
Perspectives in Higher Education

June 2018



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Introduction

Colleges and universities continue to deal with political, financial and compliance challenges. While the challenges have varied from one year to the next, a common theme has emerged – the higher education environment continues to be complex, with increasing expectations about performance, accountability and value from many constituents including students, parents, regulators, donors and federal and state governments. From business model changes and regulatory expectations, to the competitive international marketplace, institutions are being pushed to keep up with the dynamic pace of change.

In this edition of “Perspectives in Higher Education” we have provided our annual outlook on how the political environment in Washington may affect higher education, as well as an expanded discussion on tax reform. In addition, we provide a glimpse into the future of higher education including affordability, internationalization and trends in the workforce. We have also continued the dialogue around cybersecurity and have added a discussion on the risks associated with disruptive innovation. Lastly, we discuss such sensitive topics as mental health on campus and student activism. In this time of significant change, it is important for institutions to stay abreast of changes and pressures within the industry. Approaching change in a proactive and positive manner will ensure success and continued leadership in the years ahead.

This document was created to share PwC’s insights into the key challenges and related opportunities facing colleges and universities, and to offer an informed point of view on how institutions might proactively respond. As a leader in providing audit, tax, and advisory services to the higher education industry, PwC has been honored to work with many of the nation’s premier educational institutions in addressing their most pressing challenges. Our contributors to this paper are working with your peers on regulatory, tax, risk, and operational issues and are in an excellent position to share trends, insights and perspectives.

While each institution has its own unique set of challenges, all educational institutions are currently contending with a number of shared challenges. Notwithstanding these challenges, the U.S. higher education system remains the envy of many countries, and U.S. colleges and universities continue to be leaders in creating and sharing knowledge and value around the globe.

This document is not meant to be comprehensive in nature. Drawing upon our understanding of the diverse nature of higher education institutions that have complex educational, research and clinical activities, we offer the summary as a broad platform for discussing these topical issues in a proactive and collaborative manner.

I invite you to contact me at (617) 530-4076 with any questions or comments you may have.



Christopher Cox
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Future Challenges for Higher Education

Background

The challenges facing colleges and universities today are coming from all directions. Increasing costs and declining revenue growth stand out, but there are many other factors at work that accentuate the importance of strategic planning and dialogue around the changing environment. The higher education industry was downgraded by Moody's from stable to negative in December 2017. Standard and Poor's followed suit in January 2018 with a negative outlook due to increased credit pressures. Institutions are also dealing with aging facilities that are in need of modernization to keep pace with the demands of today's student. Additionally, with anticipated budget cuts to both financial aid and grant funding, there will be continued pressure for institutions to make up the difference through alternative revenue sources and cost containment measures.

Today's students are weighing the cost of their education against the value received, and are often measuring value by the acquisition of tangible skills and proven outplacement. The rise in the demand for value is putting increased pressure on financial aid to recruit and retain the best students. There are also budget pressures from increased faculty compensation, especially for those in certain fields that are a priority such as science, technology, engineering, and mathematics (STEM) programs to satisfy the growing appetite for these skills in the workforce. Institutions with substantial resources are competing for the best talent to build or expand these programs, which in turn is driving up the cost for all.

All institutions are faced with demographic shifts in the U.S., especially the overall decline in the number of high school graduates. Based on current census data, there is a projected decline in high school graduates in both the Northeast and Midwest. Although the South and West are projected to have limited growth, it will be substantially less than in the past decade.

Technology may also be a disruptor for many colleges and universities, as distance learning will continue to be an avenue for expansion. One example is the Minerva Schools at the Keck Graduate Institute (KGI), which is a partnership between venture capital-funded Minerva and the KGI that has flipped the classroom model by leveraging online and connected technologies. In the KGI classroom, faculty deliver courses remotely to students that live in dormitories in seven global cities, and the students travel between cities year to year. The enrollment is approximately 310 students, of which 75% are international, with an acceptance rate of only 2% of applicants.¹ The increasing prevalence of these types of learning models has the potential to further impact traditional colleges and universities.

Impact on educational institutions

Faced with the myriad of challenges, colleges and universities are developing plans to face them head on. Each institution's challenges are unique based on their financial situation, size, curriculum, and geographic location, but the need to strategize about future challenges is common among all.

Those institutions that are highly endowed and are the top names in the country will face the pressure to maintain the current quality of their student body in light of declining high school graduates and increased competition. For tuition-dependent institutions with a strong balance sheet, sound business model, and brand loyalty, the challenges will be different. These institutions will need to continue to contain costs while looking for alternative revenue

¹ businessinsider.com – April 2016

streams and funding models. Demonstrating successful job placement for prospective students will be paramount to stand out from the competition.

With regard to alternative revenue streams, many institutions are looking at private/public partnerships to fund capital projects and offset growing operating costs. For instance, certain universities have worked with third parties to monetize certain assets such as dormitories, parking facilities and power plants. Potential risks with this model include the loss of control of the underlying asset, the potential impact on future costs, or reputational risk to the brand.

The impact of all of these factors is leading to increases in mergers, closings and consolidations. Retired Ohio University economics professor Richard Vedder predicts 500 U.S. colleges will close in the next decade.² Institutions that are tuition dependent are feeling the pressure to diversify their revenue streams or consider partnering with others to stay viable. Certain institutions have closed their doors without significant notice or alternative options for their students. When these closings happen, it shines a light on the industry as a whole and often requires a reaction from politicians. This in turn puts pressure on all institutions to justify the value they provide to their students, especially when colleges and universities are receiving governmental support or are benefiting from their tax-exempt status.

Our perspective

Each institution's long-term plan will look different based on individual facts and circumstances. Although one size does not fit all, the status quo is not an option. We continue to see expanding disparity between the "haves" and the "have nots". The challenge for financially strapped liberal arts and other colleges is about survival and being able to make their budgeted enrollment so they can cover their operating costs. Yet, endowments for some institutions are at an all-time high and top-tiered schools appear to be thriving.

For the top colleges and universities, current issues include maximizing the return on endowment, competing for the best students, and navigating the regulatory and political environment. Immigration and international footprints will also continue to be an area of focus as many top students come from outside the U.S. Colleges and universities will need to rethink their domestic and global recruiting process to continue to thrive in an environment of increased competition.

Financially stable, tuition dependent institutions will need to continue to focus on what programs are being offered, and aligning these with student demands. To continue to be successful, these institutions will need to challenge conventional thinking when it comes to content delivery and put an emphasis on credentialing their students with skills that are marketable and give them the best chance of success after graduation.

Colleges and universities without a stable financial situation will struggle to maintain their current position and will need to rethink future strategies. The demand for capital to stay competitive will continue to be financially challenging. Consideration should be given to partnerships, strategic alliances, or other alternatives as a means to continue their educational mission.

It is clear that the landscape in higher education is changing. Enrolling the optimal mix of students while also increasing tuition annually are no longer a given. Each institution has to be able to better communicate their value proposition due to the increased competition and awareness of the student as a consumer. Higher education institutions are under great scrutiny, both from a regulatory and funding perspective, and historic levels of federal and state funding are at greater risk now more than ever. Now is the time for institutions, and the boards that govern them, to ensure that they have a clear vision of the road ahead and that there is consensus on where the risks and opportunities lie.

² Boston Globe – April 2018

Emerging Trends in the Workforce

Background

Along with many other industries, higher education finds itself in the midst of unprecedented and rapidly accelerating change fueled in large part by the explosion of technological advances. Big data, artificial intelligence, robotics, machine learning and other forms of automation and advancing technology have become almost ubiquitous and are expected to significantly impact work environments. According to the World Economic Forum, automation could replace millions of jobs in the U.S. within the next 5 to 7 years³, and by 2020 more jobs will require cognitive abilities, systems skills and complex problem solving skills. The figure globally is exponentially higher. This includes science and technical skills to create and advance emerging technologies, as well as analytical and critical thinking skills needed to use those tools, communicate and translate the learnings and innovate to maximize the benefits. Contrasting the need for these skills is an apparent gap in filling them, as 32% of U.S. CEOs surveyed are extremely concerned about the availability of key skills.⁴ Organizations tomorrow will still need people, but with different competencies than exist today.

While there appears to be broad acknowledgement of the expected impact of technology on employment, strategic plans identifying ways to leverage and benefit from the changes are much fewer. With challenges, however, come opportunities that should excite leaders and organizations willing to embrace them. According to PwC research on the topic, employees expect change and are ready for it. While more are worried about automation displacing jobs (37% of survey participants) and 60% believe jobs will no longer be as stable over their careers as they have been in the past, 74% are ready to retrain and learn new skills and 73% believe technology can never completely replace the human mind.⁵

In addition to a changing workforce driven by automation, employee expectations are also driving change. Overall physical, mental and spiritual well-being are no longer personal, non-work related concepts. Employees are demanding workplaces where they can not only grow and develop skills, but also contribute to a larger purpose and maintain or advance their well-being. Emerging definitions of success, which are more holistic than the traditional trappings of career success such as titles and salaries, are contributing to a dynamic new work environment that will significantly shape organizations in the future. This emerging generation of employees is also much more global and urban, expects a diverse and engaged workplace that more closely aligns with their experience, and is less patient about waiting for change.

Colleges and universities find themselves at the epicenter of this changing environment given their responsibility and mission to prepare students as they advance through youth to become contributing adults in society. Campuses also provide a platform for new generations to explore and weigh in on the fundamental values that underpin their society. College leaders have the complex task of addressing these challenges not only for their students, but for their workforce.

Impact on educational institutions

Despite the importance of technological advances, the ultimate value to society of colleges and universities is grounded in people. Their missions of education and research are for the benefit of people, individually and collectively, and are accomplished by people. Institutions advance knowledge and contribute to local, national and global communities by preparing new generations through education, and by pursuing and sharing new knowledge

³ Towards a Reskilling Revolution: A Future of Jobs for All, January 2018

⁴ PwC 21st Annual Global CEO Survey, January 2018

⁵ PwC Workforce of the Future: The competing forces shaping 2030

through research and related scholarly activities. The advancing technologies are tools to be used by people to advance the greater good.

To continue to excel and advance their missions, institutions have recognized the need to update their curriculum and their campuses to keep pace with not only technological advances, but also the evolution of personal wellness, including mental support. This has included new courses, majors and paths to graduation, micro credentialing, and other offerings for students to keep pace and meet the new definitions and requirements for career success. It has also included substantial investments in students, particularly as it relates to the diversity of students on campus, and wellness and the overall student experience.

It will also be necessary for institutions to make these same investments in their employees and faculty to ensure they have the right skills and competencies for the future, and that they are attracting and retaining the necessary talent as the competition for talent escalates more rapidly. Rich benefits, the promise of a long and stable career, successful alumni connections, and to some extent, educational opportunities for interested and motivated employees have long attracted talent. These lures, however will likely not be sustainable and may prove too costly in the emerging economy. In the future, colleges and universities will need to shift their employment model and culture towards growth and development for all employees as opposed to a stay and contribute model.

Our perspective

In relation to their workforce, leading organizations need to move more quickly and deliberately than they have in the past and should start taking incremental steps now to continue to ensure their human resource model supports the emerging workplace demands in helping the development and growth of their people. Questions that should be considered in assessing and advancing this objective include the following:

- How is the institution focusing on competencies and skills, rather than job or task specific experiences?
- How is the institution identifying new talent that is analytical, collaborative, innovative, and demonstrates creative problem solving? How is the institution encouraging and rewarding the development of these competencies?
- What is being done in house to further develop appropriate skills or to reskill employees where necessary? Where might partnerships and collaborations assist with this?
- What does advancement look like with less transactional focus?
- What can be automated, outsourced or eliminated?
- How can the institution create more flexibility in jobs? For instance, up to 30% of positions may be filled by temporary or contract employees in the future. Not only do newer generations want more flexibility, but organizations need to be able to flex more quickly as the nature of business and jobs continue to rapidly change and emerge.
- How can disparate initiatives surrounding health, diversity, engagement and other employee focused activities be integrated with a more holistic view towards creating a more meaningful employee experience?
- How does the institution reinforce deep connections to the larger purpose and mission?
- How does the institution advance a culture of inclusion and ensure greater diversity on the leadership team and throughout the organization?

Institutions that are able to engage their people through shared purpose, as well as invest in growing and advancing the collective skills of the entire organization, will lead this revolution.

Washington Update

Background

The Trump administration's deregulatory agenda has reached every corner of the federal government including higher education related policies and procedures. While Congress is working toward a reauthorization of the Higher Education Act (HEA), it is likely that the Administration will continue to be the primary driver of change within the higher education sector. Legislated reforms are expected to originate outside of a full-scale HEA reauthorization, which is unlikely to be enacted this year. Below we highlight drivers in federally directed changes to higher education, with a focus on the impact to funding programs.

Impact to educational institutions

Higher Education Act Reauthorization

The HEA, which authorizes numerous federal aid programs that provide support to both students and higher education institutions, has not been updated in more than a decade. The last reauthorization – the Higher Education Opportunity Act of 2008 – was signed into law by President George W. Bush in his final year in office. While attempts were made to pass a reauthorization during the second term of President Obama, his administration's policy measures never generated serious consideration. This year, Congress is again mounting an effort to reauthorize the HEA, but the Senate and House are taking markedly different approaches and are at different stages in the process.

On December 13, 2017, the House Education and Workforce Committee voted along party lines to approve the PROSPER Act – introduced by Chairwoman Virginia Foxx (R-NC) to reauthorize the HEA. While bipartisan support exists for several of the bill's provisions, such as those aimed at updating the Free Application for Federal Student Aid process, expanding Pell Grant eligibility, and consolidating the direct lending process, other provisions are more controversial and have been criticized for inhibiting the scale and scope of affordable lending options to students.

To that end, the PROSPER Act does echo many of the policies set forth in President Trump's fiscal year 2019 budget request to Congress, such as eliminating the Public Service Loan Forgiveness Program (PSLF) and subsidized loans, changing federal borrowing limits, reducing repayment options, and simplifying federally funded aid into two independent loan and grant programs. While the majority of students borrow directly from the Department of Education (ED), private loan volumes have increased in recent years, and the bill, if enacted, is expected to accelerate that trend. The legislation would also allocate Title II funding to a new grant "earn and learn" program and double the amount allocated for the Federal Work Study Program, but would change the formula for school fund allocations and eliminate eligibility for graduate and professional students.

The PROSPER Act also seeks to provide regulatory relief to certain higher education institutions and lenders by rolling back policies promulgated under the Obama administration. This includes the high-profile Borrower Defense to Repayment and Gainful Employment regulations, among others. The bill would also block states from legislating and regulating federal student loan servicers.

While Chairwoman Foxx has been in talks with House Republican leadership to bring this bill to a full House vote, the PROSPER Act, as currently written, is unlikely to become law. If the bill is considered on the floor, a largely party-line vote is expected. By comparison, the 2008 HEA reauthorization that was produced by the Committee cleared the House with overwhelming bipartisan support by a vote of 354 to 58.

Deregulation and the Trump Administration

The Trump Administration, including the ED and other agencies, have aimed to deregulate certain areas in the higher education arena. On March 9, Secretary of Education DeVos released a memo arguing that state laws that govern student loan servicers are invalid, because they undermine the federal government's role. It is unclear when deregulation of the state laws could take effect, but it could impact the six states that already have student loan servicing laws in place.

Secretary DeVos has also suspended the Gainful Employment Rule and the Borrower Defense to Repayment regulations and is rewriting those regulations through a negotiated rulemaking process. DeVos explained that she wanted the regulations to be less confusing and less burdensome to higher education institutions. While there has not been much headway on creating these new rules, a draft memo from the rulemaking board stated that the ED would no longer impose sanctions on low-performing programs that do not prepare students for 'gainful employment in a recognized profession' at for-profit colleges and other career schools.

Current Student Loan Considerations

On the campaign trail, candidate Trump made a point to emphasize the increasing costs of tuition and student loan debt as topics for policy reform. These topics included: (1) capping tuition repayment plans at 12.5% of income over 15 years; (2) a consolidation of existing repayment plans; (3) promoting tax and investment incentives for colleges and universities to cut tuition costs; and (4) doing away with Federal Student Loan programs in favor of a "market-driven" system. However, in the months since his inauguration, President Trump has largely stayed the course and notably did not reference the cost of higher education or student debt burden in his State of the Union address.

President Trump's fiscal year 2019 budget proposal hones in on removing the PSLF program, eliminating subsidized student loans, and creating a single income-driven repayment plan in an effort to save a net estimated \$203 billion over 10 years. President Trump also outlined an expansion of the Pell Grant program to include certificates and short-term education programs as well as increased funding for the Federal Work Study program. However, the President reduced the overall discretionary spending for the ED by \$3.6 billion.

Perhaps the most controversial proposal is for an all-out elimination of subsidized loan programs. Under the fiscal year 2019 budget plan, the federal government would stop paying interest on student loans that were traditionally given to need-based undergraduates who were exempt from paying accrued interest until after graduation. Critics have argued that this initiative would put the nearly 6 million annual recipients of these loans at risk of being driven out of college. The Institute for College Access and Success estimated that eligible students would end up paying 16% more with accrued interest charges, and that the move would balloon into an additional \$23.4 billion in tuition costs for students over the course of 10 years.

Research & Research Funding

Research has been a consistent target in President Trump's budget proposals. In last year's fiscal year 2018 plan, the President proposed cuts to the budgets of major federal agencies that provide a significant funding pipeline to university research grants and projects. These suggested budget cuts included:

- 22% cut to the National Institutes of Health (NIH)
- 11% cut to the National Science Foundation (NSF)
- 70% cut to research on energy efficiency/renewability at the Department of Energy
- 44% cut to science and technology research funding at the Environmental Protection Agency (EPA)
- 78% cut to the National Endowment for the Humanities (NEH)

The majority of this research funding goes to institutions of higher education, with NIH grants alone supporting the research of over 300,000 researchers at more than 2,500 universities, medical schools, and research institutes. The backlash from agency heads and the academic community was significant, citing devastating consequences to the nation's economy, education system, and innovation in science and technology.

Lawmakers largely rejected these provisions in the spending bill, increasing funding for the NIH (\$2 billion) and NEH (\$2 million), while keeping NSF's budget consistent and only reducing the EPA's budget by 3%. President Trump's fiscal year 2019 budget proposal was nearly identical to his fiscal year 2018 plan, with only slight variations in the percentage point changes to budget reductions. Considering the bipartisan opposition to these provisions in the past, and the growing aversion to another government shutdown, it seems unlikely these controversial cuts will have a major part in the upcoming round of budget deliberations.

Immigration Considerations

According to a report published last year by the Institution of International Education, new foreign enrollment in American universities was approximately 291,000 in 2016 — a 3% drop from the previous year, representing the first decrease in growth the organization has recorded since it first started tracking those figures. It separately received feedback from 500 schools in the fall of 2017 who reported an average 7% drop in new international enrollment.

Shortly after the Trump administration announced that it would rescind the federal DACA program, dozens of universities declared their opposition to the move. Within days of the announcement, major colleges and higher education systems and associations issued critical statements. Later in the year, more than 200 university leaders signed a letter to the President urging him to protect and expand DACA. Universities across the country have quickly developed plans for responding to potential enforcement actions, ensuring immediate protection for DREAMers, and communicating university policies to enrolled DREAMers.

University presidents sent a letter to President Trump urging him to rescind his executive order banning immigrants from seven majority-Muslim countries and suspending the country's refugee program. Certain universities independently spoke out against the ban, as students or professors became stranded while traveling abroad, unable to return to the U.S. because of the order. Universities also explained that, in the long run, the order could have a negative financial impact on universities.

Our perspective

The preceding summary is a high-level briefing of selected regulatory matters that educational institutions are currently focusing their resources – or may need to focus their resources – to ensure compliance and to manage the risk associated with noncompliance.

The attention to higher education from Congress, the President, and other regulatory bodies is not slowing down. While some legislation is in progress to streamline compliance requirements and reduce the financial burden, other legislation may result in more compliance requirements and added cost of implementation. Therefore, educational institutions should stay abreast of the rapidly changing compliance requirements and continue to be vocal with regulatory bodies and political leaders as to their perspectives on proposed changes and the regulatory cost associated with such changes.

Tax Reform

Background

On December 22, 2017, President Trump signed the 2017 Tax Reform Reconciliation Act (the Act). The Act impacts institutions in several ways, including new excise taxes on compensation and net investment income, taxation of certain fringe benefits, and segmentation of unrelated trade or business activities. The following outlines the key provisions of the Act.

- *Inclusion of Certain Fringe Benefits as Unrelated Business Income (UBI)* – The provision provides that organizations must include as UBI amounts paid or incurred by the organization for the provision of certain benefits provided to employees, including qualified transportation fringe and parking facilities used in connection with qualified parking. The provision arose out of a similar provision in the Act which removed the deduction for transportation fringe benefits previously available to taxable entities. Further regulatory guidance from Treasury is expected to clarify the types of expenses includable as revenue under the provision. This provision was effective beginning January 1, 2018.
- *Segregation of UBI Activities* – Similar to other taxpayers, exempt organizations taxed on UBI are able to report all of their UBI activities together and pay tax on the net income of the organization. If any net operating loss (NOL) is generated, it can be used against any source of UBI (subject to the NOL rules). Beginning in fiscal year 2019, the Act provides for a significant reporting change. Under the new statute, the UBI of an organization that has more than one trade or business now must be calculated separately for each trade or business. A loss from one activity may not offset taxable income from another trade or business, and NOLs are calculated separately for each trade or business going forward and can only be used to offset 80% of net income. NOLs generated prior to fiscal year 2019 can still be used to offset 100% of income from all activities and are subject to a 20-year carryforward period.
- *Excise Tax on Certain College and University Net Investment Income* – The Act imposes a 1.4% excise tax on the net investment income of certain private colleges and universities that have at least 500 full-time tuition paying students and assets with a fair market value which equals at least \$500,000 per full-time student. The excise tax is initially expected to impact 30 to 40 colleges and universities, but this number is expected to increase with the continued growth of university endowments. Assets that are used directly in carrying out an institution's exempt purpose are not taken into account in determining the value of its assets. In computing an institution's assets and its investment income subject to the tax, assets and income of certain related organizations are included. The tax calculation is structured similar to the rules applicable to private foundations per the statute with additional details on calculations and reporting expected from Treasury. The provision is effective for tax years beginning after December 31, 2017.
- *Excise Tax on Compensation Over \$1 Million and Excess Parachute Payments* – This provision imposes an excise tax of 21% on compensation above \$1 million paid to certain "covered employees." Covered employees generally include the top five highest compensated employees of the organization plus any employee who was a covered employee in a prior year. The excise tax also applies to "excess parachute payments" paid to covered employees and amounts paid by related organizations. Compensation is defined as wages subject to income tax withholding. Compensation does not include remuneration paid to licensed medical professionals for the performance of medical services. The statute structures the provision to be applicable on an organization by organization basis and based on fiscal year compensation. Further guidance is expected through Treasury regulation. The provision is effective for tax years beginning after December 31, 2017.

The Act also includes several other provisions of interest, including the following items. These provisions were effective January 1, 2018.

- Denial of a charitable contribution deduction for amounts associated with athletic seating rights
- The removal of the deduction and wage exclusion for qualified moving expenses
- Elimination of advance refunding bonds for tax-exempt financings. The elimination of advance refunding bonds means that colleges and universities can no longer refund bonds that are not immediately callable with tax-exempt financing. Taxable financing or use of other capital will be necessary to refund these issues going forward.

Impact on educational institutions

While there are several provisions affecting colleges and universities, the full impact of the Act will not be known until further regulatory guidance is provided to assist organizations with calculating income and excise tax liabilities. Regulatory guidance timing is generally unknown, but Treasury is expected to issue guidance on UBI matters in late June 2018. Organizations are however taking steps to prepare and budget for the impact of tax reform.

For colleges and universities that are potentially subject to the excise tax on net investment income, or that may be subject to the excise tax in the future since the applicable limits are static and do not index for inflation, significant effort is needed to prepare for the complex calculation. As currently structured, consistent with calculations for private foundations, the calculation of net investment income will require applicable colleges and universities to capture a wide range of investment income, including interest, dividends, royalties, rents, and realized gains from the sale of property. This includes tracking flow-through income from alternative investments. Adding to the complexity, colleges and universities have diverse assets and income sources beyond the types of assets owned and income generated by private foundations, which has caused uncertainty with applying the rules to colleges and universities. The inclusion of related organizations will cause additional investment income to be subject to the tax, including, perhaps, the investment income of academic medical centers. Colleges and universities are working now on modifying systems and preparing for reporting requirements.

In connection with the excise tax on compensation over \$1 million on certain covered employees, colleges and universities are looking at current compensation arrangements and determining if changes can be made to reduce remuneration subject to the excise tax. Further, budgeting decisions must be made as to what department will bear the cost of the excise tax in its budget.

The Act will also have a significant impact on UBI reporting of colleges and universities. Many institutions, particularly those in urban areas, provide generous transportation benefits that are subject to potential inclusion as UBI. Colleges and universities are currently considering modifying such benefits or absorbing the additional tax expense. Further, the segmenting of UBI activities raises a number of questions, including how separate trades or businesses will be identified as well as treatment of investments. Organizations continue to wait for additional guidance before modifying UBI structuring.

Colleges and universities with athletic programs are considering how to handle seating rights now that no charitable contribution deduction is allowed for individuals (and businesses) who contribute in exchange for athletic seating rights. Organizations are looking at the impact to existing programs and whether modification will be needed to retain funding.

Our perspective

Tax reform provisions will have a significant impact on colleges and universities including increased tax costs and additional tracking of information needed to complete tax calculations.

Although regulatory guidance is necessary for several provisions, colleges and universities should begin to consider potential structural and business process changes that may be necessary as a result of tax reform. For those institutions potentially subject to the excise tax on net investment income, the development of modeling should be considered to determine whether they meet the threshold for the excise tax on a yearly basis. Institutions subject to the tax now, or potentially in the future, should work closely with their investment office to develop strategies and resources to assist with the gathering of additional data and tax basis calculations. Institutions should also be working with their related organizations (such as academic medical centers, museums and other related entities) to determine what information is necessary for the tax. Related to the compensation excise tax, this tax could present opportunities for structuring remuneration to reduce the total tax liability, including the use of arrangements to reduce current-year compensation.

UBI reporting changes bring both challenges and opportunities. The treatment of certain qualified transportation fringe should cause organizations to review the benefits they provide. State taxing authorities may follow federal tax treatment. Colleges and universities should gather data necessary to assess the liability and make estimated payments as necessary. The segmentation of UBI could significantly impact UBI reporting from on-campus UBI activities and investments, but further guidance is necessary to assess the full impact.

Institutions will need to carefully consider the impact of tax reform, including the potential data gathering necessary to comply with changes, estimating the additional cost, and the potential impact to business operations, financial reporting, and existing tax processes.

Affordability

Background

What should be considered when determining the affordability of a college education? What is the definition of affordable? Factors other than the cost of tuition, room, board, books, and fees need to be reflected in this definition. Consideration should also be given to what a student will get in return for the amount paid to determine the true value of a college degree and whether or not it is affordable.

Although higher education has become more expensive than ever before, a higher education degree has never been more valuable. College graduates with a bachelor's degree typically earn 66% more than those with only a high school diploma and are also far less likely to face unemployment. However, low-income students, first-generation college students, and minority students, in particular, are being underserved by the current system. Just 9% of students from the lowest income quartile graduate with a bachelor's degree by age 24, compared to 77% from those in the top income quartile.⁶

Providing full access to students at all income levels continues to challenge many colleges and universities. Uncertainties in future funding at both the state and federal levels, combined with increases in cost, will continue to strain financial resources. For private colleges and universities, this means more reliance on institutional resources or endowments to fill the financial gap left in the neediest students' financial aid packages.

Impact on educational institutions

Institutions are continuing to define their value proposition and are refining their messaging to demonstrate to the public the value that will come from the price paid for an education at their institution.

As the cost of four year institutions continues to climb, community colleges will likely play a larger role in ensuring access and affordability. Financial aid is also going to become more important to alleviate the costs of obtaining a degree. As federal budgets are cut, grant aid will cover a much smaller percentage of total tuition costs, while more of the financial aid given to students may be in the form of loans. Since the start of the Great Recession, student loan debt in the U.S. has doubled, with every graduating class owing more for their college degree than the class before. More than 44 million people owe a total of \$1.4 trillion for their college educations.⁷ This is more than the nation's credit card debt. The number of people over 60 with student loan debt has quadrupled in the last decade from 700,000 to 2.8 million. That group's share of the debt has skyrocketed from \$8 billion to \$67 billion and many are having loan payments deducted from their Social Security checks.⁸

While the final tax bill has less impact on higher education than earlier drafts of the bill, the legislation places a 1.4% excise tax on the net investment income of certain private colleges and universities that have at least 500 full-time tuition paying students and assets with a fair market value which equals at least \$500,000 per full-time student. For several years, government representatives have been raising questions regarding not-for-profit institutions and the appropriate use of their endowment funds. This tax on the wealthiest colleges and universities could be construed as addressing criticism of colleges and universities that continue to raise tuition and fees at their institutions while garnering double-digit returns on their endowment portfolios.

⁶ <https://www.ed.gov/college>

⁷ <https://www.nbcnews.com/think/opinion/student-debt-crisis-threatens-american-way-life-washington-can-t-ncna860556>

⁸ <https://www.debt.org/students/>

Our perspective

The economy is near full employment in many parts of the country, but young adults still have more trouble finding jobs than more experienced workers. The struggle is even more difficult for those who do not have a college degree. The unemployment rate for recent college grads ages 22 to 27 is just 4%, which is less than half the 8.5% unemployment rate for workers of the same age who don't have a college degree.⁹ Given this, the value of a college degree continues to be strong.

At the same time, as tuition rates rise, the level of student debt is rising as well. The increase in student debt will continue to have long-term effects. When graduates are making substantial monthly payments on their student debt, they are less able to invest in their future, such as housing and retirement. As student debt rises, it will be important to sustain financial aid counseling so graduates are well-educated on their repayment requirements and the impact it will have on their future financial status.

While the affordability of a college education continues to be challenged, one consideration that should be given in determining the value of a college degree is the potential lifetime earnings of college graduates versus high school graduates. The earnings gap between college graduates and all others has reached its widest point on record. A college graduate can expect to earn \$1.3 million more than high school graduates over the course of their working lives.¹⁰ In addition, earnings increase as the level of advanced degree attained increases, and unemployment levels decrease.

Institutions will need to continue to address cost and value with prospective students and be transparent related to expected costs, as well as financial aid and loan options. It is important for institutions to continue one-on-one admissions and financial aid counseling to ensure prospective students have an accurate picture of the true cost of attendance at a particular institution rather than relying only on website data. Institutions should be mindful of how they define whether their institution is affordable, including demonstrating the expected future opportunities that will be available based on a prospective student's education.

⁹ <http://www.thefiscaltimes.com/2017/07/05/Value-College-Degree-One-Simple-Chart>

¹⁰ <https://www.debt.org/students/>

Internationalization

Background

Internationalization continues to be a key area of focus for colleges and universities. International strategies take many forms including global recruiting initiatives, increased study abroad options, establishing a greater physical presence through overseas branch campuses or collaborations with other institutions, and expanding virtual and distance learning.

Statistics on the effect of internationalization point to the need for ongoing attention by trustees and senior management. While international student enrollment in U.S. institutions was up between 2012 and 2016, studies show a decline in 2017 compared with 2016, including a 2.2% decrease in undergraduate international student enrollment and a 5.5% decrease in graduate international students.¹¹ The main drivers of this decrease include increased competition around the globe as other countries are focusing on their level of efforts in internationalization of education, the high cost of tuition in the U.S. and the uncertain political climate regarding immigration policies.

This data highlights the urgency for American institutions to develop formal and agile strategies, as well as thoughtful plans around future international efforts. Additionally, as institutions continue to look for ways to optimize and diversify revenue, international efforts are seen as a way to achieve growth beyond the traditional revenue streams.

Impact on educational institutions

Internationalization and what it means to a particular institution and its students continues to evolve. As institutions wrestle with the related opportunities and challenges, some critical focus areas include the quality of academic programs, the need for stringent recruiting practices, and the financial and regulatory implications of overseas expansion. Details surrounding these focus areas include the following:

- *Recruitment practices and support services* - To attract and retain international students, U.S. colleges and universities have created policies and procedures to facilitate the recruitment process, including providing students with transparent admissions requirements and clear information about the cost of attendance. Oversight of overseas admissions counsellors and/or independent contractors has been important to ensure they are abiding by established principles and practices of a university. Additionally, once international students are present on a campus, colleges and universities are establishing ongoing support programs to aid students with integration into the culture of the institution.
- *Maintaining standards of academic programs* - As institutions deal with domestic pressures to define and measure the quality of a student's academic experience, expanding globally increases the challenge of monitoring whether the international academic experience is on a par with the institution's standards established in the U.S. Maintaining academic quality while students are abroad is important to preserving the institution's reputation. Leading universities have considered establishing quality assurance programs to ensure the experiences overseas coincide with the expectations of the domestic campus. Other institutions are also integrating international experiences into their core academic curriculums.

¹¹ Inside Higher Ed: "NSF report documents declines in international enrollments after years of growth", January 22, 2018

- *Regulatory requirements* – When an institution’s presence is contemplated in a foreign country, multiple rules and regulations must be considered, including licensing requirements, taxation, student visas, and export rules, among many others. Whether establishing an overseas location, sending faculty and students to a foreign country or setting up a recruiting office, U.S. institutions are involving both domestic and international legal counsel, as well as other specialists knowledgeable about the regulatory requirements in a specific country.
- *Financial considerations, including employee compensation* - Regardless of the type of foreign program established, long-term forecasts and budgets are being considered to determine the viability of international expansion. Projections that consider fluctuating enrollment, currency exchange variability and operating and capital requirements are being factored into the forecasts that are developed. Colleges and universities are also evaluating the compensation and benefits provided to foreign faculty and administrators to determine how they align to U.S. policies.

Our perspective

It is important for colleges and universities to continue to pursue a variety of international strategies in order to retain and attract current and future students. These strategies could include educational alliances and research partnerships, developing short-term global projects and programs, maintaining overseas campuses, expanding international recruitment efforts or offering online classes to reach students or professors around the globe. Institutional policies and procedures around internationalization should be clearly set forth and communicated across the college or university.

As trustees and senior leadership consider international strategies for their institution, the following questions should be considered:

- Which international strategies best align to the institution’s mission and vision?
- Are there clear policies and procedures for the recruitment of foreign students?
- How are international programs monitored to ensure they meet domestic standards?
- Have legal and regulatory considerations been explored before expanding into a new country?
- What is the budget and oversight process around international activities?
- Is there the appropriate support structure and related programs for international students?
- Are safety protocols in place for students and faculty traveling abroad?
- Have collaborations been explored with other domestic institutions when pursuing an international strategy?
- Are there alternative plans if trade regulations, immigration policies or other rules cause borders to be closed or U.S. or foreign students to be prevented from traveling?
- How can technology be used and leveraged to meet an institution’s international strategy?
- Is there diversification of countries that are recruited from or partnered with to sustain and grow revenue?

Internationalization provides opportunities for students to learn what it means to be culturally sensitive in a global environment and to find ways to develop relationships and interact with people around the globe. These opportunities will help students develop skills that will benefit them in their future careers by learning how to communicate with others and by broadening their outlooks to appreciate and understand different perspectives. Institutions are aware of this and, as such, continue to define their international strategic objectives in the short and long term, while being flexible enough to be proactive in the face of international socioeconomic and other industry trends.

Current Trends in Cybersecurity

Background

Colleges and universities are under increasing scrutiny by both internal and external stakeholders to provide a level of assurance that sensitive and confidential information collected and processed by the institution is protected from cyber threats. Pressure from external regulators, including the U.S. Department of Education and the European Union Parliament with the release of General Data Protection Rules (GDPR), is catching the attention of trustees and audit committees. In turn, these executive stakeholders are challenging information technology (IT) and information security (IS) leaders to evaluate the capabilities and maturity of their existing cybersecurity programs. Additionally, cyber incidents affecting the private information of hundreds of millions of consumers continue to gain public attention because of increased media scrutiny. High-profile cyber incidents and resulting resignations of senior leaders of several major U.S. companies suffering from recent cyber-attacks have prompted many higher education institutions to ask themselves about the state of their own cybersecurity programs.

The release of advanced cyber hacking utilities and methodologies stolen from the U.S. Intelligence Community in 2017 has provided nation state actors, organized crime, and individuals with unprecedented access to offensive cyber capabilities. These malicious actors are weaponizing cyber technologies against new targets, including higher education. As a result, the rate of incidents of severe malware infestation, destruction of critical information assets, and information systems held for ransom has increased dramatically in recent months. The profile of the criminal actor has changed from those motivated by political activism to those motivated by financial gain. Personal information stolen from credit bureaus, medical records, and credit cards results in identity theft against consumers, including students and families. The rise of Bitcoin motivated ransomware has hit multiple sectors, and colleges and universities have not been exempt from these attacks.

Impact on educational institutions

Regulators have responded to pressure from consumers and legislatures to develop stronger oversight programs for colleges and universities that collect, store, or process personal information.

Department of Education (ED)

The Gramm-Leach-Bliley Act (GLBA) of 1999 outlined a broad set of requirements applicable to financial institutions processing personal financial information (e.g., student loans) to safeguard sensitive data. While this rule has been around for nearly 20 years, and applicable to institutions of higher education since 2003, ED and the Federal Student Aid (FSA) office have introduced an audit objective for fiscal year 2018 that includes an audit of an institution's adherence to the GLBA Safeguards Rule. The rule outlines broad cybersecurity program attributes against which colleges and universities will need to demonstrate appropriate capabilities, including:

- The existence of a formal information security program designed to protect the security and confidentiality of customer information, protect against anticipated threats or hazards to the security or integrity of customer information, and protect against unauthorized access to, or use of, customer information
- The information security program must include the following attributes:
 - Designate an employee to coordinate the information security program
 - Identify reasonably foreseeable internal and external risks to the security, confidentiality, and integrity of customer information
 - Design and implement safeguards to control the risks identified through risk assessment activities
 - Oversee potential cyber risk introduced through the use of service providers

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- Continually evaluate and adjust the program based on the results of risk assessment activities, control testing, incident response, or material changes to control operations

Research Institutions and National Institute of Standards and Technology (NIST) 800-171

Since the requirements outlined in GLBA are high level, the specific control details to be implemented by each institution are left to the institution to determine. Every institution's environment is different, with unique technologies, risks, and processes. As such, each college and university will have a unique response to the broad requirements outlined in GLBA. Without some formal structure to organize these controls, it can be difficult to determine if a holistic program has been considered, or if there may be gaps in the cyber capabilities developed by the institution.

Additionally, research institutions with relationships with the U.S. Government have additional cyber requirements imposed upon them through contracts. Any organization, including higher education, in receipt of Controlled Unclassified Information (CUI) in non-Federal systems is required to comply with the controls outlined in NIST Special Publication 800-171, "Protecting Controlled Unclassified Information in Nonfederal Systems and Organizations." In higher education, many institutions perform research and product development using data sets that fall under the broad category of CUI. In these instances, the research team is likely required, as part of the research agreement, to apply the controls outlined in NIST 800-171 to the technologies storing, processing, or transmitting CUI.

As a result of the widespread application of NIST 800-171 across research organizations within higher education, FSA and ED have provided recommendations to institutions now also facing GLBA audits to adopt the NIST 800-171 portfolio of controls as the baseline for the enterprise-wide cybersecurity program. NIST 800-171 outlines cybersecurity controls and capabilities across 14 high-level domains:

- Access control
- Awareness and training
- Audit and accountability
- Configuration management
- Identification and authentication
- Incident response
- Maintenance
- Media protection
- Personnel security
- Physical protection
- Risk assessment
- Security assessment
- System and communication protection
- System and information integrity

While each institution is not expected to implement every control defined within 800-171, institutions should be able to articulate why specific controls have been implemented, or not implemented, in response to their identified risks.

Our perspective

Consumers, families, and students will continue to expect that their personal information is protected against theft and fraud resulting from a cyber incident at their institution. Regulators are responding by demanding that institutions demonstrate that they are aware of the risk environment in which they operate and are developing cyber protection capabilities in response. Business partners, research partners, and peer networks are holding each

other accountable throughout the value chain to help protect against a high-profile cyber incident. Trustees and administrators must recognize the risk to their institution in the event of a severe cyber incident.

An effective response to these cyber risks requires the IT and IS departments to broaden their views of cyber risk, and establish a programmatic response to managing these risks. Good governance begins with an understanding of risk, independent credible challenges to the maturity of existing cyber protections, and a commitment to continuous improvement at all levels of the institution. At a minimum, institutions of higher education must have the following basic elements in place to respond to a regulatory audit or inquiry from an outside party:

- Perform a formal cyber risk assessment across the entire institution at least annually
- Adopt an industry leading security framework, such as NIST 800-171, and align controls to the risks identified through the risk assessment
- Regularly test controls through independent challenges. Penetration testing, social engineering, and maturity assessments are common methods to evaluate the strength of existing protections
- Monitor progress of remedial activities identified through testing results
- Report on progress to executive stakeholders, including the audit committee and the full board of trustees

Managing Risk Associated with Disruptive Innovation

Background

Disruptive innovation is a term that has become a common way to describe the pace of change being experienced across nearly all industries. While disruptive innovation can lead to great opportunities for advancement, it also brings about more complicated risks and thus the need for more advanced risk management programs. Those tasked with risk management oversight at organizations – from executives in compliance and internal audit to board members – are struggling with how to effectively manage risk in an innovative environment while attempting to mitigate risks that may be unknown or not well-defined in a new landscape. One item most executives agree on is that the only risk that may be more significant than disruptive innovation is the risk of not innovating at all.

One of the most significant drivers of disruptive innovation is technology advancement. According to a recent PwC Survey of Global CEOs, the speed of technological change is a top risk to their institution.¹² As barriers to entry continue to fall, organizations are immersing themselves in innovation, which is made possible largely by technology enablement. Artificial intelligence, connected devices (the “Internet of Things” or “IoT”) and ever-increasing computing power are just a few of the technologies disrupting processes, organizations, and even entire industries. In varying degrees and at varying rates, these technologies impact all businesses and the lives of the people in those businesses.

It has become increasingly important for all organizations, including those in higher education, to evolve their risk management functions to be more prepared in the face of disruptive innovation. This evolution will include making changes to risk management processes and protocols, ensuring the right skills and competencies are in place to govern the risk management program, and harnessing new tools and technology to support the assessment of innovation-related risks.

Impact on educational institutions

Some of the most disruptive innovations in recent years have been fueled by ideas that were developed by students on campuses. These ideas led to innovations that have forever changed society – the internet, social media and other technologies. Higher education leaders are under pressure now more than ever from students and other constituents to embrace a culture of disruptive innovation, and to deliver more value for tuition.

The higher education industry continues to leverage technology to remain relevant to its constituents. Students expect their undergraduate and graduate programs to be technologically savvy, allowing them access anytime, anywhere. “There’s an App for that” is not just a saying; it’s an expectation for current students. YouTube is part of virtually every course, either by design, or because students use it to expand their learning. The use of and demand for online learning and technologically advanced classroom experiences have grown exponentially. Researchers at academic research institutions are expanding use of cloud storage and the ability to store and easily share large amounts of data, enabling them to be ever more productive. Analysis of massive amounts of data is no longer confined to time consuming, painstaking weeks; data analytics and visualization bring data alive with a few clicks of a mouse. Artificial intelligence is starting to invade diverse aspects of university operations, from academic advising to financial aid support to facility efficiency.¹³ Technology, in various forms, is having a pervasive effect on all aspects of institutions of all sizes.

¹² <https://www.pwc.com/gx/en/ceo-agenda/ceosurvey/2018/gx/business-threats.html>

¹³ “How A.I. is Infiltrating Every Corner of the Campus,” Chronicle of Higher Education, April 8, 2018.

These new technologies are increasing the significance of current risks and, in some cases, creating new categories of risk for higher education institutions. How secure is the data researchers store in the cloud and share with others? How does an institution defend itself from the thousands of cyberattacks executed on a daily basis, such as the coordinated Iranian hack of over 140 research universities? How are IoT devices on campus, from printers to security cameras to door locks, identified and assessed for potential risks? A decade ago these exposures were non-existent, while now they are omnipresent across the industry.

Higher education institutions have played a significant role in the fueling of disruptive innovators who have driven change in the world. While disruptive innovation has been slower to impact the higher education industry, it is happening. Those institutions who keep up with this evolution through a more adaptive risk management program that addresses innovation related risk will be much better positioned during periods of disruption.

Our perspective

Higher education institutions must view disruptive innovation as an opportunity to achieve revenue growth, maintain competitive advantages against peers, meet the demands of constituents and contribute to the evolution of the higher education industry more broadly. Risk management programs can provide institutions with a framework to embrace disruption under a defined framework that allows an institution to effectively identify, assess and manage risks. PwC's 2018 Risk and Review Study identified five actions organizations should take today to manage risk and enable growth in this age of disruptive innovation including:

- Drive risk tone and culture from the top
- Engage early and often during the innovation cycle
- Adjust the risk appetite and tolerances with frequency
- Monitor and assess risk management's effectiveness
- Harness new skills, new competencies and tools to support innovation

There are many stakeholders with a role to play in an effective risk management program. In higher education, internal audit has historically played one of those important roles. PwC's 2018 State of the Internal Audit Profession Study identified that today's internal audit functions are expected to be responsible for addressing the risk associated with innovation. Internal auditors specialize in identifying risks and helping institutions understand their risk mitigation activities. Technology risk is no exception. In order for internal auditors to continue to be effective at this role, they need to adapt their own tools and technologies to address ongoing risks, become more efficient, and challenge their staff.

Internal audit departments are being more thoughtful about innovation related risks, and are beginning to use technology-enabled tools, such as data analytics, to help identify and manage risks. These departments are also addressing potential skill gaps through hiring upgrades, training and sourcing. As the pace of technological change will only accelerate, internal audit departments need to keep pace by investing in people and supporting technologies.

Mental Health on Campus

Background

Over the past ten years, colleges and universities have seen a significant increase in the need for mental health services on campus. Most deans of students would characterize mental health as one of their top areas of focus and mental health has frequently made its way to one of the top 10 areas of risk within a college or university.

Many believe that there is a mental health crisis on college campuses today, as mental health issues are prevalent among college students. An estimated 26% of Americans ages 18 and older – or about 1 in 4 adults - live with a diagnosable mental health disorder. Half of all serious adult psychiatric illnesses – including major depression, anxiety disorders, and substance abuse – start by 14 years of age. Three-fourths of them are present by 25 years of age.¹⁴

Mental health issues affect students' ability to succeed. Almost one third of all college students report having felt so depressed that they had trouble functioning, more than 80% of college students felt overwhelmed by all they had to do in the past year and 45% have felt things were hopeless.¹⁴

Suicide is the second leading cause of death, after vehicle accidents, among college students, claiming the lives of 1,100 college students each year. Based on a study performed by the American College Health Association, suicides accounted for 6.18 deaths per 100,000 students (compared to 6.88 deaths per 100,000 students in a vehicle accident) and is double the suicide rate for the general population. More than half of college students have experienced suicidal thoughts, and 1 in 10 students seriously consider attempting suicide. Half of students who have suicidal thoughts never seek counseling or treatment.¹⁴

Impact on educational institutions

Being away from home for the first time, easier access to alcohol and drugs, and rigorous academic demands continue to challenge young adults. In addition, over the past decade, the diagnosis of mental disorders and mental health concerns for millennial and generation Z students (current college age students) have grown exponentially. More students than ever are seeking help on campus. Some of that increase relates to raised awareness of mental health matters. Many students now enter college with a clinical diagnosis of depression, bipolar disorders, or other mental health issue. Twenty years ago, students with more serious psychiatric disorders would not have made it to a college campus. However, with therapy and medications, these students have been more successful in transitioning to college campuses from home. The range of students who are now able to attend college with mental health diagnoses has increased the demand for additional services provided by a campus counseling center.

The pervasiveness of social media and connected devices have been cited as contributing factors to this growth in mental health concerns. Surveys have found that spending more time on social media and smartphone activities correlates with lower levels of happiness and higher feelings of loneliness, levels of depression, and risk of suicide. College students today can also experience the stress of cyber bullying and the fear of “missing out.” Many college students, as a result of social media, have not been able to develop social skills and coping mechanisms needed to deal with the transition to living independently at college.

College health clinics have struggled to keep up with the greater number of students requiring their services. The increase in demand can lead to counseling centers redirecting their limited budgets away from ongoing treatment in order to address immediate needs of at-risk students. Common complaints by students on campus include limited access to services and the time it takes to get an appointment to receive treatment.

¹⁴ <https://www.activeminds.org/about-mental-health/statistics/>

Recently, a State's Supreme Judicial court ruled on a case where a family sued a university asserting that the university should have known that their son was high risk for suicide. Although the court ruled in favor of the university, the ruling made it clear that colleges and universities have a responsibility to do what they can to prevent suicide on their campuses. The court stated that while universities do not have the same degree of responsibility to students as jails have to prisoners or hospitals to patients, they must respond when they have "actual knowledge of a student's suicide attempt that occurred while enrolled at the university or recently before matriculation." The State's Supreme Judicial court stated that universities must also take action if they know about "a students stated plans or intentions to commit suicide."

Our perspective

The demands placed on mental health services on campuses have outpaced their capacity. With a larger percentage of the student population utilizing services, the traditional student fee no longer covers the costs associated with mental health programming. As such, in addition to the overall safety of the student population, the cost of such programs is one of the primary concerns for many institutions and is projected to continue to be so.

Of the many changes in higher education in recent years, one of the most dramatic is the growth in the mission, services, and facilities of health centers. Decades ago most colleges and universities believed their responsibility for student health was limited to setting up a clinic to treat the sick and injured. That mandate has clearly changed.

Institutions are exploring ways to improve their mental health policies, initiatives and resources. Many have done this through outsourcing or co-sourcing their mental health facilities and services. However, staffing traditional counseling centers and increasing the number of college counselors is not enough. Campuses should consider establishing educational platforms to discuss mental health and illness, including student wellness programs, community forums, websites, and awareness programs to decrease the stigma of mental illness and promote identification of students who may be experiencing depression or suicidal thoughts. Campuses should also be considering alternatives to supplement their traditional campus counseling centers, including 24-hour mental health hotlines, online anonymous peer counseling services, and tele-counseling.

Colleges and universities have a unique relationship with their students. It is clear that public, as well as judicial, expectations of administrators and staff to identify students who may be prone to committing suicide or a violent act on campus continues to grow. Institutions should continue to assess their overall strategy with regard to the role mental health plays in student safety, student success, and student satisfaction.

Student Activism

Background

Student activism is not new on college campuses, but there are a growing number of organized protests across the country with more college students getting involved. For instance, as highlighted in a recent article, “In the last two to four years, we’ve seen protests on campuses where there haven’t been in a very long time, we’ve seen marches and rallies at traditional activist campuses drawing in a lot more students than they have in the past.”¹⁵ Studies show that college students are more likely than ever to be involved in political and civic engagement. Recent research indicates that nearly one in ten incoming freshmen plan on getting involved with activism, with Black students more than twice as likely to participate in campus protests than white students.¹⁶

College and university campuses have a long history of initiating social change, with student activism often being the vehicle used by students to put forth views or grievances. The political atmosphere and decisions of policy makers in the current administration in Washington, D.C. has sparked a resurgence of activism which has brought a strong response from students across the country. Social media has had a major impact on how students communicate, organize and rally to action on issues quickly. Protests that might have taken months to coordinate in the past can now be organized in hours using platforms like Facebook, Instagram and Twitter, and the internet allows people around the globe to participate or react in real time. As social media evolves, it will continue to shape communication and action.

The recent spike in student activism coincides with a number of broad national issues, including free speech, immigration, and sexual harassment. These issues have sparked protests and demonstrations on campuses and marches around the country. Some of these topics have been the focus of significant public debate regarding the appropriate regulatory response and the role of the government in overseeing campus responses. However, the current regulatory instability and unpredictability have required institutions to interpret existing regulations and make judgments and decisions regarding how they reinforce desired culture and expected behavior.

- *Free speech versus hate speech* - The increase in race related incidents on college campuses or related to faculty and students has reignited the issue of free speech, its boundaries and associated behavior. Protests have brought fundamental issues concerning the First Amendment into the spotlight – the commitment to free speech and open debate and the distinction when speech advocates violence or hate.

A recent Gallup/Knight Foundation poll showed that 56% of college students say protecting free-speech rights is extremely important to society, and 70% said they preferred an “open learning environment” that allows offensive speech to a “positive environment” that prohibits certain speech. However, the commitment to open debate has been inconsistent: nearly half of students say they favor campus speech codes; nearly two-thirds do not believe the U.S. Constitution should protect hate speech; and 73% are in favor of campus policies that restrict hate speech.

A new poll of college presidents released by the ACE (American Council on Education) found strong support for free expression on campus and strong opposition of shouting down controversial speakers. According to the poll, 96% of college presidents supported campus policies that “allow students to be exposed to all types of speech, even if they find it offensive or biased.”¹⁷

¹⁵ USA Today – Is this the golden age of college student activism? Casey Smith, March 22, 2018

¹⁶ Higher Education Today, Embracing Student Activism, American Council on Education

¹⁷ Inside Higher Education, Presidents Back Free Speech, Scott Jaschik, April 10, 2018

A critical aspect of the free speech debate is campus safety and the importance of having engagement strategies that can protect the constitutional rights of demonstrators and the safety of students, citizens and law enforcement. The challenge for college and university leaders is to find the balance between free speech and the safety of students, and to create a learning environment that is supportive and inclusive, while being protective of freedom of expression.

- *DACA*- The repeal of the Deferred Action for Childhood Arrivals (DACA) in September 2017 created a sense of crisis for undocumented students across the country and spurred student protests and marches on college campuses and in Washington, D.C. The call on Congress to pass permanent protection has not yet materialized, and the political debate continues with no sense of security for DACA recipients. There has been a strong response from college presidents, including a letter to Congress from 57 AAU (American Association of Universities) presidents and chancellors to establish a permanent legislative solution for DACA recipients. Higher education leaders have strongly advocated on behalf of undocumented students and are concerned that the lack of permanent protection will undermine the educational mission, as well as result in the loss of talented contributors. Campuses around the country have created focus groups and initiatives to address the needs of undocumented students as legislation is stalled and DACA recipients remain in limbo.
- *Sexual harassment*- Student activists have been fighting for years against all forms of sexual harassment and gender-inequality on college campuses. The current Administration's position of more open due process and consideration of the rights of the accused has created some legislative and regulatory uncertainty regarding interpreting regulations and enforcement. However, students and victim advocates continue to push to maintain advances in awareness and safety on campuses. Additionally, the more recent proliferation of faculty-student misconduct allegations in the wake of the #MeToo movement has added energy to student activists keeping the pressure on campus sexual assault.

Under Title IX of the Educational Amendments Act of 1972, colleges and universities are required to develop procedures to respond to claims of sexual harassment; however, there has been much controversy over how colleges have handled sexual assault allegations, the time taken for disciplinary proceedings and the resolution. To add to the challenges facing colleges and universities, the National Science Foundation (NSF) announced a plan to require colleges and universities to inform NSF of any NSF-funded researcher who has been disciplined for any harassment issue in order to take decisive action. The National Institutes of Health (NIH) is also developing a new anti-harassment policy.

Impact on educational institutions

The increase in student activism and engagement has a far-reaching impact on college campuses. Colleges and universities have to be prepared for large events, particularly addressing campus and community safety and interruption to normal operations, often without sufficient time for appropriate planning and coordination with local authorities.

The uncertain social and political climate in the U.S. may also impact the ability for colleges and universities to recruit international students. A recent study, conducted by the Council of Graduate Schools, noted a decline in applications and enrollment by international graduate students. Similarly, a survey of nearly 500 campuses across the country by the Institute of International Education found 45% of campuses reporting drops in new international enrollment. The softening of interest in colleges and universities in the U.S., which has driven 82% of colleges and universities to reassess their recruitment strategy, may not only create challenges in maintaining a diverse student body but also the ability of institutions to provide the necessary support students feel they need for the learning environment to be safe and inclusive.

Finally, student activism is attempting to expand the traditional role of student government. This includes students displaying a greater interest in transparency and seeking greater involvement in operating decisions of institutions, including areas of governance. This aligns in many ways with shareholder activism in the corporate environment.

Our perspective

Colleges and universities should be clear in their expected campus culture, particularly with respect to diversity and inclusion, and should continually re-evaluate their policies and practices relating to student activism, free speech and sexual misconduct. A continued effort to develop a comprehensive approach and design a framework that is more transparent, makes clear confidentiality requirements, and clarifies the rights of students, faculty and staff will provide greater understanding within the campus community. Initiatives to cultivate a culture of respect, open and inclusive dialogue and expanded training across the campus community will provide a safer environment for open debate.

Colleges and universities may also need to provide more education to the student body about civic engagement, particularly in this age of social media. Students are flooded with information and news, and learning how to navigate difficult conversations online around sensitive topics is becoming increasingly important. Additionally, as more students become involved in student activism and organized protests, colleges and universities may need to consider how to support the mental health of campus activists. The choice between advocacy and curriculum work, along with balancing participation in student groups and meetings with administrators creates additional challenges for student activists and may have a negative impact on their mental health. Creating mentorship programs and having faculty work with students on balancing their responsibilities, as some colleges and universities have started to do, appears will be a continuing trend.

Crisis planning and communication continues to be a high campus priority, as oftentimes events speed ahead of decision making processes and protocols. With the prevalence of the internet and social media, colleges and universities no longer have long lead times to respond to a crisis event. Now a student tweet can get mass attention and grab news headlines before a standing committee or leadership team is able to meet. Institutions should ensure they have a framework that can be used for different types of crises. There should be regular reviews and rehearsals of the plan, with revisions made as necessary. A key element of the plan is a monitoring system over social media for triggering terms that provide early warnings that will help the institution stay in front of the story, and allow necessary resources to mobilize and ensure safety and calm in the face of large demonstrations and gatherings.

Finally, institutions must discuss and have plans for where and how students are to be engaged in sharing operational information and involved in related decisions.

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