. Census projecting a decline in the number of 18-to-24-year-olds in New York for the next

five years. A greater percentage of the young people here are expected to be financially disadvantaged.

Students now visit colleges with more questions about return on investment. Ever-advancing technology creates uncertainty about demand for modes of learning in a sector that does not tend to move nimbly. State and federal governments have cut budgets for public institutions and scientific research. In the Rochester area, where average household income has declined and previously generous corporations are shadows of their 20th-century selves, schools compete for fewer philanthropic dollars.

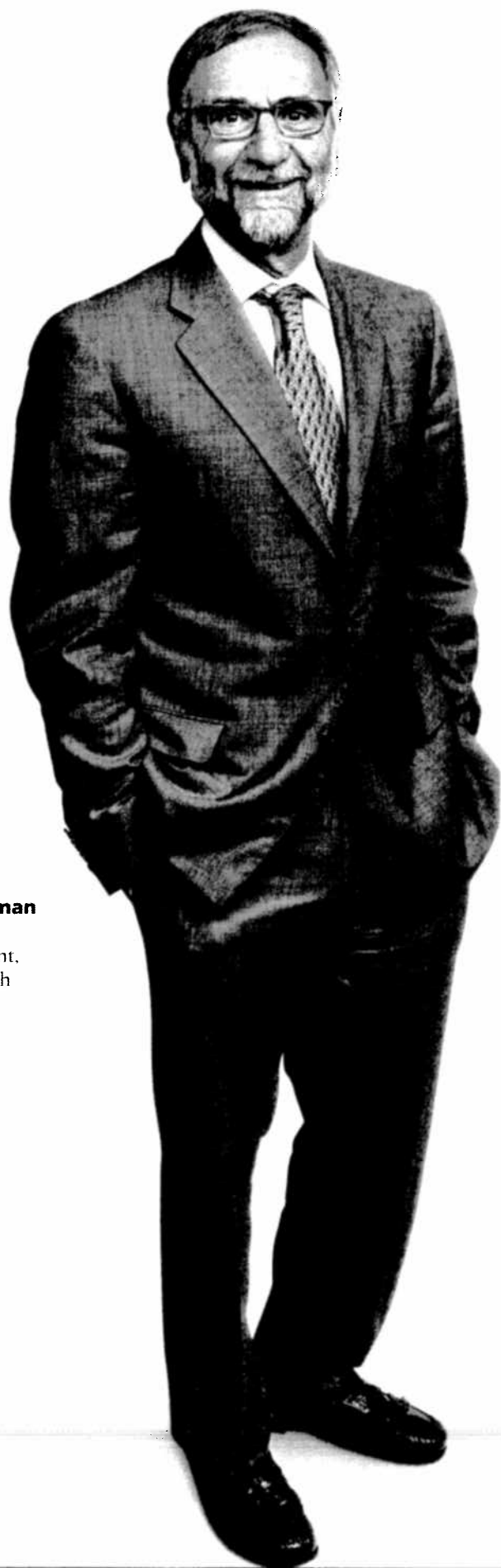
The stressors on higher education moved

jarringly into the news with an announcement in March that historic Sweet Briar College in Virginia would close at the end of the 2014-15 academic year. In April, Rochester's for-profit Everest Institute—at one time the nonprofit Rochester Business Institute, with a long history here—shut down after the U.S. Department of Education fined its parent company for misrepresenting job placement and other data. National higher-education publications warned of broader trouble: "Sweet Briar's Demise Is a Cautionary Tale for Other Colleges," says one headline in the *Chronicle of Higher Education*. An alumnae group has been working to rescue Sweet Briar.

Most institutions in the Rochester area appear stable despite some statistics of concern. They generally are larger than Sweet Briar, which with roughly 700 students is highly sensitive to small fluctuations in enrollment. The all-women college, in an isolated area of western Virginia, had been spending at a high rate from its \$84 million endowment and discounting tuition as much as 60 percent to attract students. Sweet Briar also maintains an expensive equestrian program.

Braveman and other higher-education leaders describe a variety of creative pursuits to cope with problematic circumstances. The colleges are reaching farther for students—in some cases across the country and internationally. All of the schools have added or fine-tuned professional programs. They're also enhancing internships to better position students for jobs after graduation.

The strength of the region's colleges and universities is important. A college town almost since the city was chartered, Rochester has benefited from higher education as a source of economic stability and cultural sophistication. Though not often touted, the region has a high concentration of institutions of higher education. Data compiled by CGR, the Center for Governmental Research, shows the Rochester metropolitan statistical area as fifth highest for college degrees per capita among MSAs with a population of 1 million or more. Further, the area ranks among the top five for degrees in math, physical sciences, music, biological and biomedical sciences,



**Daan
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engineering, communications, and English.

Many of the schools are listed in prominent rankings, such as U.S. News & World Report's Best Colleges. The University of Rochester is 33rd on U.S. News's 2015 list of National Universities; Rochester Institute of Technology is 5th in Best Value Schools.

The colleges are major employers, with the University of Rochester first in the region, employing 26,000, according to the Rochester Business Journal's 2014 ranking. Rochester Institute of Technology ranked sixth with 3,781. Added together, the smaller schools employ 8,000 (St. John Fisher, Hobart and William Smith, Nazareth, Keuka, and Roberts Wesleyan colleges; Monroe and Finger Lakes and Genesee community colleges; and State University of New York's colleges at Genesee and Brockport). Nearly 80,000 students study here each year, and many of them contribute an estimated \$55,000 annually to the region's economy, Braveman says. UR alone is estimated to generate \$2.8 billion in direct and spill-over wages and \$160 million in sales, income and property taxes, according to CGR.

"Higher education is really one of the major economic drivers of this region," Braveman says. "We're clearly a college town. There's an opportunity to promote the whole region."

The local colleges that appear to be somewhat financially vulnerable describe factors that distinguish them from a Sweet Briar-type situation. Keuka College, with an endowment of \$13.4 million and an average tuition discount rate that has hit 50 percent, is raising \$30 million in a capital campaign, has boosted digital learning and has added hundreds of students overseas through partnerships with universities in China and Vietnam.

"The management team here is used to working on the edge, watching every penny," says Jerry Hiller, vice president for finance at Keuka.

Roberts Wesleyan College—endowment of \$20 million—has raised \$38 million toward a \$42 million capital campaign to fund a new science and nursing center, scholarships and endowment. The school recently joined Division II athletics to appeal to more students, **created flexible programming to let students finish more quickly**, and promotes its Chris-

tian identity as a distinct niche. Roberts also created a new position in enrollment management. "I don't think you'll ever see any school say an endowment is enough," says Laurie Leo, chief financial officer. "Roberts balances how they raise funds for current operations, specific projects and for the very long term in the form of endowment. Roberts is a tuition-driven school; enrollment is very, very critical." Total enrollment, 1,760, is up from the 2013-14 school year and has fluctuated from 1,735 to 1,948 over the past decade, according to federal data.

Jennifer Leonard, president and CEO of the Rochester Area Community Foundation, says local colleges have been innovative in scoping out specialties. The foundation maintains data on regional economic indicators and philanthropic giving, and helps donors endow scholarships. The foundation also works with businesses, colleges and nonprofits on community improvement efforts. The colleges have been important partners on any number of fronts, such as health care services, nonviolence initiatives and volunteerism. UR now manages East High School; university President Joel Seligman is co-chair of the Finger Lakes Regional Economic Development Council. "They're serving as tangible and moral exemplars for the community," Leonard says.

With the exception of a few schools oriented toward specific job training, all of the local postsecondary schools are nonprofits and look to philanthropy for help funding anything from buildings to scholarships, in addition to building their endowments. Even publicly funded schools such as SUNY Brockport and MCC—through its foundation—have worked harder to raise money in recent years, with Brockport recently collecting more than \$25 million in its first-ever capital campaign.

The schools are soliciting in a community that generally not only has less to give than in previous decades but also is a bit less inclined to give. Median household income in Monroe County—once higher than the national average—dropped 17 percent from 2000 to 2009, to \$52,400, and fell below the nation and state, according to data collected by ACT Rochester, a data analysis project of the Community Foundation.

In the Rochester area, where average household income has declined and previously generous corporations are shadows of their 20th-century selves, schools compete for fewer philanthropic dollars.

Average charitable giving in the region, also once said to be higher than most areas, was \$900 in 2012, compared with \$1,700 across the state and \$1,300 nationally, the ACT data shows. The regional giving average was down 19 percent from 2002; state and national giving each dropped by about 9 percent. Average giving here as a percentage of income dropped from 2.1 percent in 2002 to 1.7 percent in 2012. Statewide the 2012 average was 2.2 percent, and nationally it was 2 percent. In one of the area's most visible charity efforts, the Greater Rochester United Way has been steadily lowering its annual campaign goal in response to economic changes. It raised \$24.3 million in 2015, 32 percent less than in 2005.

The Community Foundation anticipates an enormous transfer of wealth in coming decades. It is working to persuade people to consider Rochester-area needs in estate planning, with recent research suggesting \$33.5 billion will move from the World War II generation to its baby boomer children, then to the children of the boomers, by 2030. "We know there's a lot of capacity for giving," Leonard says.

"Many of the children who stand to inherit live elsewhere, particularly in the Sun Belt. If grandparents or parents creating estates want to benefit where they raised their children, there are ways to do that by supporting community organizations like ours." Looking farther ahead, the Community Foundation research suggests a transfer of wealth of \$134.8 billion by 2060.

Colgate Rochester Crozer Divinity School, an independent theological graduate institution with a mission focused on social justice, typically raises about \$500,000 a year, says Tom McDade Clay, vice president for advancement. Colgate Rochester enrolls roughly 100 students a year—most of them part time—and has an endowment of \$23 million. Its graduates enter ministries and a variety of types of work. Like most theological programs, enrollment at CRCDS has been in decline. As society becomes more pluralistic, McDade Clay says, CRCDS is working to help potential students understand that its focus is "not to indoctrinate with some mythical world" but rather on helping society: "We'll operate soup kitchens and simultaneously look at structures that make people hungry in the first place," he says. The school coordinates and often hosts symposiums on race, poverty and other issues.

It has found complementary organizations to help fill revenue holes at its 1930s brick campus off Goodman Street. Formerly empty dormitories are being used by the Veterans Outreach Center, housing homeless vets, and the American Cancer Society, helping people with life-altering illnesses. The school also fundraises, outside the area and locally, for operating expenses, programs and facilities. "Unlike many graduate schools, our graduates are not going into the most lucrative professions," McDade Clay says. "So we rely on a broader range of friends who value the same things we value to help make this mission a reality."

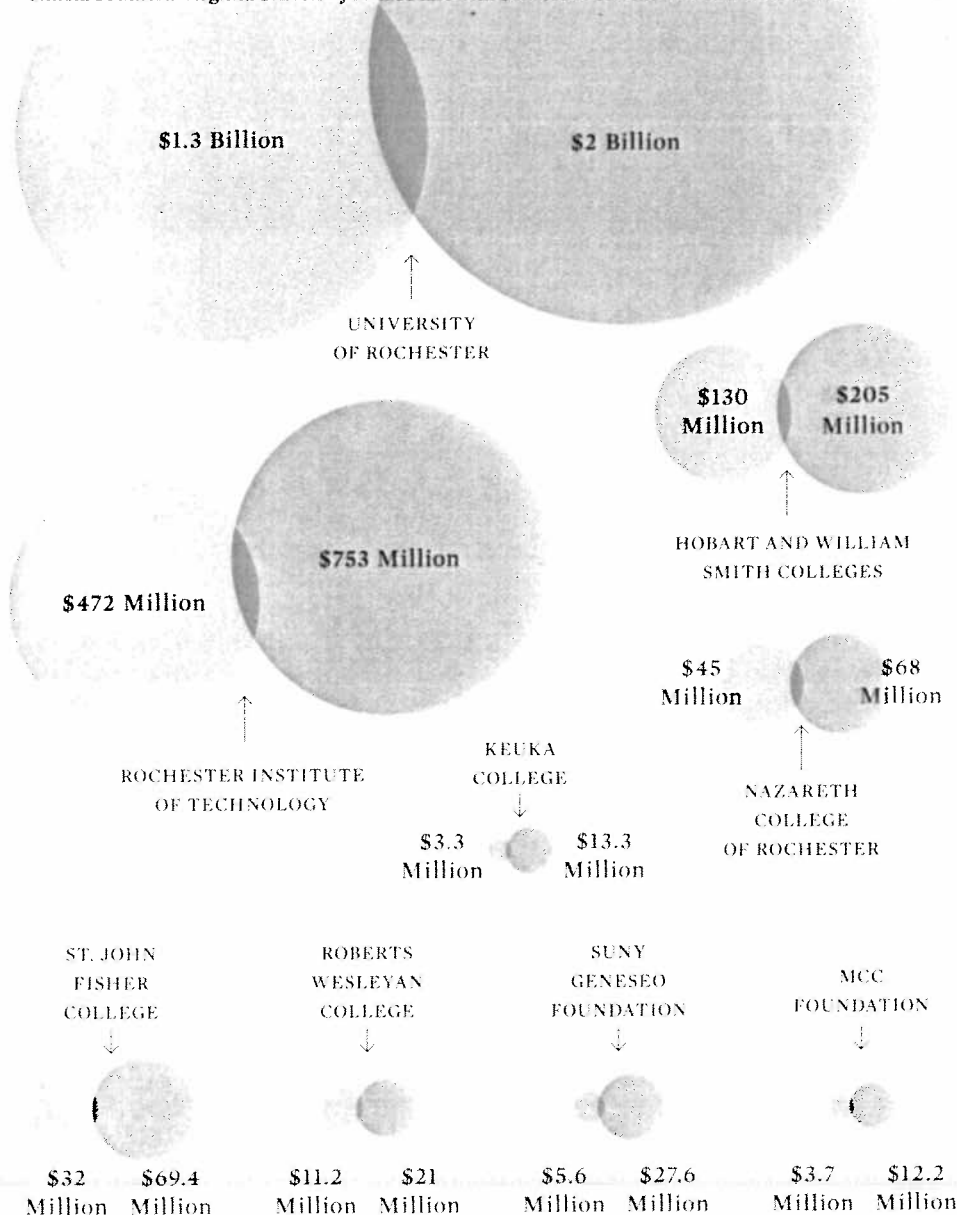
As the University of Rochester's \$1.2 billion capital campaign moved along in recent years, some donors mentioned to McDade Clay new commitments they were making to UR. "I didn't have anyone tell me they could not give because they gave to UR," McDade Clay says. "What that tells me is, that money is

Open Wide

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An endowment is an important measure of a college or university's financial health. Other factors include investment performance, enrollment, net tuition, and revenue from ventures such as sponsored research or patent royalties. An institution's debt burden and other expenses, such as commitment to full-time teaching staff, also are considerations.

In 2014, the University of Rochester and Rochester Institute of Technology ranked 43rd and 128th respectively in the National Association of College and University Business Officers study, which includes Canadian institutions. For perspective, Harvard ranked first out of 853 schools with an endowment of \$36 billion. Southern Virginia University ranked last with \$894,000. The median endowment was \$113 million.



now being allocated in a way it wasn't before. In a place like Rochester, where we're losing population and no longer a headquarters town, it stands to reason that money being allocated toward one thing is not available to others.

"Given how the economy has transitioned," he added, "if the university is successful, it's a success all stand to benefit from in the Greater Rochester area."

UR announced in March it had reached its \$1.2 billion goal and would strive for an additional 10 percent or more. Roughly \$500 million has been raised in Monroe and the immediately surrounding counties. Rochester donors also have been generous in separate efforts for the Eastman Theatre and Golisano Children's Hospital, President Seligman says. "Rochester's been amazingly generous," he says. "People are really proud of the city."

The university aims to be ranked among the top 20 nationally by 2018. Seligman says his work with the Finger Lakes Regional Economic Development Council has helped him see the diversity of the area economy. He is optimistic about the fortunes of the university's home city. "With the right combination of state support—it's our job to leverage more private support—I can see a more catalyzing moment."

UR's enrollment has swelled from 8,453 in 2005 to 11,060 this year. Half of the freshman class last fall came from outside New York, and 18 percent were from 61 other countries. The university has two full-time admissions recruiting staff members in Los Angeles, in one of the few states projected to see an increase among traditional college-age people between now and 2020.

UR's endowment has similarly expanded, from \$1.3 billion to \$2 billion. The university's chief financial concern now lies in its medical center. Funding for medical research from the National Institutes of Health has dropped from \$27 billion in 2003 to \$22 billion in 2014 when adjusted to 2003 constant dollars.

The revenue outlook for patient care is uncertain as health care coverage evolves from a fee-for-service environment to one focusing on outcomes, says Ron Paprocki, senior vice president for administration and

finance. The medical center accounts for about two-thirds of the university budget. "It's still a dynamic situation," Paprocki says. "We have a strong and proactive management team at our medical center, planning for the highest quality of care ... and obtaining as large a population as possible for the new environment." UR has affiliated with health care systems in Canandaigua and Dansville, among others.

Dianne Cooney Miner looks at health care from a different angle. The dean of the Wegmans School of Nursing at St. John Fisher College is in a near-constant mode of anticipating and adjusting to the needs of nursing students and the health care system. Enrollment has grown from 100 when Cooney Miner arrived in 2012 to nearly 1,000 now—nearly a fourth of Fisher's overall enrollment. The increase has more than offset a drop in enrollment in the Ralph C. Wilson Jr. School of Education, from 422 to 165, from 2009 to 2014. The nursing school offers a traditional college experience for four-year students, an online degree completion program for adult learners and full- and part-time graduate degrees. She is trying to anticipate the nursing needs of an aging population that will want services at home while mindful that the increase in that population will not be permanent.

"I wonder about that out loud with my colleagues," Cooney Miner says. "Who is this new nurse of the future? What skills do they need?" Challenging economic times seem to draw more interest in nursing because of the availability of jobs, she noted.

Gerard Rooney, who became president at Fisher this summer, says that while professional programs in nursing, pharmacy and business have grown, the school also wants to incorporate experiential learning in every program. Fisher, which traditionally has drawn students from within 100 miles, is targeting students in regions such as Albany and Long Island. The school also now offers graduate programs in education at satellite locations at the College of New Rochelle and Onondaga Community College.

Rochester Institute of Technology has



**Dr. Gerard
Rooney**

President,
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College

benefited from a stronger demand for career-focused education, President Bill Destler says. "We're in kind of a sweet spot—our reputation is growing at the same time return on investment is a concern." RIT, always heavily career-oriented, began investing in recruiting in western states soon after Destler's arrival in 2007. The institution has created new schools of health sciences and technology and health and nutrition, and focused more on helping startup businesses. "We found out a few years ago we had 200 students running businesses out of dorms," Destler says. "It is an entrepreneurial group."

Out by the shore of Keuka Lake, Hiller, the financial officer, points to work experience for Keuka College's students as a major draw as well. Keuka has a long tradition of requiring "field period," a different internship every year for traditional baccalaureate candidates. Keuka also has diversified its programs to reach a sizable base of adult learners, offering expedited, part-time degree programs in Watertown, Corning, Batavia and Rochester. It began offering degrees in China about 10 years ago as a source of revenue during a spell that was more financially unsettled than now, Hiller says. The overseas programs contribute about \$1 million in net revenue to the school's \$40 million annual budget.

Keuka has earned mediocre financial responsibility scores from the U.S. Department of Education five out of the past six years. The government evaluates schools' cash reserves, investments and net tuition revenue in determining eligibility to offer federal financial aid. The score ranges from -1 to 3, and a rating below 1.5 can require further scrutiny by federal officials and a letter of credit. Keuka dropped below 1.5 in 2008 and has been improving. Roberts Wesleyan and CRCDS also have fallen below 3.

"Rather than increasing our score, our focus is on investing in the future," Hiller says. Some cash reserves have been used to upgrade dormitories and the student union, install a new turf athletic field and upgrade digital libraries. When President Jorge L. Díaz-Herrera, former computer science dean at RIT, arrived in 2011, he led the creation

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of Keuka's first strategic plan since 1996. The plan sets high goals for Keuka as a place of comprehensive learning in liberal arts, technology, experience and professional practice.

Nazareth has a significant emphasis on experiential learning, Braveman says, and is considering ways to use more technology to enhance that focus. "One of the trends is the flip classroom—get the content online on your own, and the classroom is where you apply what you know. That's an exciting opportunity. To me when you take learning in the classroom and apply it, that's where the light bulbs go off. It's a challenge and an opportunity."

He's similarly excited about partnerships with high-achieving charter schools in New York City, where the students are nearly all minorities and most qualify for free or reduced-price lunches. This year Nazareth enrolled 30 graduates of Medgar Evers Preparatory School. With increasing numbers of high school graduates in coming years requiring financial assistance, Braveman says schools will need to look at the expense side of their budgets rather than raising tuition as in years past.

"What you will see," he says, "the rest of the decade, is some schools that either close or merge."

Nazareth eliminated faculty positions in graduate education in 2013 due to declines in enrollment, and added instructional positions in growing programs such as physical therapy. Graduate enrollment is now stable and undergraduate enrollment is growing, said vice president for finance Patrick Richey. The college would not discuss specifics of the restructuring.

With the economy picking up, MCC has seen a nearly 20 percent drop in its enrollment, from 19,000 in 2009 to 15,000 last fall. The community college's numbers tend to run countercyclical to the economy, with more people looking for new skills during a downturn. The college is taking this as an opportunity to refocus on meeting complex and comprehensive needs of the region, President Anne Kress says. Among those needs are more programs for university transfers and for adult learners. "The barriers for someone 35 are different than someone who is 18," Kress says. The college is finding ways to accelerate what would have been an 18-month program into six months. "With adult learners, time is incredibly valuable."

The college is working to provide more programs in health care and technology, especially optics and manufacturing—potentially promising areas for the local economy. "More than a high school diploma, less than a four-year degree," Kress says.

The landscape is shifting, she noted. "It seems to be moving much more quickly than ever before." One of her worries centers on public funding for education; Louisiana State University this spring was preparing to declare a financial emergency after its budget was cut 80 percent in one year. "There was a time when public investment in education was understood to be a public good," Kress says. "There's an increasing desire, probably well-founded, in which anyone who funds education wants to understand where their dollars are going and what the return is. Every few years MCC does an MCC impact study, we can sit down when we do budget advocacy ... that's probably not a discussion whoever sat behind my desk 15 years ago was having."