

Fiscal Headwinds Facing Higher Education Institutions and How to React

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**Ballard
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Session Goals

- Understand recent trends in strategic partnership
- Explore different types of strategic partnerships, including mergers and acquisitions
- Examine case studies
- Discuss how to create “safe spaces” for this conversation
- Understand the process for pursuing a strategic partnership

*It's Really About You:
What would you like to
get from our session
today?*

There are Many Ways to Think About Strategic Partnerships

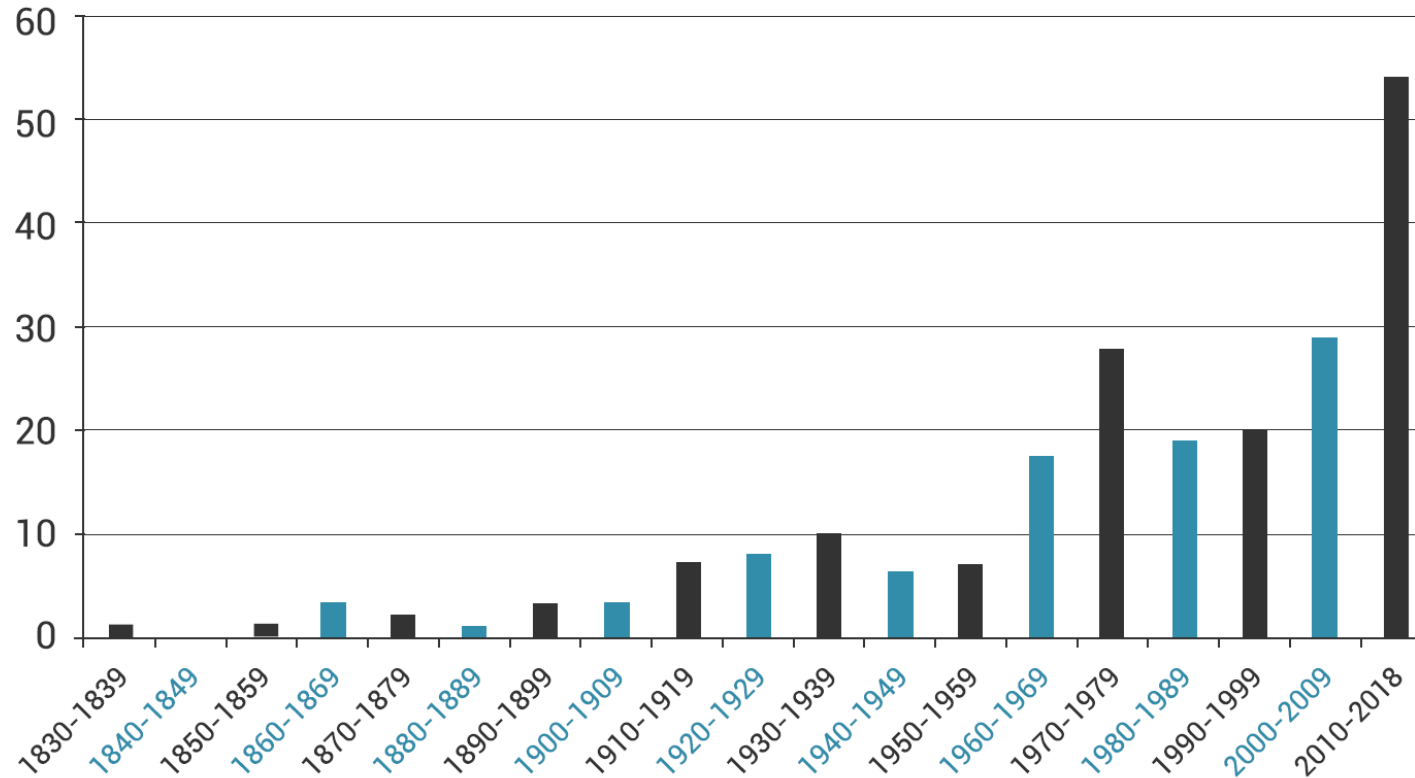
- Consolidation
 - Two or more institutions are collapsed into one new institution, usually with a different name, mission, and scale of operation.
- True Merger
 - One institution is blended (merged) into a dominant institution with that institution serving as the exclusive legal successor.
- Conglomerate
 - Two or more institutions, without losing their institutional identities, enter a joint venture to address redundancies. The conglomerate has its own name and identity.

There are Many Ways to Think About Strategic Partnerships

- Consortium
 - Collegial collaboration for common resource-sharing agreements—cross-registrations, joint libraries, shared facilities, common technologies, shared operations, etc.
- Asset Transfer
 - One institution transfers some or all of its assets to a second institution which provides for the continuation of the first institution's programs.
- Affiliation
 - A joint venture, preserving identities and governance structures, but providing common academic programming or operational services.

Merger and Acquisition Activity in Higher Education has been Increasing

College and University M&A by Decade



Source: IHE, 2018

Strategic Partnership Activity Examples

Examples:

- UMass System acquires Mount Ida Assets (UMass)
- Purdue acquires Kaplan (Purdue Global)
- Boston University absorbs Wheelock College (Wheelock College of Education and Human Development)
- Berklee College of Music combines with Boston Conservatory (Berklee)
- Clarkson absorbs Union Graduate College (Clarkson Capital Region Campus)



	PURDUE UNIVERSITY	DIFFERENCE	KAPLAN UNIVERSITY
ACADEMIC SPENDING Spend on instruction, academic support and student service per FTE	\$18,698	↓\$14K	\$3,913
STUDENT SUCCESS 2015 Graduation rate within 150% of normal time	65%	↓36%	29%
ONLINE PRESENCE % of students enrolled exclusively in distance learning	7%	↓81%	88%
LOW-INCOME STATUS OF STUDENTS % of undergraduate enrollment receiving Pell Grants	13%	↓58%	71%
TRADITIONAL STUDENT POPULATION % of undergraduate enrollment aged 18-24	91%	↓79%	12%

Sources: Integrated Postsecondary Education Data System AY 2015-2016; Kaplan University Annual Report 2015-2016

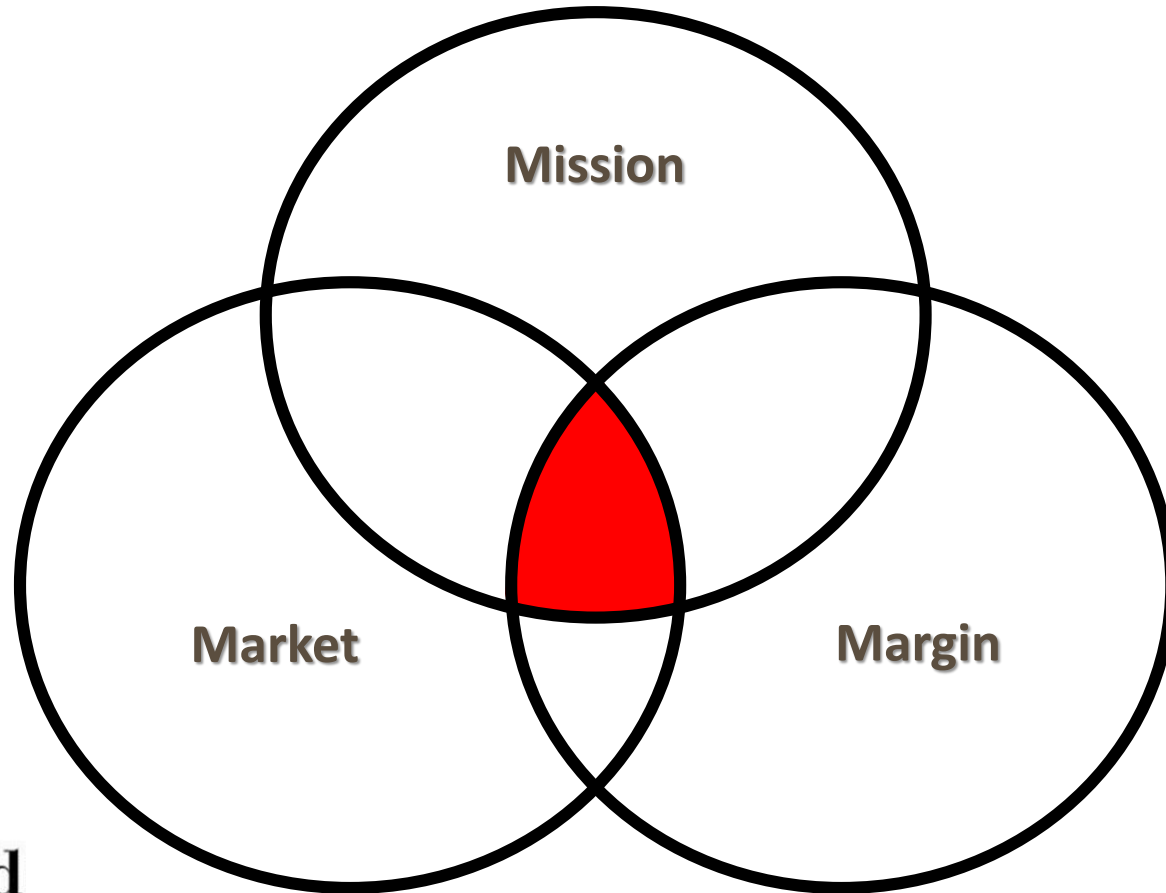


Creating a “Safe Space” for the Conversation



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How Do You Know When You're on the Right Path?



Market

What do our students need?

Mission

What are we (or could we be) good at that responds to these needs?

Margin

How do we create student value AND a sustainable financial model?

Key Areas of Due Diligence

Strategy

Program Fit/Enhancement

Assets and Liabilities

Market Impact

Efficiencies

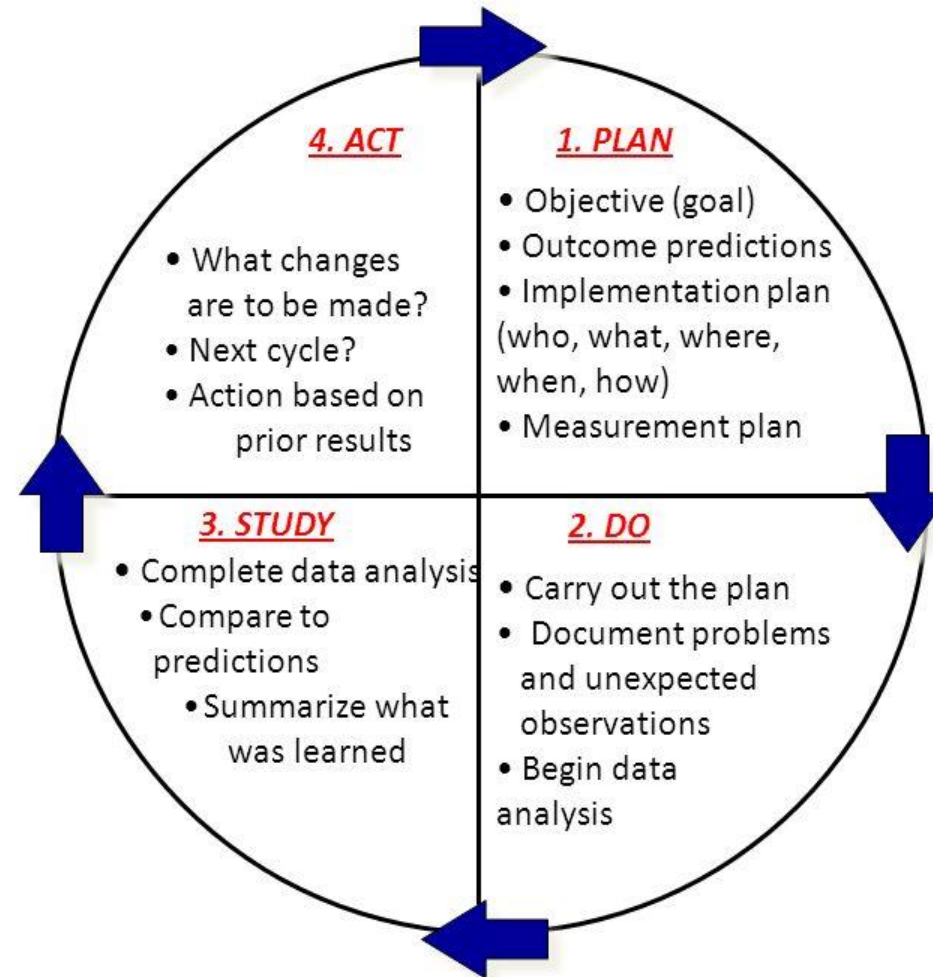
Legal

Regulatory/Accreditation

Transition Costs

So How Might Due Diligence Take Shape?

The PDSA Cycle



What's Next?



To continue the dialogue . . .

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