



HIGHER LEARNING COMMISSION

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February 13, 2018

President Mary Hendrix
Shepherd University
301 North King Street
PO Box 5000
Shepherdstown, WV 25443-5000

Dear President Hendrix:

The interim report you submitted to our office has now been reviewed. A staff analysis of the report is enclosed.

On behalf of the Higher Learning Commission staff received the report on enrollment and finances.

The institution is required to submit an additional interim report on enrollment and finances. The report, to be submitted to the Commission no later than November 1, 2019, should include, at minimum, the following: 1) The institution's annual audited financial statements for FY2018 and FY2019; 2) Fall 2019 enrollment data and updated enrollment projections through Fall 2022; 3) The FY2020 operating budget with comparative data from FY2019 and budget projections through FY2022; 4) An updated strategic enrollment plan **or** institutional strategic plan showing strategies for enrollment and finances.

The institution's next reaffirmation of accreditation is scheduled for 2021 – 2022.

For more information on the interim report process contact Lil Nakutis, Accreditation Processes Manager, at lnakutis@hlcommission.org. Your HLC staff liaison is Steph Brzuzy (sbrzuzy@hlcommission.org); (800) 621-7440 x 106.

Thank you.

HIGHER LEARNING COMMISSION



STAFF ANALYSIS OF INSTITUTIONAL REPORT

DATE: February 13, 2018

STAFF LIAISON: Steph Brzuzy

REVIEWED BY: Steven Kapelke

INSTITUTION: Shepherd University, Shepherdstown, WV

EXECUTIVE OFFICER: Dr. Mary Hendrix, President

PREVIOUS COMMISSION ACTION AND SOURCES: An interim report is required by 10/30/2017 on enrollment and finances.

This interim report derives from the Team Report of the institution's 2016 Comprehensive Evaluation which states:

"...in light of the CFI ratios and the need for a financial panel review, coupled with SU's long-range plans and strategies to address enrollment declines, the team recommends a monitoring report to be submitted to the commission by October of 2017. A review of the report by staff should show that progress toward improvement has been made with enrollment and finances."

REPORT PRESENTATION AND QUALITY: The Shepherd University interim report is clearly written, and the report narrative is augmented with extensive supporting materials in the appendices. Indications are that the report is thorough and candid.

REPORT SUMMARY: The report is presented in two major sections, each addressing one concern cited by HLC Visiting Team in its 2016 Team Report. In addition to the issues of enrollment and finances, the report includes a brief section on effectiveness of communication.

With regard to the subject of communication, the report notes three items that demonstrate the institution's efforts to maintain effective communication within the institution. These include a wide range of communication forms on a variety of topics ranging from the results of the HLC accreditation visit to budget challenges and new initiatives, among others. The Board of Governors (BoG) is kept apprised of key institutional issues and BoG meeting agendas are made available through the BoG web site.

Enrollment: This section of the report begins with a brief overview of the institution's enrollment challenges, noting the "*increasingly competitive market coupled with increasing graduation rates and decreases in state appropriations.*" Here the report also notes changes in leadership in Enrollment Management, culminating in the appointment of the current Vice President for Enrollment Management. The remaining body of this section of the report is presented in several subsections, including information on regional and national trends in enrollment and Shepherd University's enrollment trends from 2011 to 2016

With regard to the University's enrollment trends, the report provides a bulleted list of key points that include the decrease in Undergraduate Enrollment during this period from 3836 degree-seeking students in Fall 2011 to 3095 in Fall 2016. At the same time, Graduate Enrollment has remained reasonably consistent, with Fall 2017 graduate student enrollment standing at 182.

The following subsection is titled *New Initiatives*, which includes brief descriptions of actions taken in the Registrar's Office, Financial Aid, and the Office of Admissions. These actions include, in Financial Aid, the timely processing of aid packages coupled with a new initiative, "*Be Legit and Financially Fit*," that targets financial aid education and responsibility. The Office of Admissions has created "*a number of initiatives...related to stabilizing enrollment and to work collaboratively across units like Student Affairs and Academic Community Outreach.*" Among these cited in the report is the hiring of a regional recruiter who would focus recruiting efforts in specific areas; the report names Loudoun County and Fairfax County as these two regions. Other actions include the Multicultural Student Recruiting Initiative and an increased emphasis on recruitment of international students.

The final subsections within the category of Enrollment are titled *Results and Benchmarks for Success (Estimates for Fall 2018)*. Here the report provides a bulleted list of current enrollment data that include, but are not limited to, the following:

- *80% of UG students persisted from Spring 2017 to Fall 2017 (+10% improvement when compared to last two years)*
- *Freshman enrollment is up 4.9% when compared to Fall 2016*
- *Transfer student enrollment is even with Fall 2016*
- *The Fall-to-Fall retention has increased from 50.9% to 64.9%*

The Benchmarks identified in the report are listed in three areas: the Digital Marketing Campaign; [to] Leverage Scholarships and Aid (Metro Scholarship); and Student Success. Each contains several items; these include increased student enrollments in both undergraduate majors and graduate degree-seeking students, and an undergraduate persistence rate of 80% from Spring 2018 to Fall 2018.

Finances: In the category on Finances, the report cites numerous challenges facing the institution with regard to its financial situation, noting in particular declining student enrollment and reduced state appropriations. At the same time, the University was

acknowledged as the institution in the West Virginia System having the lowest-funded per student allocation, while also having the “*third highest economic impact among West Virginia’s four-and-two-year colleges according to a study commissioned by the West Virginia Higher Education Policy Commission.*”

The rest of the section on *Finances* is presented in three subsections, the first of which is *Operating Revenues*. Among the points listed here, several are particularly noteworthy:

- Total operating revenues for FY2017 decreased by \$1.6 million—or 4% compared to the \$2.4 million (5%) decline from FY 2015 to FY2016.
- During FY2017 tuition and fee revenue decreased by \$276,000 from FY2016—a 1.5% decline “*due to a combination of a 5.0 percent tuition increase and a continuing enrollment shortfall.*”
- The enrollment shortfalls also affected the institution’s Auxiliary Enterprise Revenue—a decline of more than \$1.6 million in FY2017.

Here the report notes that these factors have caused a decline in the institution’s Composite Financial Index (CFI), as well, influenced further by liabilities for Other Post Retirement Benefits.

The next subsection, *Operating Expenses*, begins by providing some detail regarding the “*decreases of the number of days cash on hand,*” citing a five-year cash flow projection in the appendices based on “*conservative five-year enrollment projections.*” These projections are also situated in the appendices. Here the report also lists a significant number of actions taken by the University to cut expenses. These include, but are not limited to, the following:

- Elimination of all administrative travel deemed nonessential
- Review of all new Executive Leadership Team position postings
- Significant reduction of capital projects to preserve cash
- The development of the FY2018 budget based on FY2017 budget “*actuals*”
- Energy savings projected at nearly \$400,000 annually
- Vacancy savings budgeted at approximately \$750,000 for FY2018

The final subsection of *Finances* is titled *New Initiatives to Enhance the Student Experience, Advance Shepherd’s Reputation and Create New Sources of Revenue*. As is the case throughout the report, these are presented in bullet point form and include the following among a range of initiatives:

- Enhanced Student Lodging with the Opening of Potomac Place Residence Hall

- Offering of market driven degree programs like the undergraduate and graduate degrees in data analytics and a new degree program in contemporary theater studies
- Increased opportunities in LifeLong Learning and the President's Lecture Series

Citing the most recent challenges pertaining to enrollment and finances, the report narrative closes by stating that the institution has refocused its efforts "*on creatively frugal ways to manage existing financial resources, while simultaneously working to develop new campus-based and external revenues.*" To that end, "*The institution is examining the productivity of programs in new and deeper ways to better understand instructional costs, as well as the flow and sources of revenue and expenses.*"

STAFF FINDING:

Note the relevant Criterion, Core Component(s) or Assumed Practice(s): **Core Component 5.A**

Statements of Analysis (check one below)

- Evidence demonstrates adequate progress in the area of focus.
- Evidence demonstrates that further organizational attention is required in the area of focus.
- Evidence demonstrates that further organizational attention and HLC follow-up are required.
- Evidence is insufficient and a HLC focused visit is warranted.

REPORT ANALYSIS: The Shepherd University interim report presents a thorough recounting of the institution's efforts pertaining to communication, student enrollment, and institutional finances.

With regard to communication, it is apparent that the institution has taken steps to enhance the means by which it communicates with its vast range of constituent groups. In addition to the information provided in the report narrative, additional documentation in the report appendices confirms this. The HLC will not require additional reporting on this topic.

Based on the materials presented in the report, the decline in student enrollment has continued through the Fall 2017 Semester, resulting in a dramatic fall off in enrollment since student numbers peaked in Fall 2011. The Five-year headcount projections, shown in the table below, indicate that estimated degree-seeking enrollment for Fall 2017 is 3116, or approximately 125 students less than Fall 2016; and overall University enrollment is estimated at 3516, compared to the Fall 2016 actual numbers of 3836.

Five-year headcount projections

Headcount by Segment	Fall Census 2016 Actual	Fall Census 2017 Estimate	Fall Census 2018 Target	Fall Census 2019 Target	Fall Census 2020 Target
Continuing UG	2,117	1,966	1,980	1,990	2,000
New FTIC	564	580	580	590	600
New Transfer	362	350	350	360	360
Re-admit	51	50	50	50	50
New and Continuing G	157	170	180	185	190
Degree Seeking Enrollment	3,241	3,116	3,140	3,175	3,200
Non-degree UG and G	595	400	400	400	450
University Enrollment	3,836	3,516	3,540	3,575	3,650

Targets based on multiple sources: • Shepherd University Institutional Research • WICHE, Knocking at the College Door 2016 • Maryland, Virginia, and Pennsylvania, Department of Education, high school enrollment reports • WVHEPC 2016 Report Card

Long-range projections, as reflected in the table, show steadily increasing degree-seeking and overall enrollment through Fall Census 2020 cutoff date; nonetheless, these numbers are still below the 2016 actuals shown in the table.

However, based on information provided in the report, it is apparent that the institution has been pro-active in addressing enrollment issues. While citing challenges such as regional demographics, the University has, at the same time, taken steps to reduce the impact of these challenges. Indications are that the change in Enrollment Management leadership has been salutary and should continue to provide strength in student recruitment, retention and persistence. Procedural changes have been made in the offices of the Registrar, Admissions and Financial Aid; and first-year enrollment in Fall 2017 increased by almost 5% over the previous year. Further, the available data shows that 80% of undergraduate students persisted from Spring 2017 to Fall 2017, an increase of 10% over the previous year. If freshman enrollments grow steadily and the institution is able to show continuing improvements in retention and persistence, overall enrollment should stabilize over time, as the projections indicate.

The institution's finances remain uncertain despite clear and seemingly well-defined efforts on the part of the institution to reduce expenses, create new programming and develop other initiatives expected to provide new revenue streams. The report is candid in noting the challenges facing the institution with regard to finances, in particular declining student enrollment and the concurrent decrease in state appropriations.

Again, indications are that the University, to its credit, has been pro-active in responding to financial concerns, having identified ways to cut operating expenses that affect areas such as administrative travel and staffing--and eliminating or postponing certain capital projects to help maintain the institution's relatively small cash reserve. It appears, also, based on material contained in the appendices, that the University will, if necessary, consider implementing staff furloughs, though this is not mentioned in the report narrative. The documentation below shows the "FY2018 Operating Scenario," which projects operating revenues and expenses through FY2022. Noteworthy in the figures presented in the Scenario is that operating expenses continue to exceed operating revenue through the duration of the projections.

FY2018 Operating Scenario

	AUDITED FY16	Projection FY17	Budget FY18	FY19	FY20	FY21	FY22
TOTAL OPERATING REVENUES	56,650	54,898	54,695	54,550	56,105	57,740	59,450
TOTAL OPERATING EXPENSES	60,924	62,078	60,790	57,830	58,390	60,245	60,625
Increase (Decrease) in Net Assets	<u>(4,274)</u>	<u>(7,180)</u>	<u>(6,095)</u>	<u>(3,280)</u>	<u>(2,285)</u>	<u>(2,505)</u>	<u>(1,175)</u>
Increase (Decrease) in Cash	(1,619)	(3,893)	(2,670)	90	1,029	871	846
Ending Cash	<u>16,260</u>	<u>12,367</u>	<u>9,697</u>	<u>9,787</u>	<u>10,816</u>	<u>11,687</u>	<u>12,533</u>
Days Cash	116	87	70	75	80	85	90

One aspect of the institution's finances addressed only indirectly in the narrative is the existence of Shepherd University Foundation, which has assets of \$52.6 million as of the close of FY2017, of which only about \$17 million is unrestricted or temporarily restricted. However, based on the information supplied in the appendices, it appears that the Foundation contributes approximately \$1.5 million annually to the institution's operating expenses—for academic programs, athletics, and student organizations.

Analysis Concluding Statement: Despite genuine efforts on the part of the institution to address its issues in the related areas of enrollment and finances, the University's challenges in these areas remain. While there are positive signs with regard to enrollment, particularly in first-year student enrollment and student persistence, it would be premature to conclude that the downward enrollment trends have been completely reversed.

As pertains to institutional finances, Shepherd University has identified as a strategic priority the stabilization of its financial situation, as stated in the documentation below, taken from the appendices.

Primary Goal: Attain financial stability to provide a world-class liberal arts education for the next generation of leaders and model citizens, and to serve as an educational resource for the community.

- Priority 1: To invest strategically in a regional recruiter to focus on recruitment efforts in Loudoun County and Fairfax County - - to impact enrollment.
- Priority 2: To expand the Office of Sponsored Programs (OSP) to support proposal writing and pre- and post-award services to PIs. (Director of OSP, Jessica Kump; Director of Strategic Research Initiatives, Dr. Jason Best)
- Priority 3: To increase extramural funding by at least 10% each year over the next five years to achieve a minimum of \$3 million annually.
- Priority 4: To advance public/private partnerships through Shepherd's Entrepreneurship and Research Corporation (SERC) - - to support ongoing and new initiatives.

Shepherd University



These are clearly well conceived priorities but, again, the actions involved are in early stages and there are not data that provide long-term results or trends with respect to these initiatives. The institution's Composite Financial Index remains low.

Consequently, the Higher Learning Commission will require additional monitoring on enrollment and finances, in the form of an additional report, to be submitted by November 1, 2019. The specifics of the report are outlined in the Staff Action section below.

STAFF ACTION: Receive the report on enrollment and finances.

The institution is required to submit an additional interim report on enrollment and finances. The report, to be submitted to the Commission no later than November 1, 2019, should include, at minimum, the following: 1) The institution's annual audited financial statements for FY2018 and FY2019; 2) Fall 2019 enrollment data and updated enrollment projections through Fall 2022; 3) The FY2020 operating budget with comparative data from FY2019 and budget projections through FY2022; 4) An updated strategic enrollment plan **or** institutional strategic plan showing strategies for enrollment and finances.

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