Aligning Financial Sustainability with Student Access and Success:

Opportunities for Private Colleges

Rockefeller Philanthropy Advisors

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Introduction

It is no secret that America's private nonprofit colleges and universities are facing serious financial and demographic challenges, with smaller, more tuition-dependent institutions at greatest risk. Before the Covid-19 pandemic, the average discount rate for private colleges had already exceeded 50%. The majority of private colleges had flat or declining enrollment. Household income and asset gaps were widening, as were racial/ethnic and income disparities in access to high-quality K–16 education, college enrollment, and student outcomes. Declining birthrates signaled ongoing declines in the number of new high school graduates. Free-tuition policies made starting at a community college more attractive in some states and localities. A steady drumbeat of news stories, books, and analyses questioned the value of a college education and/or the financial viability of existing models, especially for tuition-dependent, private liberal arts colleges.

Covid-19 has intensified and compounded these trends and challenges, and how institutions respond will shape student access and success for years to come. Colleges have been strained by unexpected costs for both remote learning and campus safety, lost auxiliary revenue, pressure to reduce student costs, and tremendous uncertainty about what lies ahead. Students who already faced the highest barriers to enrollment and completion are suffering the most from the pandemic's effects, and they are the most likely to postpone or leave college as a result. It has only become more urgent—ethically and economically—to find financially sustainable ways to enroll and successfully serve more undergraduates who are both underrepresented in higher education and an increasingly large share of the potential student population, that is, students who are low-income, first-generation, and/or people of color.

Some financially vulnerable private colleges have doubled down on attracting higher paying and highly academically prepared students, competing with wealthier institutions for the financial and reputational benefits these students bring. Others are staking their future on enrolling, retaining, and graduating more students who are low-income, low-wealth, first-generation, and/or reflect their region's current and projected demographics. In pursuit of financial stability and survival, these colleges are combining these tactics with a wide range of others aimed at increasing revenue and/or reducing costs. At the same time, many foundations and individual donors are seeking to increase college attainment for students from populations subject to historic and structural discrimination, and who often have fewer financial resources, more non-academic responsibilities, and/or lower levels of academic preparedness.

About This Report

This report summarizes findings from a project initially conceived before the pandemic, and which is only more relevant today. Despite rising interest in strengthening college finances and increasing equity in student access and success, public discussions and institutional decision-making often treat these as goals as unrelated or even conflicting. Instead, this project asked: ***How can colleges without deep pockets strengthen their financial situation by serving today's students well?***

Over the past 12 months, we sought answers in recent academic and practitioner research, expert analyses, and public comments by key stakeholders. We also conducted in-depth interviews with institutional leaders, subject-area experts, and philanthropy professionals.

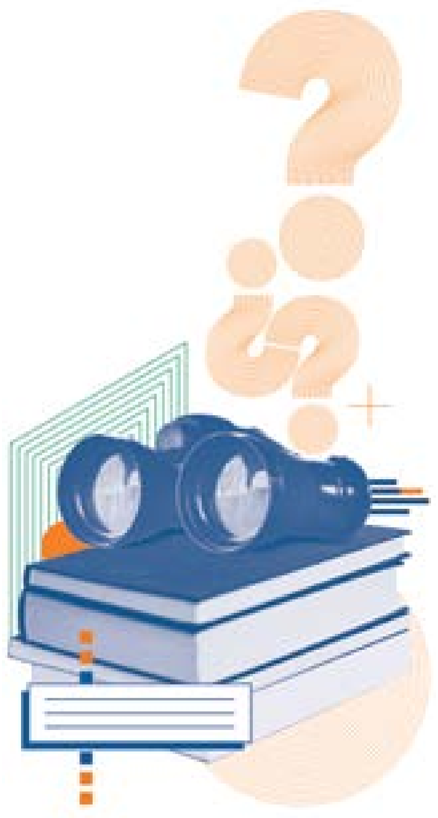
Our exploration focused on identifying opportunities for an especially vulnerable category of private, nonprofit colleges. While definitions of relative size, selectivity, and tuition dependency vary, we sought examples of self-described liberal arts colleges that are primarily undergraduate-serving and residential, with fewer than 2,500 undergraduates, acceptance rates of 50% or higher, and at least 25% of undergraduates receiving federal Pell grants. While imperfect, Pell enrollment is the best available proxy for income: the vast majority of recipients have family incomes below $50,000, with more than 70% below $40,000 and more than a third below $20,000.

This report provides insights, examples, and guiding principles for jointly strengthening institutional financial sustainability and student access and success. Its primary purpose is to help inform critical investment decisions by college leaders as well as higher education funders. We hope it also contributes to greater awareness of the positive potential for greater alignment of financial sustainability with access and success at all types of institutions, and to more connected conversations and related research in the field.

Quotes throughout the report are from interviews and other forms of direct communication for this project unless otherwise noted.

Other sources for the college profiles include the website for each college, news coverage, and other publicly available information and data, including but not limited to The Institute for College Access & Success' College Insight database (https://college-insight.org/) and the federal College Scorecard (https://collegescorecard.ed.gov/), accessed between January 1 and February 14, 2021.

Key Findings



ASK DIFFERENT QUESTIONS TO CHANGE THE FRAME

Contrary to common perceptions, many small, private colleges already have high enrollments of students who are low-income, first-generation, and/or Black, Indigenous, and people of color (BIPOC), including but not limited to historically Black colleges and universities (HBCUs). And more are looking to maintain or increase their enrollment, whether driven by demographic realities, shifts in demand, mission, or all three. However, our core question—about the financial *benefits* of increasing equity in both access and success—is rarely asked in public discussions or featured in college profiles.

Our research found that serving students from low-income households and/or from populations subject to historic and structural discrimination is still typically framed as a challenge to the small, liberal arts business model, rather than as an opportunity. The experts and college leaders we interviewed all see changing that frame—from negative to positive—as a way to strengthen the sector as well as individual colleges. This report includes questions to help tuition-dependent private colleges start to change the frame, and to surface more answers, methods, and models going forward.

Why is it important to change the frame? Because the negative frame currently shapes the business models of most colleges. While college leaders increasingly recognize that investing in student success will help their bottom line, many still frame increasing access as a cost. And few have the information they need—or even know they need it—to fully evaluate how much their institutions are already investing and the returns they may already be getting. The following comments shed light on how seeing access and/or success mainly as a cost, rather than as an investment, undercuts the potential for alignment of such efforts with financial sustainability.

> "The business models at most institutions focus on revenue, competition, and the next one to three years rather than the big picture. More are just going after the same students, which is a shrinking pool, and very few are looking at how to reorient to serve those not well served now."—Foundation Program Director

> "My colleagues or chief enrollment officers have basically said we have plenty of low-income, first-generation students of color and underrepresented students in our applicant pool. But there are only so many our institution can afford to take. Until we fix the problem of our financial model, we are only going to tweak around the edges of access."—Dr. Angel B. Pérez, CEO of the National Association for College Admission Counseling, quoted in *Inside Higher Ed* in December 2020

Our research and analysis revealed the kinds of high-level questions that private college leaders and funders should be asking to surface potential approaches to better aligning access, success, and financial sustainability. For example:

- How does increasing student access and success factor into your business model?
- How do you assess your ROI (return on investment) for investments in access and success?
- How is responsibility for improving student success distributed across your institution?
- How do you keep equity concerns front and center when under financial duress?

To help change the frame, these questions do not ask *whether* the college is doing something, but *how* the college is doing it. This reinforces that—as our research found—there is much that colleges can do to align access, success, and financial sustainability.. Asking such questions is a way to start important conversations that lead to further exploration, identification of options, and informed decisions that fit each college's particular context.

BROAD INTEREST BUT FEW WELL-KNOWN EXAMPLES

Our interviews found broad interest in how colleges can strengthen their finances by improving student access and outcomes. College leaders, funders, and subject area experts all agreed that colleges' financial strategies and decisions too often fail to consider implications for equity and student outcomes, or to assess and include net gains from enrolling and supporting low-income and low-wealth students. They know that many small colleges are facing similar challenges and could benefit from others' experiences.

One association leader put it this way: "I think most of our institutions know what the financial benefits of retention are. But they don't always know how to make retention happen. They don't always know the inputs, beyond rough per-student expenditure, but do know the recruiting and replacement costs. And we all know it costs much more to recruit than to retain. If you better serve low-income students, you will be stronger financially."

While we found significant interest in raising awareness of alignment opportunities, examples of how private colleges have seized such opportunities were harder to come by. As one education finance expert said, "So little is known about the real intersection between how resources are used and student success."

Most of the experts we spoke with pointed to Georgia State University, a large public institution that is often in the spotlight for its successful, data-informed investments in student success. National foundations and organizations (such as the Bill & Melinda Gates Foundation and the University Innovation Alliance) are now advancing alignment-oriented analyses and initiatives in the public sector. For the private colleges this report focuses on, such work is more nascent and diffuse. Among the leaders in this effort is the Yes We Must Coalition, a national membership organization for private colleges with a majority of low-income undergraduates. With a motto of "College Success for All," it currently has 41 college members.

When we asked interviewees for alignment examples from tuition-dependent private colleges, a few mentioned Paul Quinn College in Texas (a Yes We Must member) and/or Trinity Washington University in DC. Their leaders are already nationally known for bringing colleges back from the brink of closure by committing to serve low-income and BIPOC students well. To help broaden the base of relevant examples, we explored a wide range of potential sources and asked Yes We Must for referrals. What we learned is used across this report and featured in four college profiles.

Profile: College of Saint Mary

https://www.csm.edu

COORDINATED COMMITMENT TO SERVING LOWER INCOME STUDENTS WHILE REDUCING STUDENT DEBT

College of Saint Mary (CSM) is a Catholic women's university in Omaha, NE that has thrived by serving an increasingly diverse, low-income, and first-generation student population. It currently has about 630 undergraduates, of whom 37% receive Pell grants, 30% are first-generation, 15% are single parents, and 6% are undocumented. One third of CSM's undergraduates are non-white, including 9% Hispanic, 8% African-American, 2% Asian, and 14% multi-racial.

COLLABORATION YIELDS ENGAGEMENT AND RESULTS

Through a multi-year, collaborative effort led by Dr. Maryanne Stevens, (president of College of Saint Mary since 1996) and its provost, CSM has built a culture focused on student success. It took time to strengthen internal trust and cohesion, according to Provost Dr. Sarah Kottich, who previously served as CFO. "We started by creating a retention-focused committee with representatives from financial aid, the registrar's office, athletics, retention services, and more. Getting middle-level management bought into mission let them start to see each other as allies in supporting students rather than as competitors. Now cross-departmental collaboration occurs regularly even outside of formal committee structures." Freshman retention rates have held steady at 78% for seven years while the graduation rate has risen from 60% in 2017 to 70% in 2020.

In addition to academic advising, mental health services, an early warning system, and other student support services, CSM staff and faculty across the institution—including the president and her cabinet—serve as success coaches to several students, providing personalized outreach and encouragement. This level of engagement both reflects and reinforces the college's conscious commitment to student success. CSM pays particular attention to the needs of students who are Pell-eligible, first-generation, undocumented, and/or single parents, having learned that students with at least two of these factors are much less likely to graduate than peers with only one or none.

CAREFULLY PLANNED TUITION RESET

CSM began analyzing affordability options in 2011, eliminated all student fees in 2013, and reduced tuition by a third in 2017. In developing and implementing its tuition reset, CSM looked at what a range of other institutions had done, how they did it, and the effects on recruitment and enrollment. Because there is typically a temporary enrollment spike at the start due to marketing around the reset, as was the case for CSM, it was important to manage expectations in advance. CSM also made sure all students paid at least $1,000 less after the reset, so no one was worse off as a result.

The goals of the tuition reduction were to advance the mission by attracting more students with high financial need, reduce student debt, and increase long-term financial stability without relying on undergraduate enrollment growth. A multi-year plan helped CSM achieve those combined goals, including building a hybrid doctorate program to fill unmet needs for physical therapists, which would both generate new revenue and help medically underserved communities. CSM sees serving low-income students as central to its Catholic Mercy mission and has adapted its business model accordingly, with approximately $10,000 in net annual revenue for each Pell student enrolled.

FUNDERS RESPOND TO COMPELLING MISSION

CSM's efforts to align access and success with financial sustainability also include increased fundraising to support mission-driven initiatives. These successful efforts include funding for a residential program for single mothers and their children, and aid for undocumented students, as well as funds specifically for offsetting the tuition cut for the first four years, until new graduate programs generate enough revenue to cover the gap.

"Our mission is to provide access to a high-quality, affordable education for women," said Kottich. "We are not about being elite, rather we are about helping students improve their lives and their family's lives through education. This is compelling to our faculty, staff, board, donors, and the foundations that support us. What works for us is going all-in on our mission. It's the guidepost for everything we do, and people who invest in us respond to that."

KEY FACTS

- Built a college-wide culture of responsibility for student success.
- Cut undergraduate tuition by a third.
- Reduced average annual student borrowing by 38% over four years.
- Actively sought out and enrolled more high financial-need students.
- Increased the diversity of its undergraduate population to parallel the surrounding Omaha area's—one third are non-white.
- Increased its graduation rate by 10 percentage points since 2017.
- Met its fall 2020 enrollment goals.
- More than doubled annual donations to funded scholarships, from $1.1M to $2.9M.
- Has been debt-free for 13 years with net positive annual revenue, even in 2020.

ALIGNMENT STARTS WITH UNDERSTANDING ROI

Many types of efforts and programs across institutions contribute to student access and success, including but not limited to those focused on outreach, retention and completion efforts. Once those efforts are identified, quantified, and understood as investments in both students and financial sustainability, colleges can being to understand their ROI on them.

Higher education finance expert and former CFO Rick Staisloff has developed a useful framework for understanding ROI in this context: "Preserving access and affordability with limited resources requires that colleges get a better return on investment from their existing resources. Allocating resources in a way that supports student success can generate ROI for both colleges and students... [T]hree components—a holistic understanding of resources, a focus on unit cost, and a connection between student success and financial sustainability—form the core of an ROI lens."

ADVICE FOR COLLEGE LEADERS, FROM COLLEGE LEADERS

Current and former colleges leaders—presidents, provosts, and chief financial officers—shared many pieces of advice and lessons learned from their efforts to better align financial sustainability with access and success. These are the main themes that emerged.

Question assumptions—your own and others'—about what kinds of students you can successfully serve, and where your costs and savings actually are.

Lead with vision and transparency to build the trust and momentum needed for change. Leaders can set the direction for alignment, but it takes more than a new plan or initiative to change the culture and stay on track. To build trust and change the frame for faculty, staff and trustees, you need:

- A compelling vision connecting increased access and student success to your institution's nonprofit mission, and the numbers to back it up.
- Transparency about institutional finances, money flows (including cross-subsidization), and options for increasing financial sustainability.
- Frequent communication connecting incremental changes to the broader vision of goal alignment.
- A sense of urgency on behalf of students, not just the institution, to ensure that plans lead to actions and results.
- To make attention to equity a shared responsibility—do not limit it to one stage, committee, role or checklist.

Address disconnects that impede alignment. Connecting financial and academic decision-making helps to identify alignment opportunities, decide which ones to act on, and determine their impact. It also helps change the frame for access and success from cost to investment.

- Integrate decision-making about finances, academics, and student services.
- Make standard annual processes, especially planning and budgeting, more cross-functional instead of adding new processes.
- Look for disconnects between the questions you're trying to answer to increase alignment, the data you collect, and how that data gets used—as well as what doesn't get collected or used.

Encourage chief academic and financial officers to work together to find and create alignment opportunities and advance institution-level goals.

- Together, they should be asking: How can investing in what our students need to succeed reduce our net costs?
- This high-level coordination is essential to identify both the costs and benefits of designated investments in access and success, and to reveal the full range of current and potential investments beyond boutique programs.

Weigh how financial decisions could affect different student populations *before* committing.

- This approach does not necessarily require deep data work. Many implications and unintended consequences will surface quickly if you have informed and invested people at the table.
- Be prepared to compare the likely impact and cost or savings to other options, and stay open to alternatives.

Use data you already have to start exploring alignment opportunities. Don't wait for more, or more perfect, information; using and acting on what you have will also help you zero in on what else you really need. Start with questions like these:

- How much money do we save on recruiting for each student retained year-to-year? How much do we spend to retain them?
- What do we save when a student graduates in four years instead of five?
- Are students' small debts to the college impeding retention and completion?
- How many students are losing access to aid because their grades or course loads drop too low? How does that affect their progress and our finances?

Profile: Benedict College

https://www.benedict.edu

HBCU RESET TUITION AND RESHAPED CURRICULUM TO MEET STUDENTS' AND REGION'S NEEDS

Benedict College is a liberal arts, co-educational HBCU in Columbia, South Carolina with nearly 1,700 undergraduates. Dr. Roslyn Clark Artis, appointed Benedict's first woman president in 2017, has been leading the college through a strategic transformation aimed at improving Benedict's financial situation while positioning its students for success during and after college. Among Benedict's undergraduates, 84% receive federal Pell grants, 74% are first-generation, and nine in 10 are African-American. Benedict's current graduation rate is 42%, and its freshman retention rate is 71%.

COMING FROM BEHIND

When Artis arrived in summer 2017, Benedict was over $70 million in debt, and the U.S. Department of Education had placed it under "heightened cash monitoring" due to its financial fragility. Enrollment had shrunk by a third since the start of the decade, and the campus had undermaintained buildings, outdated and unconnected systems, and an unsustainable open-enrollment policy. Benedict's graduation rate was 34% and its retention rate was 56%.

"We were charging more than our students could pay. That wasn't working for them or for us. Putting Black students in debt is not our goal, and too many were leaving with debt and no degree. Improving retention and completion is a huge focus for us—it has to be," said Artis.

By fall 2018, the college had cut tuition by a quarter, set a modest 2.0 GPA for admission, sold underused property, started winding down seven low-enrollment majors, and completed a comprehensive strategic planning process. A new, intensive summer bridge program, covered by summer Pell grants, helped interested applicants with lower GPAs gain admission.

Artis explained, "Looking at the data, you could see that our superpower is helping B students reach their potential. So, we're not competing for the same A students all those other schools are chasing. We're fulfilling Benedict's mission by focusing on students who need what we do best and helping them soar."

In 2018, enrollment started to rise, Benedict exceeded its flat revenue projections, and federal cash-monitoring restrictions were lifted. The college was implementing its new five-year strategic plan with specific goals, actions, and timelines for everything from repairing buildings to improving student outcomes, as well as a guiding vision and rationale.

STRATEGIC TRANSFORMATION

Under Artis' leadership, Benedict has moved quickly not only to stabilize finances but also to begin an intentional, institution-wide transformation into a college focused explicitly on preparing its students for success in the regional job market. While shifting to more career-oriented academic and co-curricular programs, Benedict has retained its core identity as a residential, liberal arts institution. Its mission and curriculum continue to emphasize critical thinking, adaptability, and preparation for engaged citizenship, while offering fewer liberal arts majors and adding majors such as cybersecurity, engineering, and public administration.

"Our students need jobs, real jobs, right after graduation. They come from low-wealth families and are usually the first to go to college. They're here for a reason, and it's not just about their own future: their families and communities are counting on them, too," according to Artis. "We had to really look at what we do and don't do well, and what majors are the most relevant for the 21st century job market. These were not easy conversations, and final calls were not all well received, but my polar star is our students. It's our job to make sure they have a fair shot."

In 2019 Benedict was named HBCU Digest's HBCU of the Year and received the ACE/Fidelity Investments Award for Institutional Transformation. However, not everything has gone as planned, and not just because of Covid-19. In late 2019, Benedict's accreditor, the Southern Association of Colleges and Schools Commission (SACSCOC), placed it in probation status due to concerns about its financial condition and systems. Benedict successfully addressed the concerns, and SACSCOC lifted the probation in December 2020.

STUDENT-CENTERED PANDEMIC PLAYBOOK

In early 2020, Benedict decided to close its campus in response to Covid-19. Its leadership quickly realized that their mostly low-income, first-generation students would need immediate, end-to-end help to get home safely. They soon also became keenly aware that nearly a third of their students faced housing insecurity, less than a quarter had their own laptop or computer, and more than one in 10 live in areas without broadband. The staff, faculty, and board joined forces to rapidly raise—and spend—more than $50,000 on plane, bus, and train tickets, luggage, and meal stipends, as well as running 24-hour shuttles to cities in and beyond South Carolina. Benedict also provided housing for students who needed it. On the academic side, faculty worked to break class content into small segments for students with only a smartphone to access online coursework.

"Covid-19 forced us to get to know our students even better than we did before. It turned out that just paying for flights for those farther from home wasn't enough. We couldn't assume they'd ever flown or could afford the ride to the airport, or that someone could pick them up at the other end. And some didn't have a home to go to," Artis observed.

Benedict's student-centered response to Covid-19 earned attention and praise, including on national news networks. And in December 2020, Higher Ed Dive declared Artis President of the Year.

The campus re-opened for fall 2020 with health precautions in place. It also faced losses of about $4 million in tuition and housing revenue due to a 14% enrollment drop and the move to remote learning. "Thank goodness we made the tuition shift two years ago, so we had time to adjust expenditures before Covid came along," said Artis. "Right now we're running two playbooks: a short game and a long game. We have to focus on our students' immediate needs while trying to be as innovative and strategic as possible in planning for tomorrow."

KEY FACTS

- Reset tuition with a 26% reduction.
- Went from open-enrollment to modest admissions requirements.
- Created summer bridge program for students below 2.0 GPA admissions threshold.
- Included specific goals and steps for raising enrollment, retention, and completion in new strategic plan.
- Redesigned freshman orientation and first-year experience to increase student support and retention.
- Reoriented academic and co-curricular programs towards regional career relevance, and integrated career preparation into the student experience starting freshmen year.
- Increased graduation and retention rates by over 20% since 2017.
- Restructured debt, uncollateralized endowment, revised leases, sold off-campus dorms, and increased and diversified fundraising.
- Invested in meeting students' needs during pandemic, from paying for travel home to supporting those who needed to stay.
- Received national awards for leadership and turnaround.

ALIGNMENT POTENTIAL IN PARTNERSHIPS

Our research found significant interest in—and optimism about—the alignment potential of partnerships. From supporting community college transfers to sharing programs and services, private colleges are exploring ways to collaborate to improve both financial sustainability and student access and success, while preserving their missions and identities. The following examples represent just some of the forms and foci of such partnerships.

Teaming Up on Transfer

- North Carolina Independent Colleges and Universities (NCICU) and the North Carolina Community College System are working together to improve transfer pathways from community colleges to private nonprofits, including both general and discipline-specific articulation agreements. The general articulation agreement included 30 NCICU member schools as of summer 2020. A CIC-led, Teagle Foundation-funded pilot program, started in 2019, NCICU efforts also include academic advising, guided pathways, and financial aid.

- In Iowa, Earlham College, which has been struggling financially, announced a new transfer agreement with Ivy Tech Community College in early 2021. The agreement covers six degree programs, and Earlham created a "commuter lounge" as a base for local transfer students. Around the same time, Iowa Wesleyan (IW) and Southeastern Community College launched the Southeast Iowa Higher Education Alliance, a different, more comprehensive partnership model to mutually increase enrollment and completion and reduce costs. (Iowa Wesleyan is profiled in this report.)

Building the Local Workforce

- Colby-Sawyer College, in New Hampshire, recently expanded its partnership with Dartmouth-Hitchcock Health Systems. Dartmouth-Hitchcock has committed up to $3.25 million to support Colby-Sawyer's goals for adding new undergraduate programs aligned with local health-workforce needs and expanding its nursing program. The partnership was already providing workforce education for the health system's employees and internship opportunities for Colby-Sawyer students.

- Union College (KY) and Lake Cumberland Regional Hospital began a workforce-education partnership in 2020, providing discounted access to Union's online degree programs.

Sharing Programs

- The Lower Cost Models for Independent Colleges Consortium (LCMC) is a national coalition aiming "to create more sustainable models for students and institutions," including through shared programs and curricula and a growing number of collaborative majors. Dominican University of California, profiled in this report, is one of LCMC's nearly 90 members.

Profile: Iowa Wesleyan University

https://www.iw.edu

FROM CLOSURE SCARE TO CAPTURING VALUE BY BECOMING STUDENT-READY

Iowa Wesleyan (IW) is strengthening its financial situation by focusing on becoming a "student-ready" campus for low-income and low-wealth students, diversifying its student body and advisors, raising retention and graduation rates, and joining forces with a neighboring community college. Its student population increasingly reflects Iowa's changing population, the economic situation in Southeast Iowa—one of the lowest-income parts of the state, and what IW sees as its own, more financially stable future. In fall 2020 its campus-based undergraduate enrollment rose by 11% to a total of 595 students, the largest in 11 years, which included a 54% increase in domestic students (freshmen and transfers). IW's campus-based undergraduate population is also its most diverse ever at 25% Black, 10% Hispanic, 4% Asian, and 1% American Indian/Alaskan Native; 61% are Pell recipients. Hispanics are the largest racial/ethnic minority population in Iowa, and IW became Iowa's first associate member of the Hispanic Association of Colleges and Universities (HACU) in 2018.

FACING FRAGILE FINANCES

IW was on the brink of closure just two years ago and has been working its way back to financial sustainability. In late 2018 its then-president, Steven Titus, warned that the IW might not make it to the next semester due to fundraising disappointments. IW survived into 2019 by securing new gifts and restructuring a U.S.D.A. loan of more than $20 million. In early 2020, the recently appointed new president, former CFO Christine Plunkett, said she was "fairly confident that we have what we need to operate into next year."

COMMITTING TO BECOMING STUDENT-READY

After assessing IW's strengths, finances, mission, context, and prospects, in fall 2019 Plunkett launched a "focused and deliberate campus-wide initiative to make the shift to a truly student-ready campus." The initiative began by communicating to the whole community that going forward, IW would focus on serving "under-resourced students" well. In concrete terms, this was a mission- and data-driven decision to focus on students with family incomes under $60k (the median Iowa household income) and gain fiscal strength from the revenue these students bring when they succeed, rather than chasing after wealthier and increasingly elusive "campus-ready students."

This is how Plunkett describes the shift: "While we will always be happy to have student applicants who are wealthy and highly academically accomplished, we will no longer spend time or resources hoping for more of those applicants, or actively searching for them, or bemoaning the fact that we don't have more of them. Not because we aren't good enough for them, but because our niche, our particular strength, is in providing educational opportunities and pathways for under-resourced students. Those are the students who seek us out and the students who thrive here. They thrive here because of the safety of our small, rural community. They thrive here because of the small classes and close relationships they can form with faculty and staff members. They thrive here because our small size means they have plenty of opportunity to participate and compete in our athletic programs. They thrive here because they are seen and they have countless opportunities to become engaged and become leaders. And they thrive here because on the most diverse campus in Iowa, they feel that their differences are honored rather than shied away from."

IW's student-ready initiative has taken the need for culture change head on by helping faculty and staff better understand the realities facing students from lower-income households, and training and recruiting with the student-ready goal in mind. Across admissions, financial aid, academics, and athletics, everyone is seen as having a role in supporting student success. As observed by provost DeWayne Frazier, who was a first-generation student, "Our culture shift meant that some people left because it wasn't the right place for them anymore. And that was OK. Be true to your mission and recruit faculty, staff, and administrators who want to be there and work with the students you serve."

IW has also made up-front investments in student supports to better meet students' needs and improve retention, academic performance, and completion. These investments include creating and filling three new positions for student success coaches and opening a new Student Success Center. Every new student is assigned a coach when they commit to the school. The coaches start engaging with students well before college starts, helping with the financial aid process, course selection, and other potential hurdles while reducing summer melt. Once school starts, weekly check-ins support students through their journey at IW. The coaches are based at the Success Center, which also offers tutoring, writing and study skills programs, and access to disability services and mental health counseling.

Other examples of IW's student-ready changes and investments include having "rock-star" faculty lead gateway classes to increase freshman engagement, technology to flag when students may need more support, and joining Alpha Alpha Alpha, the national honor society for first-generation students.

CAPTURING THE VALUE

Here, in Plunkett's own words, is how IW has come to realize the financial value in focusing on access and success: "There is always pressure from boards and presidents to reduce the discount rate and increase net revenue. Iowa Wesleyan has faced these pressures for years. Like many institutions, we watched our discount rate increase significantly between 2010 and 2020, while struggling to reach our net student revenue goals. These are the pressures, in part, that lead institutions to continually seek the elusive 'high-wealth, academic overachiever' student cohort. The pressure is felt particularly in

institutions like Iowa Wesleyan with relatively small endowments. The bulk of our institutional scholarships are funded directly out of our operating budget, not out of endowment earnings. This means that, for us, institutional scholarships are a significant line item in our budget each year—in our case we spend significantly more each year on student aid than we do on faculty and staff salaries.

"The turning point in the financial picture, however, starts to become clear when you have a better understanding of the 'human' side of the equation. Once there is campus-wide recognition that enrollment and student retention can improve dramatically if you provide the proper student supports, 'net revenue' (or return on investment) takes on new meaning. [...] A student who is well supported as they transition to college is more likely to stay enrolled for the duration of their degree program. That means the net revenue for year one quadruples for four years. On the flip side, a student who is not well supported is highly likely to withdraw after their first year, and it costs us about $7,000/year to recruit a new student to replace them. Students who remain enrolled thanks to adequate support services lead to other hidden sources of 'net revenue.' Satisfied students will spread the word back to their friends, family, neighbors, and high schools, leading to increased enrollment and increased revenue. Successful student success programs attract new revenue in the form of grants and contributions from alumni and other donors who are inspired by the mission. Net revenue and return on investment are no longer simply accounting line items; rather, they reflect immeasurable growth in institutional reputation, community impact, strategic success, and regional economic impact."

Some positive results are already apparent. In addition to growing enrollment, freshman retention has risen 30% over the past five years, from 48% to 63%. Plunkett expects graduation rates to follow as more students stay on to complete degrees. As noted by, Frazier "It's a lot less expensive to retain a student than it is to go out and bring in a new student." And IW's recent federal recognition a minority-serving institution (MSI), the state's first, enabled it to receive additional federal Covid-19 relief funds reserved for high Pell-enrollment MSIs.

SEEKING NEW PARTNERS

Since the 2018 closure scare, IW's leadership has been open about its interest in the financial benefits of teaming up with another institution, and it considered merging with St. Leo University in Florida. Instead, in January 2021 IW announced a new public-private partnership with neighboring Southeastern Community College, called the Southeast Iowa Higher Education Alliance (SIHEA). In a model that emerged from a two-year process, the two institutions will remain independent, and SIHEA will operate as a separate nonprofit with board representation from both schools. SIHEA aims to effectively create a local system that offers a more affordable, seamless, and supported pathway to a four-year degree, while growing enrollment for both schools. Among the immediate benefits is that IW will become the first four-year member of the Iowa Community College Online Consortium. Membership brings savings via shared online course delivery and management technology, plus student access to online courses at partner colleges.

KEY FACTS

- Made a mission- and data-driven decision to focus on students with below-median family income.
- Launched a campus-wide initiative to become a "student-ready" campus.
- Opened a Student Success Center and hired success coaches to support every student from acceptance through graduation.
- Increased undergraduate enrollment and retention, including in fall 2020.
- Increased racial/ethnic diversity to become the most diverse college in Iowa.
- Joined Hispanic Association of Colleges and Universities in 2018 as an associate member and the first Iowa college to qualify.
- Received federal designation as a Minority Serving Institution (MSI).
- Formed an innovative alliance with a local community college to mutually improve student enrollment, transfer, and success.

Suggestions for Philanthropy

Philanthropy has an important role to play in supporting and advancing alignment of financial sustainability goals with student access and success. Grants and donations are integral to the finances of most colleges, particularly for those that are the focus of this report. As one former president accurately observed, “Institutions that serve low-income people tend to be poorer themselves.” In addition, philanthropic support for research, collaboration and communication initiatives can influence the perceptions and actions of institutions, policymakers, and other funders.

The following suggestions are intended for foundations and individual donors focused on increasing access and success, as well as those committed to supporting specific institutions.

1. Raise awareness of alignment opportunities, including by celebrating successes.
2. Support documentation of successful alignment efforts, as well as intentional experimentation and replication.
3. Ask institutions how they are approaching alignment (see questions presented throughout this report).
4. Keep in mind that alignment is about more than data, programs, and best practices. It requires internal leadership, a clear connection to mission, and changing institution-wide culture.

5. Look beyond institutions that are already financially strong to find high ROI opportunities for increasing access and success.
6. Support learning about alignment across sectors and types of institutions, as well as between perceived peers.
7. Recognize the innovation, and potential for innovation, within existing models. As one education finance expert reminded us: “Bringing true academic excellence to academically under-prepared students *is innovative*.”

Profile:
Dominican University of California

https://www.dominican.edu

DELIVERING FOR DIVERSE STUDENTS WITH A DISTINCTIVE UNDERGRADUATE EXPERIENCE

Dominican University of California is located in San Rafael, a city in California's Bay Area. Originally a Catholic women's college, it has been independent and co-educational for more than 50 years. As of fall 2020 it has nearly 1,400 undergraduates, of whom 33% are Pell recipients and 23% are first-generation students. As has been the case for several years, the majority are students of color: more than one fourth are Asian, one fifth are Hispanic, 4% are Black, and 1% are American Indian/Alaska Native. Its current graduation rate is 74%, with freshman retention at 86%.

Dr. Mary Marcy came to Dominican in 2011 as its ninth president. At the time, the institution was financially overextended, and its graduation rate was below 50%. While addressing near-term financial needs, including by restructuring debt, she initiated a multi-year, highly collaborative planning process. The goal was to develop a university-wide strategy for student and institutional success, informed by Dominican's own data and evidence from the field, and reflecting its mission to prepare "ethical leaders and socially responsible global citizens."

THE DOMINICAN EXPERIENCE

One of the main strategic initiatives to emerge was the "Dominican Experience," which launched in 2014. This signature program for every undergraduate, regardless of major, has helped increase Dominican's visibility and financial stability as well as student outcomes. Designed to prepare a changing student body for a changing world through meaningful, engaging learning experiences,

the Dominican Experience has four student-centered components: work with an integrative coach, complete signature work, build a digital portfolio, and engage with the community. Marcy credits George Kuh's research on high-impact practices for informing the program's structure.

This is how Marcy described the Dominican Experience in a 2020 interview: "Every student has an integrative coach from the time they enroll past graduation. That includes a peer mentor, but it also includes someone who helps them with more of a guided pathway through college. Every student has some type of community-engaged learning. Every student has a signature experience of their own before they graduate, and every student has a digital portfolio that works well with the integrative coach while they're in college, to help them reflect and see how they've changed and grown, but then also works as they graduate to look at graduate school or apply for jobs. The student retention and persistence to graduation has increased dramatically in the last decade, and it is not only because of the Dominican Experience, but it's largely because of that."

FINANCIAL UPSIDES OF MISSION-DRIVEN CHANGE

As noted in Marcy's 2020 book, The Small College Imperative: Models for Sustainable Futures, "To some degree, the four components of the Dominican Experience existed on campus prior to 2014. However, these practices were isolated in a handful of programs, were not always well developed or adequately supported, and were far from evenly distributed amongst students." The goal of reinforcing and aligning with the Dominican Experience drove a major curriculum redesign with strong support across the faculty, staff, and board. Marcy says these changes have collectively strengthened Dominican's finances by attracting, retaining, and graduating students who "look like California;" reducing faculty workload; and increasing the student-faculty ratio to a still high-quality 14:1.

In recent years, Dominican's mission-driven response to changing demographic and economic realities has received national attention—in the field and from the press—and inspired increased giving from trustees, major donors, and foundations.

RESPONDING TO COVID-19 FROM A PLACE OF RELATIVE STRENGTH

Marcy describes Dominican as "highly tuition-dependent with a very small endowment." While that does not sound like a recipe for financial resilience during a pandemic, Dominican had been extremely financially conservative since Marcy arrived a decade ago, including not adding any new debt, accessing its line of credit, or taking any extraordinary endowment draws. That meant Dominican could take a bigger draw in 2020 to help cover Covid-19 costs and avoid cutting personnel or programs, and that they have another year or two of running room if needed.

According to Marcy, "We've been able to get by so far with some operating cuts and savings, including a hiring freeze; securing targeted gifts to support Covid-19 testing and tracing; and some additional philanthropic money. If necessary, we could consider leveraging some real estate assets, or do another endowment draw as a form of internal loan, but certainly not indefinitely, and these moves will likely not be necessary. The gains from increased retention and a streamlined curriculum have provided significantly more flexibility that we might have had even a few years ago. All these decisions come back to mission and strategic direction. Having that already solidly in place with high faculty buy-in, a history of strong financial management, and a clear strategic plan, we can assess options together and make choices that are clearly aligned. And even though we're 80% virtual right now, our students are still really connected to the institution and each other."

KEY FACTS

- Engaged in campus-wide planning and learning to develop a new, comprehensive educational model with strong student supports.
- Faculty-supported curriculum changes, to align with the new model, also strengthened finances.
- Increasingly diverse student body reflects California population, considered an Emerging Hispanic-Serving Institution (HSI).
- Dramatically improved graduation rates, from below 50% to nearly 75%.
- Fundraising grew by nearly a third over eight years.
- Able to absorb pandemic-related costs in 2020 despite small endowment.

Conclusion

Private nonprofit colleges that are smaller, less competitive, tuition-dependent, and/or have relatively low endowments are consistently identified as the most financially vulnerable. But many are proving to be more resilient than anticipated, even under pandemic conditions. Some have found ways to strengthen their finances by increasing economic and racial/ethnic equity in enrollment, retention and completion, including those featured in this report.

Important alignment examples and lessons will continue to emerge from how colleges respond to the financial and temporal pressures brought by Covid-19, as well as from the "before times." We hope the findings in this report provide a useful lens for colleges seeking financial sustainability, as well as for researchers, advocates, and higher education funders focused on equity in student access and success.

Selected Resources for Data, Research, and Ideas

This a selected resource list for college leaders and funders who want to further explore issues related to aligning financial sustainability with student access and success.

- American Association of Colleges and Universities, https://www.aacu.org
- College Insight, The Institute for College Access & Success, https://college-insight.org
- College Scorecard, U.S. Department of Education, https://collegescorecard.ed.gov
- Council of Independent Colleges, https://www.cic.edu
- Desrochers, Donna M. and Richard L. Staisloff, Improving College Affordability with New Higher Education Business Models, rpk Group, 2019
- The Hechinger Report, https://hechingerreport.org
- Ithaka S+R, https://sr.ithaka.org
- Lower Cost Models for Independent Colleges Consortium, https://www.thelcmc.org
- Marcy, Mary B., The Small College Imperative: Models for Sustainable Futures, Stylus Publishing, 2020 https://styluspub.presswarehouse.com/browse/book/9781620369715/The-Small-College-Imperative
- National Association of Independent Colleges and Universities, https://www.naicu.edu
- National Association of College and University Business Officers, https://www.nacubo.org/About/Who-We-Are
- National Student Clearinghouse Research Center, https://nscresearchcenter.org/stay-informed
- University Innovation Alliance, https://theuia.org
- Yes We Must Coalition, https://yeswemustcoalition.org

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