Resources White Paper
Revenue

Background: For the success of any university, it is imperative for the university to have adequate resources. The key resources not only includes revenue adequate to fund expenditures required to provide an education for the student, but also an up to date and adequate technology structure to support both the students, faculty and administration, as well as an infrastructure including sufficient facilities, parking, as well as facilities for community use.

Lessons Learned:

Revenue: Universities can no longer depend on state appropriations. With the continual drop in funding by the State of Oklahoma, all sources of revenue must be considered including an increase in tuition, a structured plan of recruitment of students, fund raising through the foundation and any other means of increasing revenue. Based on the FY 2017 Sources and Uses of Funds for E&G produced by the Oklahoma State Regents for Higher Education universities and colleges have seen a decline of 41.6% in their budgeted revenues which primarily consist of the decrease in state appropriations. In addition, Oklahoma institutions experience a 15.9% decrease in state appropriations support for FY17 operational funding. Although the institutions are expected to accommodate an estimated number of 132,984 annualized FTE students, they continue to experience increases in mandatory costs.

National Trends/External Picture:

Revenue: Nationally, state support for higher education increased 1.6 percent from 2017 to 2018, its slowest growth in five years. Although National support increased, states' financial support for higher education grew only slightly between the 2017 and 2018 fiscal years, with more than a third of states decreasing their funding and another dozen increasing it only slightly.

Percent Change in State Appropriations by State			
State	Total Support 2017-18	1-Year Change	5-Year Chage
Alabama	1,618,261,945	3.90%	3.90%
Alaska	327,222,500	-2.50%	-2.50%
Arizona	852,217,100	1.30%	1.30%
Arkansas	990,308,071	1.20%	1.20%
California	14,300,823,000	3.80%	3.80%
Colorado	887,037,491	2.30%	2.30%
Connecticut	1,143,736,037	-1.00%	-1.00%
Delaware	237,069,500	1.00%	1.00%
Florida	5,051,738,013	11.30%	11.30%
Georgia	3,423,355,485	6.60%	6.60%
Hawaii	716,718,368	7.40%	7.40%
Idaho	478,997,900	4.10%	4.10%
Illinois	4,349,491,603	-5.50%	-5.50%
Indiana	1,773,727,687	1.60%	1.60%
Iowa	816,055,053	-1.60%	-1.60%
Kansas	764,547,532	-0.60%	-0.60%
Kentucky	1,173,159,100	0.20%	0.20%
Louisiana	1,156,078,487	6.70%	6.70%
Maine	301,805,964	0.00%	0.00%
Maryland	1,992,867,551	0.60%	0.60%
Massachusetts	1,564,337,918	1.30%	1.30%
Michigan	1,917,024,500	2.10%	2.10%
Minnesota	1,653,249,000	7.10%	7.10%
Mississippi	900,155,014	-11.20%	-11.20%
Missouri	988,536,584	-2.30%	-2.30%
Montana	243,920,115	-3.30%	-3.30%
Nebraska	760,198,501	0.90%	0.90%
Nevada	622,021,005	8.90%	8.90%
New Hampshire	127,935,617	2.20%	2.20%
New Jersey	2,065,933,000	-0.80%	-0.80%
New Mexico	828,197,600	-3.10%	-3.10%
New York	5,860,223,303	1.90%	1.90%
North Carolina	4,020,836,353	1.20%	1.20%
North Dakota	358,491,256	-14.60%	-14.60%
Ohio	2,300,904,761	-0.10%	-0.10%
Oklahoma	829,597,660	-3.90%	-3.90%
Oregon	859,469,660	5.50%	5.50%
Pennsylvania	1,651,732,000	-2.40%	-2.40%
Rhode Island	198,291,070	5.70%	5.70%
South Carolina	1,097,979,545	0.30%	0.30%
South Dakota	233,805,655	-2.00%	-2.00%
Tennessee	1,844,857,699	6.50%	6.50%
Texas	7,493,114,733	-1.60%	-1.60%
Utah	1,025,936,100	4.80%	4.80%
Vermont	94,462,556	2.30%	2.30%
Virginia	2,013,572,522	-1.90%	-1.90%
Washington	1,906,810,000	1.50%	1.50%
West Virginia	470,910,031	-2.70%	-2.70%
Wisconsin	1,509,157,200	2.40%	2.40%
Wyoming	373,759,707	-2.20%	-2.20%
Washington, D.C.	78,180,000	2.00%	2.00%

Tuition Increases:

Many institutions increased tuition fees during the five-year period of 2012 – 2017 to make up for declining government funding. According to data from the National Center for Education Statistics, public institutions increased tuition fees at an annualized rate of 3.3% over the past five years, while nonprofit private institutions raised tuition an annualized 5.8% during the same period. This trend, coupled with the steady increase in college enrollment that has occurred in recent years, helps to explain why industry revenue increased during this period despite limited levels of government funding. Moreover, increasing per capita disposable income and a declining national unemployment rate has made a college education financially viable for more students.

In addition to these improvements in the domestic market for higher education, industry institutions have also benefited substantially from increased demand from foreign students. Whereas just 545,256 international students were enrolled in industry institutions during the 2011 – 2012 academic year, an estimated 786,193 students were enrolled during the 2016 – 2017 academic year, according to data from the Institute of International Education. This trend is expected to continue over the five years to 2022 as US institutions are extremely competitive on a global scale, occupying many of the top spots in world university rankings. Moving forward, enrollment trends will likely continue to drive industry growth, both because demand from international students is relatively unaffected by fluctuations in endowment investments and government funding and because the overall economic climate is expected to continue improving in coming years. In coming years, US universities and colleges will likely make education more accessible to international students by expanding their use of distance education technologies, developing links with other colleges across the world, and improving their marketing efforts.

Giving: Colleges and universities raised a total of $43.6 billion in the fiscal year ending June 30, 2017, according to results from the latest version of the annual Voluntary Support of Education survey from the Council for Aid to Education which was a 6.3% increase. Personal giving by Alumni proved to be responsible for much of the growth in 2017. Alumni giving increased to $11.37 billion or 14.5 percent to while non-alumni giving rose by 4.5 percent to $7.86 million.

Strategic Themes:

Revenue-Tuition: The key drivers for revenue of a university include tuitions costs as well as the number of students enrolled. The average costs for 30 hours for a student at East Central University is $230.97. Therefore, with an increase of 150 students total revenue for East Central University would result in an increase of $1,039,365. This does not include any additional revenue recognized for room and board of students living on campus.

Additional key factors to understand is that increasing the number of students is important but also retention rates as well graduation rates will play a major role in the calculation of state funding moving forward.

The affordability of a college education has a significant impact on industry demand. Tuition costs and household income determine affordability, and higher tuition typically decreases demand for postsecondary education. On an individual basis, a person's ability to forgo or endure reduced income from paid employment can influence the decision to go to school. This is particularly true of mature students who are returning to school after participation in the workforce. Per capita disposable income has increased at an annualized rate of 1.4% over the five years to 2017, while the national unemployment rate has experienced a significant decline during this same period, both of which indicate that US consumers have more money to spend on higher education. However, tuition and school fees have also risen substantially in recent years. As a result, total enrollment in industry institutions has increased at an annualized rate of just 0.5% over the past five years.

In some cases, scholarships, grants, and other financial aid can offset tuition expenses. This assistance is typically provided by an individual institution, but state and federal governments also offers significant financial aid to certain students and hope of fostering a well-educated population. The majority of federal and state government aid is directed toward students from low-income households. However, this assistance is rarely a blank check, and very few US students experience a college education that is truly free. In fact, about 70 % of federal student aid comes in the form of student loans, while just 30% comes from federal grants that do not have to be repaid, according to data from the National Center for Education Statistics. Additionally, overall government funding for universities has declined in recent years, which has caused many schools to increase the cost of tuition. This trend has likely weakened growth in total enrollment and demand for industry services during the past five years.

Foundation Scholarships: Although, not the only provider of scholarships to students, ECU Foundation provides a substantial amount of scholarship funds to students attending East Central University. The foundation was established in 1970 with a contribution of $2000 and has grown to over $33 million. Currently each year over $500,000 in scholarships are awarded to students. Many of the scholarships are awarded based on pre-defined criteria of the individual providing the scholarship. In order to continue the success of the Foundation, stringent fundraiser must be done continually to not only grow and fund current scholarships but also provide new scholarships and additional funding for special programs. A total of 344 scholarships are currently available to be given with a total of 509 students being awarded the scholarships for the 2017-18 school year.

Giving to Universities: It is estimated that the new tax law will reduce charitable giving as much as $20 billion a year. But in 2018 at least, net giving is projected to hold steady.

ECU Alumni Association: The East Central University Alumni Association has 1,849 active members in its Association, however 907 are the most recent graduates (once you graduate you receive one free year membership to association). The other interesting number that was pointed out was the fact that out of the remaining 942 active members, 883 those are lifetime members. This leaves 59 members who are not lifetime. This means that those lifetime members only gave once (some more than others depending on family or individual membership). This also means that the 883 active lifetime members are not giving monthly or yearly.

Last year the ECU Alumni Association only had 15 active members who gave to the general fund within the last year. There were however 96 other members gave to the alumni general fund and most of those were considered to be part of the Golden Tigers.

Options:

Revenue:

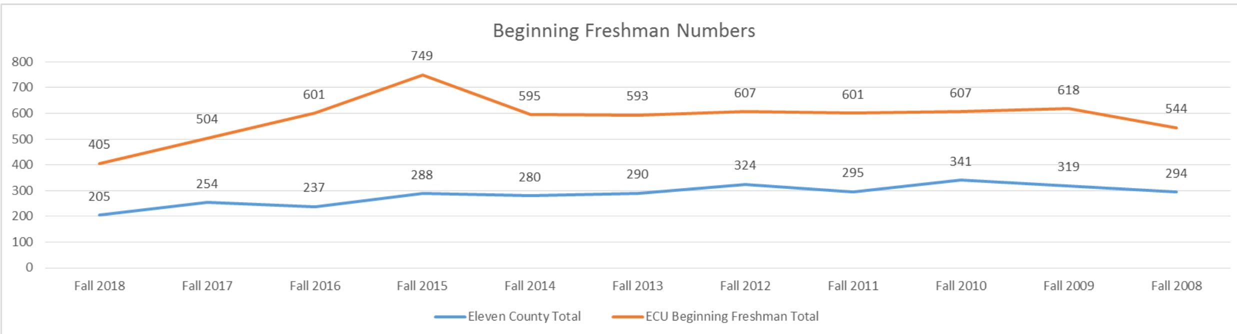
The university should evaluate the effectiveness of waiving out-of-state tuition for non-residents and internal students.

More and more colleges are beginning real sticker price competition. “Seeking students, public colleges cut out-of-state prices,” reads a headline in Sunday’s *Columbus Dispatch,* telling how Mississippi State, along with dozens of other schools, are dropping out-of-state tuition surcharges in order to raise enrollments. Why now and not a decade or two ago? Until the last five years, enrollments generally were rising in the U.S., along with state subsidies of public institutions. Now, in a period of declining demand and actual significant enrollment declines at a large number of state institutions, some colleges think by ending the large out of state surcharges, enrollments will surge and institutional finances will improve.

For the latter to happen, however, what economists call “the price elasticity of demand” must be substantial. Suppose a school charges out-of-state students $12,000 and in-state students $8,000 annually. Suppose it ends the $4,000 surcharge on out-of-state students, and that before ending that surcharge the school had 1,000 out-of-state attendees, meaning it was taking in $12 million in tuition revenue from out-of-state students (assume no tuition discounting). After the price cut for out-of-state students, it must enroll 1,500 of those students to raise the same $12 million. In other words, cutting tuition fees by 33 percent must lead to at least a 50 percent increase in out-of-state enrollees for it to be revenue neutral.

Moreover, as out-of-state enrollments rise (by 500 in this example), there should be some increase in costs—the marginal cost of educating one more student may be low (as most classes can stand some increase in size without adding instructors), but it is certainly not zero. Suppose that marginal cost is a very low $2,000 per student per year—$1 million for the 500 students added in the above example. For the university to find tuition reduction actually financially profitable, out-of-state enrollment would have to rise by nearly 700 students—70 percent—implying an extremely high sensitivity of students to price.

The university must recognize the importance of recruiting in all aspects and areas, specifically ECU's eleven county service area. As reflected in the chart below, since the Fall of 2015 ECU's freshman enrollment has decreased over 100 students per year for beginning freshman. Note: This chart was as of June 18, 2018.



The university must get creative in their recruitment process or approach.

An example is in the area of athletics. Currently ECU coaches are visiting local area schools evaluating talent, why not take the approach of visiting with the senior class why they are already at the location.

University personnel must make a connection between the counselors of the schools in our service area and must maintain that relationship.

The university must leverage ECU graduates that attended any of surrounding schools in our service area, to help promote ECU.

The university must look for opportunities to engage in the different schools in our service area.

University staff must look for opportunities and continue to present to area schools and students

Vision Bank Student Board

Citizen's Bank Student Board

Science Fair

Oklahoma Business Week

Each department must be held accountable and be actively recruiting for their department.

An example is in the School of Business-Business Scholars as well as Freshman Scholars Program.

The university should work towards implementing a President's Leadership Class.

The university must work hand with the foundation and alumni association to meet their mission----of serving East Central University including its students, faculty, and staff, and the surrounding community.

The university must create a catalog of opportunities for individuals to give back to East Central based on their particular desire.

A Strategic Plan needs to be created by the ECU Foundation which aligns with the mission of the university.

Each department should work towards identifying opportunities and funding for the university.

A key example of this success is in the School of Business. Dean Godwin has been successful at identifying individuals that have a desire to give back to ECU and provide opportunities for students in the School of Business.

Projected Costs

When you start projecting costs in bringing in revenue, the university has needs to identify a couple of ways to approach this strategy. We obviously know that enrollment of students is critical and that this is the easiest way to generate revenue, but with growth comes more overhead of staff and faculty and then comes more buildings. Establish a plan on how we can handle what we have, but also allows the university to grow at a healthy pace and not get ahead of its self.

Studies show that facilities are what attract people to places and then the people make it the experience. Example being Walt Disney. Why do millions of people travel to all of the Disney attractions across the world? Because of the Facilities and the Staff. Without these two things, they would not be what they are today. The way they make people feel keeps them coming back. We have to have Facilities that leave an impression on a student when they come to visit and then we have to make sure we have the adequate enough staffing for each area. Some will be more than others, it depends on which areas we think are most visual on a day n and day out basis.

Short and Long Term Plans

Like mentioned previously, we know students generate the quickest revenue. With this being said, why not make areas bring in a certain amount of students each year.

An example of this is Athletics, why not put roster size minimums on each sport every year. In 2017-18 academic year we had roughly 290 students involved with our programs. Athletics alone can bring in hundred extra students every year that would not be here unless it was for athletics. On average it costs $15,000 to attend the university, if we brought an extra seventy-five to hundred students to the university that would be an additional 1.1 to 1.5 million in revenue. Now in order for these students to have the best experience possible, the university would have to turn around and invest a certain amount of that back into athletics in staffing, scholarships, assistant coaches, and operational budgets. Maybe short term this is something we phase into with our larger roster squad sizes.

Long Term the university needs to keep in mind the ever changing cost of new vs renovating. Renovating old structures on campus and bring them up to code could cost more than building a new structure equipped with the newest technology.

There are three groups that need to work closely in relationship when establishing these short and long term plans. These groups would be the University, ECU Foundation, ECU Alumni Association.