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How to detect financial risk before it's too late.

A primer for the Louisiana Board of Regents
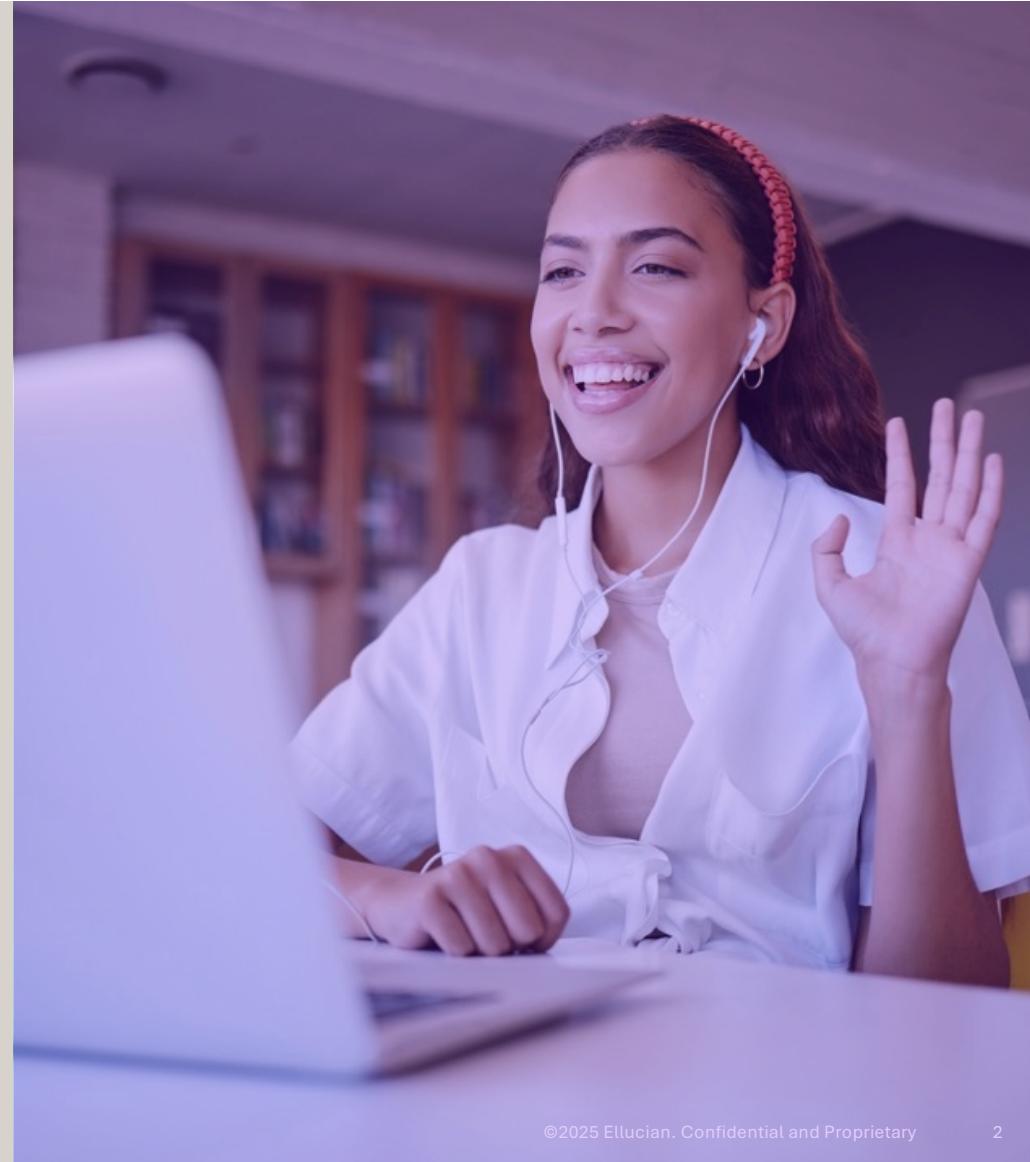
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Framing the challenge

Finding early warning signs

- Using IPEDS data 2010-23 for thousands of institutions
- Three-dozen+ measures of financial & operational performance
- Analyzing institutions against measures
- Benchmarking them against peers
- Using predictive analytics to find patterns predictive of decline and…
- Evaluating institutional performance against them

Preparing reports that

Includes an executive summary	Identifies key strengths	Identifies critical challenges
Points to patterns that are predictive of financial decline	Recommends strategic interventions to address challenges (seeking to start a conversation)	Comments on exposure to risks resulting from the changed federal higher ed landscape

Why the approach is different

- Goes beyond static indicators and financial ratios

- Is sector aware (because public R1s are not private LACS, etc.)

- Identifies recurring and predictive
  - **patterns** (signals of decline like falling enrollment, persistent negative adjusted operating margin high)
  - **archetypes** (recurring combinations of patterns that tell a story about institutional vulnerability, like "brand strong, margin thin").
  - **accelerators** (occurrences that amplify weakness

- Works for systems and any group of institutions (e.g., private liberal arts colleges in Ohio)

So how fragile is higher education?

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Based on aggregate cumulative financial

	Carnegie Classification	Low Risk	Moderate Risk	High Risk	Critical Risk
PUBLICS	Liberal arts colleges	9%	32%	47%	12%
	MA small	7	32	50	11
	MA medium	5	46	43	7
	MA large	11	55	31	3
	Doctoral/Professional	9	36	51	4
	Research very high	9	45	42	5
	Research intensive	16	62	22	1
PRIVATES	Liberal arts colleges	12%	47%	35%	7%
	MA small	6	37	46	11
	MA medium	5	42	44	9
	MA large	6	47	43	5
	Doctoral/Professional	6	36	50	9
	Research very high	6	63	29	3
	Research intensive	15	74	11	0

Based on indictors and predictive patterns

Publics		Low risk	Moderate risk	High risk	Critical Risk
	Liberal arts colleges	0	13	60	27
	MA small	0	14	54	32
	MA medium	0	15	70	15
	MA large	2	39	50	10
	Doctoral/professional	0	9	54	14
	Research very high	1	49	38	12
	Research Intensive	6	60	32	2

Privates		Low risk	Moderate risk	High risk	Critical Risk
	Liberal arts colleges	2	24	56	18
	MA small	0	16	55	29
	MA medium	0	18	52	29
	MA large	0	13	62	26
	Doctoral/professional	0	7	57	37
	Research very high	0	30	55	15
	Research Intensive	9	56	44	0

How fragile are Louisiana's public systems?

System	Low/Mod No (%)	High/Critical No (%)
Louisiana State University	1 (33%)	2 (66%)
University of Louisiana	2 (22)	7 (78)
Southern University System	2 (50)	2 (50)
Louisiana Community Colleges	9 (64)	5 (36)

Key patterns in Louisiana's public systems

Louisiana State University System

High-critical risk despite (b/c of)_research anchors

Risk patterns (LSU-HSC NO)
- VR
- Academic sprawl in grad programs
- UNA risk
- Operating margin weakness
- PR ratio (no buffer for shock)

University of Louisiana System

Broad-based risk (7/9 at high/critical)

Risk patterns

- Enrollment cliff

- Operational inefficiency

- Weak PR and VR and margin pressure (Tech and Lafayette)

- Acute distress (OM, program concentration, erollment cliff) at Mcneese & UNO

Southern University System

Two of three at high risk

Risk patterns
- AOM/OM
- Operational inefficiency
- Appropriations dependency
- High Pell*

Louisiana Community Colleges

The Most stable of the public systems

Common risk patterns:
- Operational inefficiency (13)
- Academic sprawl 10)
- Enrollment cliffs (3)

Protective patterns
- Financial stability and sustainable funding

What to do next

Decline is not destiny

Decline is

Evident in data

Predictable in advance of it's becoming acute

Can be averted through purposeful strategic action

Is more manageable when tackled upstream than down

Decline can be mitigated and reversed

- Know your data – watch for patterns
- Modernize financial planning and analysis
- Require sustainable plans
- Pursue state-level operational efficiencies
- Scaffold best practices in SEM
- Optimize the state's academic program array
- Expand into adjacent and new markets

Let us know how we can help

Thank You

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