



Higher Education at A Crossroads

Multiple Challenges, Leadership and Innovation

February 8, 2013
University of Wisconsin System
Board of Regents

Molly Corbett Broad, President

Agenda

- Introduction
- Financial Challenge
- Quality Challenge
- Student Demographics Challenge
- Yet Demand for PSE Increasing
- Innovation is In Order – Learning As Focus
- Leadership

Moody's Investors Service

Announcement: Moody's 2013 outlook for entire US Higher Education sector changed to negative

Global Credit Research 16 Jan 2013

"The US higher education sector has hit a critical juncture in the evolution of its business model....."

".....Even market-leading universities with diversified revenue streams are facing diminished prospects for revenue growth....."

".....most universities will have to lower their cost structures to achieve long-term financial sustainability and fund future initiatives."

Eva Bogaty, Assistant
Vice-President, Moody's Investor Service

Why Downgrade?

Key Pressure Points on Revenue

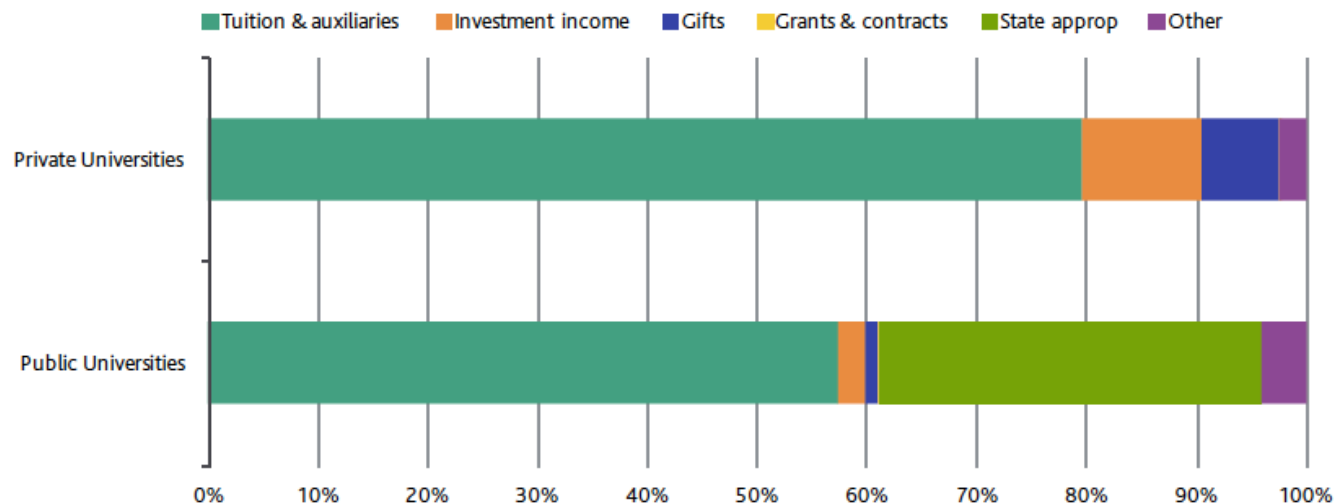
- Economic Pressure – Slow Recovery
- Heightened Political/Public Pressure
(State and Federal)

Economic Pressure Constrains Tuition Growth

EXHIBIT 2

Tuition is the largest share of operating revenue for private and public universities

Median revenue contribution ratios for FY 2011



Source: Moody's MFRA

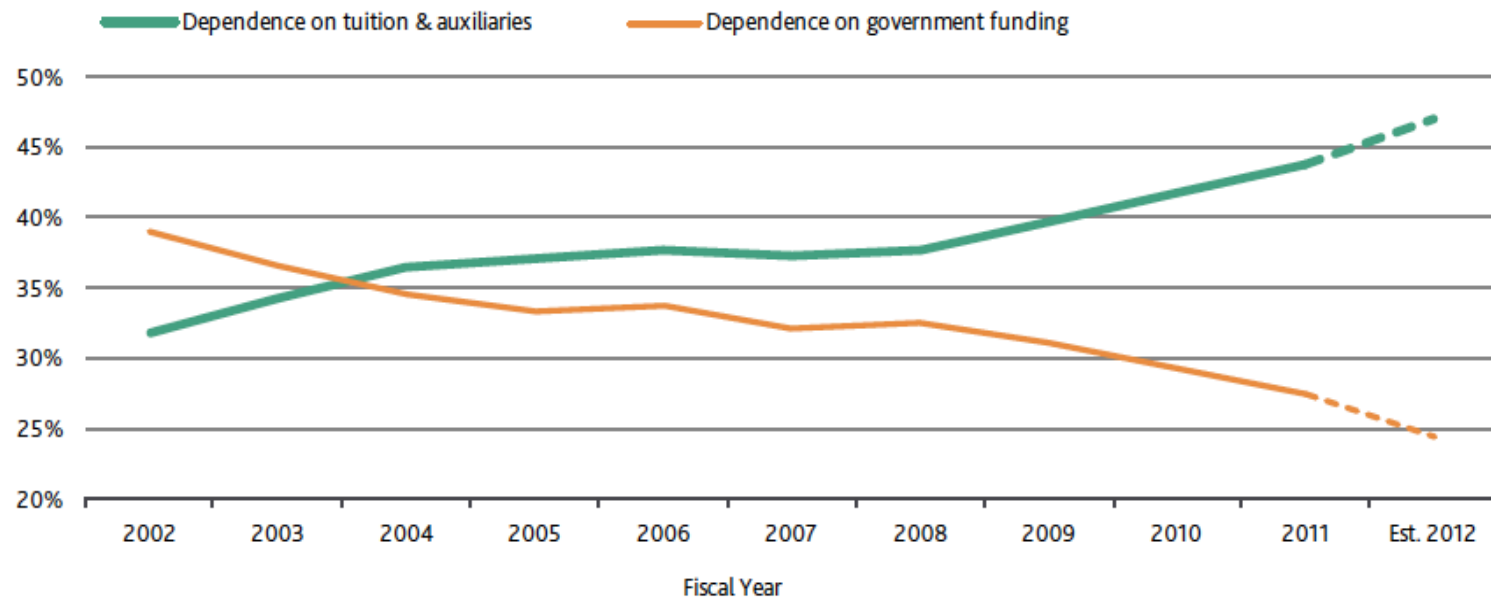
Note: The majority of the rated portfolio does not receive meaningful revenue from patient care or from grants and contracts, therefore the median contribution ratios for those two revenue sources is zero.

- 35% of private and 21% of public colleges are unable to achieve tuition revenue growth in FY 2011. (Trend continues into 2013.)
- Nearly 50% of universities are reporting lower enrollment growth.

Public University- Revenue Constrained

EXHIBIT 5

Tuition revenue grows at public universities in response to diminishing government support

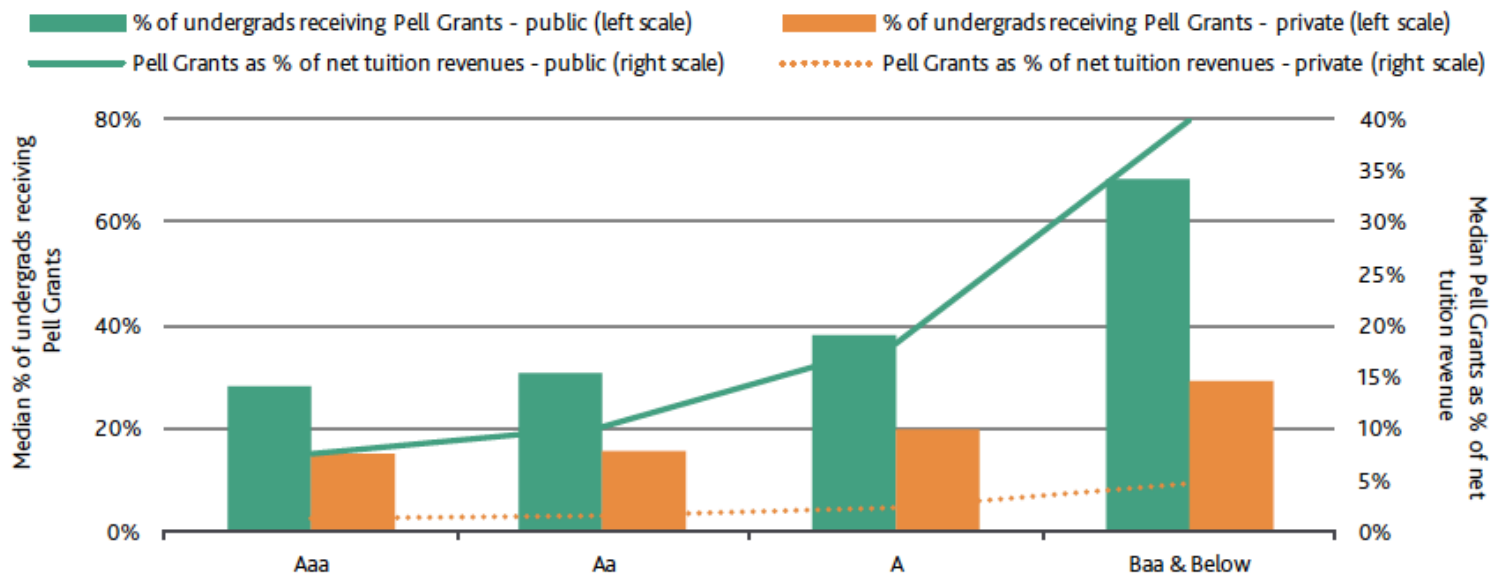


Source: Moody's MFRA

Growing Dependence on Pell Grants

EXHIBIT 6

Public universities and lower-rated private colleges more dependent on Pell



Source: Moody's MFRA; Department of Education, Integrated Post Secondary Education Data System

The Hidden Divide – Who Will Survive?

EXHIBIT 4

Fiscal 2011 private university medians

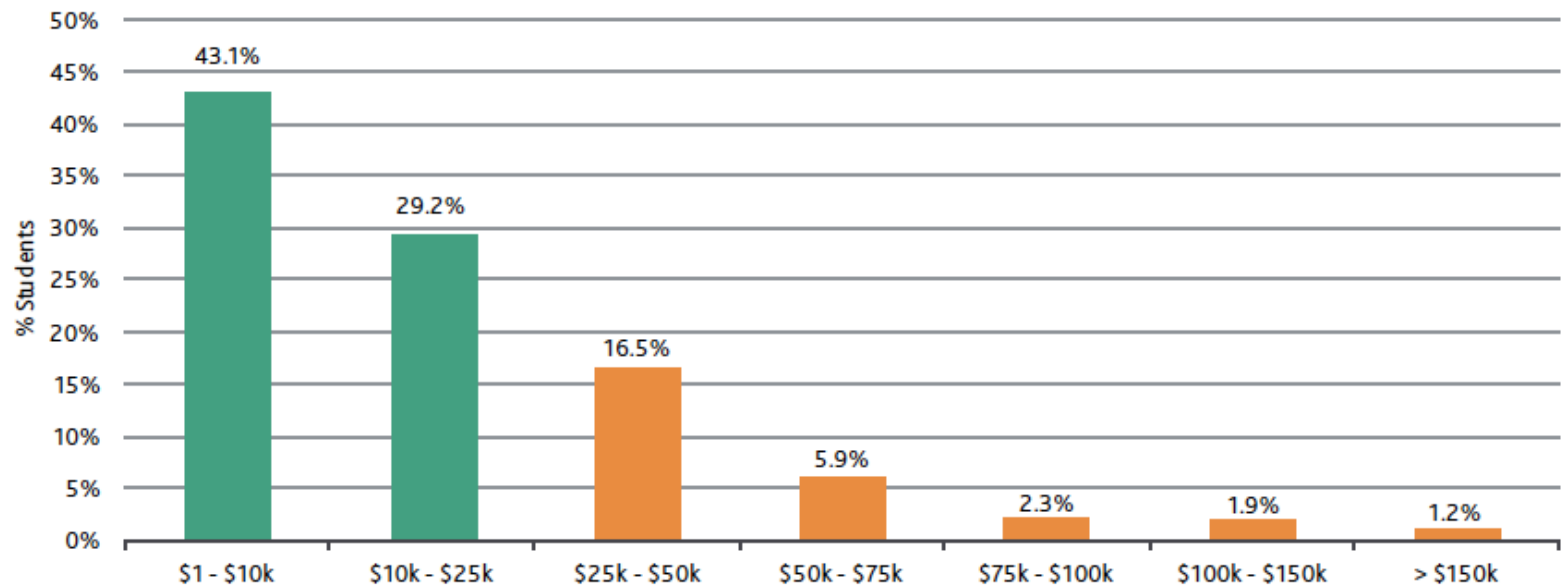
	Aaa	Baa
Selectivity	13.1%	67.0%
Matriculation	50.2%	24.2%
Net tuition per student	\$21,505	\$18,216
Educational expenses per student	\$75,435	\$21,531
Tuition discount	42.8%	29.5%
Total financial resources per student	\$1,028,416	\$23,252

Student Loan Burden Taints Perception College Degree Value

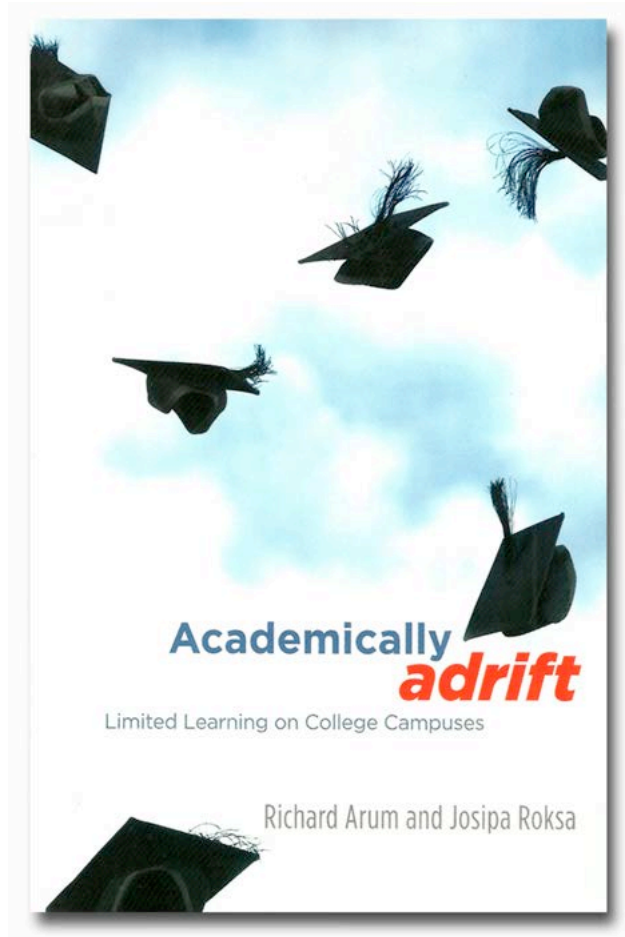
EXHIBIT 11

Large Majority of students have less than \$25,000 of student loan debt

Percentage of Student Loans Outstanding



Source: FRBNY Consumer Credit Panel/Equifax (Q3 2011). Represents all student loans reported to Equifax (including private loans)



QUALITY IN QUESTION

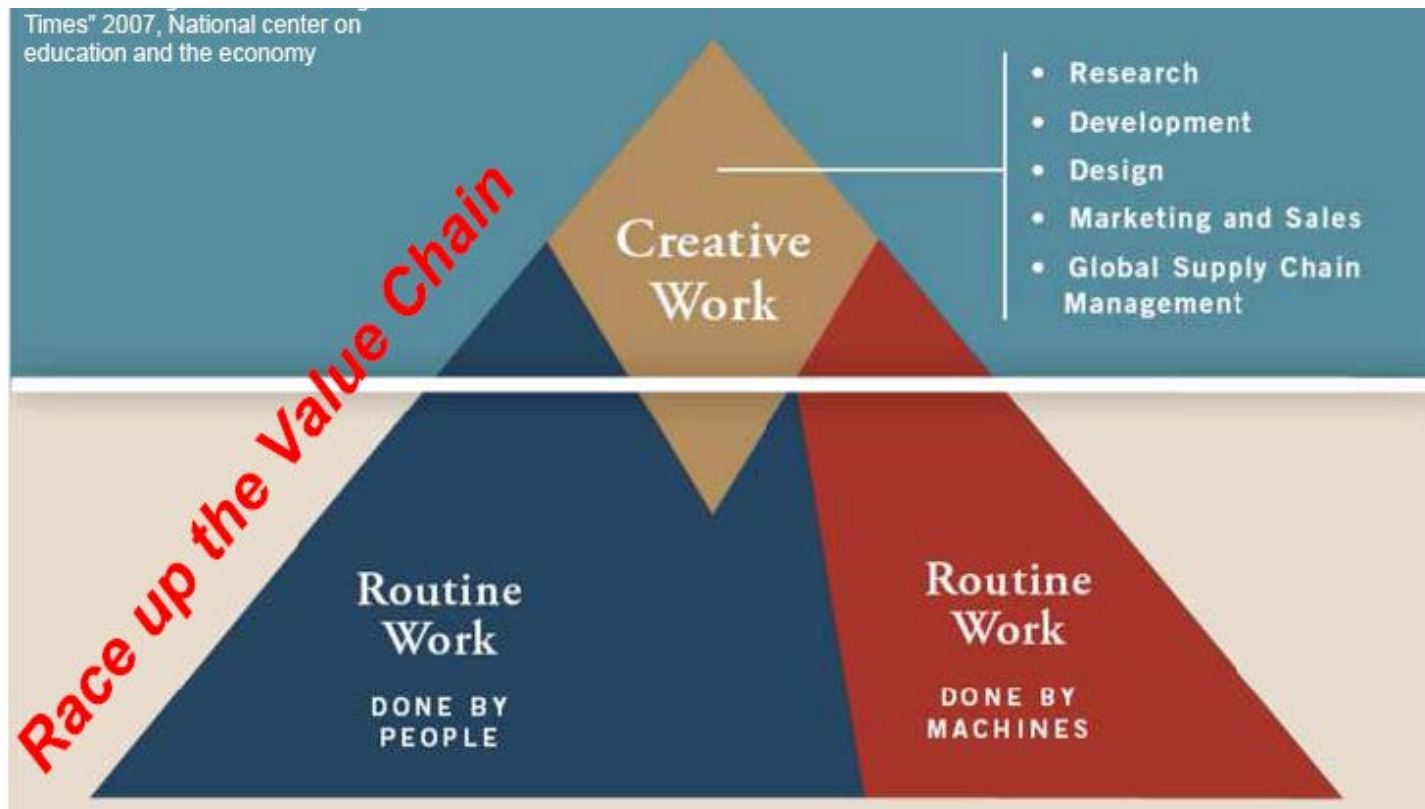
Study of 2,300 undergraduates

- **45% “demonstrated no significant gains in critical thinking, analytical reasoning, and written communications in first two years of college.”**

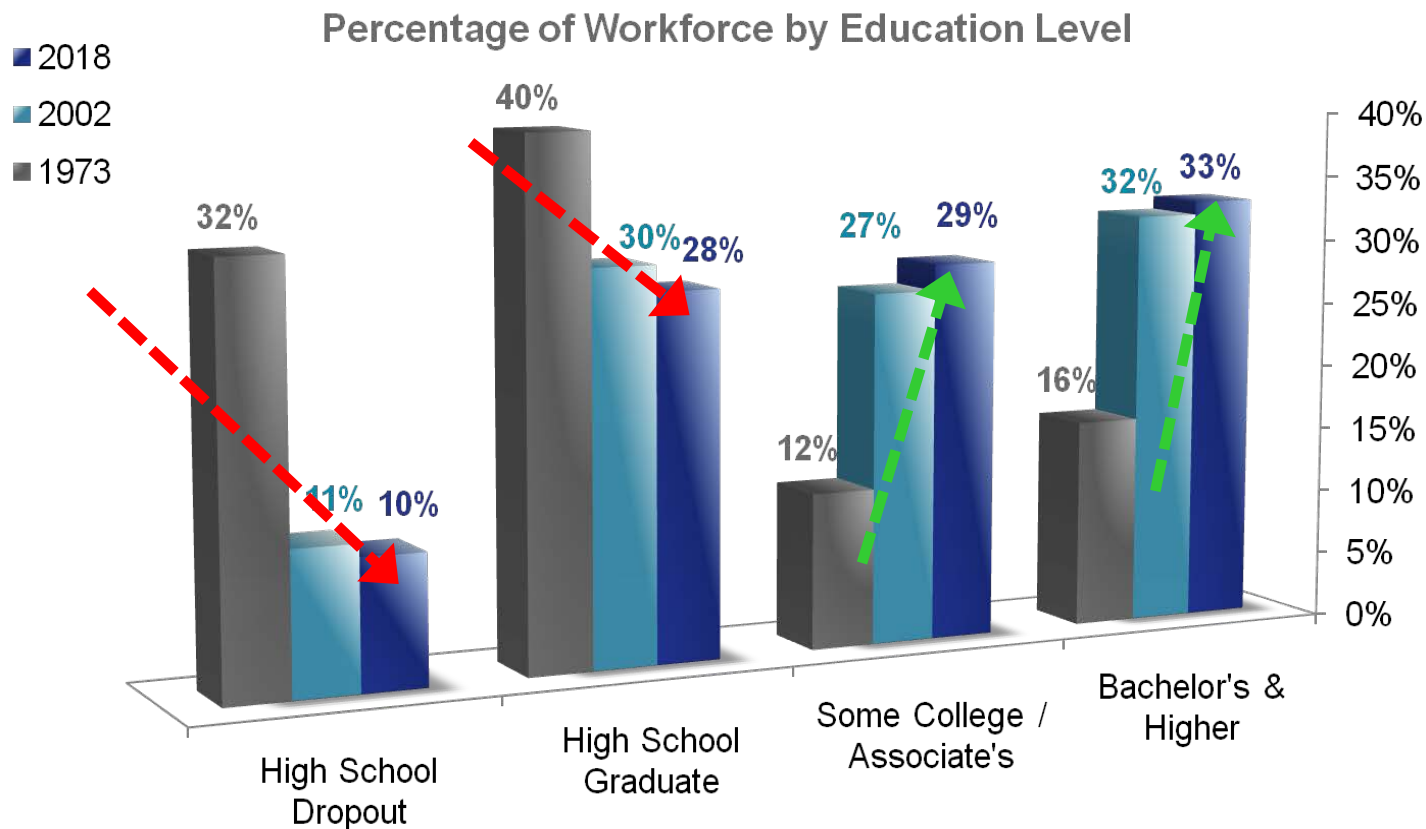
Changing Undergraduate Demographics(2009)

- **17.6 million undergraduates**
- **15 percent attend four-year colleges and live on campus**
- **43 percent attend two year colleges**
- **37 percent of undergrads enrolled part-time**
- **38 percent of those enrolled are older than 25 and one quarter are older 30.**
- **Nearly a quarter of postsecondary students in the U.S. are parents.**
- **One-third of all undergrads are employed full-time and 44 percent work PT.**
- **Over half of today's students are seeking a "sub-baccalaureate" credential**
- **2008-09, 806,000 certificates & 787,000 AA versus 1.6 million BA awarded.**

Driving U.S. Skills Demand Toward Creative Work



2018 Jobs Require More Education



Source: Carnevale, Anthony P. et al. (June 2010). Help Wanted: Projections of Jobs and Education Requirements Through 2018. Georgetown Center on Education and the Workforce. www9.georgetown.edu/grad/gppi/hpi/cew/pdfs/FullReport.pdf

Wisconsin Jobs Requirements 2018

WISCONSIN'S RANK IN JOBS FORECASTED FOR 2018, BY EDUCATION LEVEL.		
Education level	2018 Jobs	Rank
High school dropouts	241,000	40
High school graduates	1,026,000	17
Some college, no degree	366,000	8
Associate's degree	704,000	28
Bachelor's degree	600,000	26
Graduate degree	255,000	28

**By 2018....61% of jobs in Wisconsin will require PSE.
(National Average in 2018 63%)**

Postsecondary Education Innovation

- The intentional discovery and application of ---
- new institutional, instructional, credentialing and finance models—
- that maintain quality and reduce costs and increase value.

MOOCs

UDACITY

coursera



Learning and Student Analytics



Learning Innovation at UW



TEACHING

LEARNING

ASSESSMENT

Leadership Challenge

- **Bold and Responsible Leadership and Management**
- **Transformational Forces of Change**
 - **Financial Stress on Tuition, Government Support and Philanthropy**
 - **Better Quality Learning**
 - **College Students have Different Demographics**
- **Innovation is the Imperative – cognitive science, artificial intelligence, predictive analytics and more**