

# **Boston Business Journal**

## **Inside the University and College Balance Sheet: Responding to the Problems of Shrinking Revenues and Rising Costs in Higher Education**

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There is comforting news for every family member, neighbor, and professional colleague you know who is concerned about the rising costs of college expenses: college and university presidents are concerned, too, and in many cases, they are taking innovative steps to tackle the problem. In a recent national survey of four-year college and university presidents conducted by Maguire Associates for the *Chronicle of Higher Education*, respondents expressed high levels of concern about rising tuition costs. They also said that achieving a balanced budget for their institutions is the most important indicator of their success as presidents.

Why is balancing the institutional budget such a challenge? Two dominant forces are at play. On one hand, the expenses associated with operating these institutions are soaring. From the presidents' perspective, the four most significant contributors to rising tuition costs include faculty salaries, meeting students' financial needs, health insurance costs, and technology improvements. On the other hand, presidents face strong and constant pressure from parents, students, and even some legislators to stem the growth of tuition, which is the primary source of revenue for most colleges and universities.

Considering the complex nature of this dynamic, it's interesting (and perhaps comforting) to learn that most college presidents remain undaunted. By a ratio of over two to one, college and university presidents disagree with the fatalistic notion that "there is little that colleges and universities can do about rising tuition costs." While they recognize that increasing health care, faculty, technology, and financial aid expenses are driving up tuition, presidents still believe that they can have a major impact on their own institution's fiscal destiny. While focusing on fundraising may seem like an obvious response, the extent to which presidents engage in this activity may be surprising. Indeed, the majority of presidents indicate that they work on fundraising activities on a *daily* basis.

In addition to fundraising, however, many institutions are taking novel approaches to generating additional revenue sources and becoming less dependent on tuition and/or controlling operating costs. In fact, several local colleges and universities are at the forefront of trendsetting practices in both areas. For example, Lasell College has leveraged its desirable location in Newton and available campus land to create Lasell Village, a thriving Continuing Care Retirement Community and substantial source of new income. Besides its financial impact, Lasell Village is a cornerstone for enhanced inter-generational learning for students at the College.

Emmanuel College recently entered into a 75-year ground-lease agreement with Merck & Co., Inc. The agreement enabled the major pharmaceutical research company to construct a research facility adjacent to the Longwood Medical Area in exchange for a one-time multi-million

dollar payment to the College. While Emmanuel has a long history of converting its properties into revenue sources for periods of time, this agreement has the added benefits of enhanced internship opportunities, science education initiatives, and programmatic collaborations for students and faculty.

Boston University's new Agganis Arena provides both an impressive, expanded facility for its premier hockey program and a significant new venue for family entertainment in the Boston area. The Agganis Arena generates new sources of revenue for the University in ticket sales, concessions, and sponsorships while enhancing pride and building community for students, staff, faculty, and alumni as well as neighbors and friends in the Boston area.

Collaborations and partnerships have formed among educational institutions for the purpose of expanding academic and social opportunities for their students, faculty, and staff that also strengthen the balance sheets of member institutions. The Colleges of the Fenway Consortium provides an example of such a new approach which has served the additional purpose of helping its member institutions lower particular operating costs by leveraging collective purchasing power. Middlebury College and the Monterey Institute of International Studies – two institutions renowned for their expertise in international education, language teaching, and culture studies – recently signed an affiliation agreement expanding Middlebury's role in international education into the fields of international policy studies and international business. The agreement also created the opportunity for Monterey to leverage seven Middlebury Schools Abroad and the College's strong network of undergraduate and graduate institutions inside and outside the U.S. to expand the Institute's programs. While the primary motivation for this affiliation is mission driven and focused on the noble cause of creating a safer and more sustainable world, there will also likely be very positive effects on the balance sheets of both institutions.

Colleges and universities can do something about rising tuition costs by finding innovative ways to leverage assets as individual institutions or in collaboration with others to create additional revenue streams and/or control operating costs. Clearly, these techniques have useful implications for institutions outside of higher education as well.

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