

Demographic Trends: A Response to the Provost's “Proposal for Academic Renewal”

Michael Mack

April 25, 2018

Audience

This week multiple town hall meetings are being hosted by the Senate's ad hoc committee charged with reviewing the Provost's "Proposal for Academic Renewal." This presentation is intended for the members of the ad hoc committee and for all those in the university community participating in this week's town halls. I have forwarded this presentation to the committee and asked that they make it available to the university community.

The premise and justification for “academic renewal” is “the current decline in the number of high school graduates.”



THE CATHOLIC UNIVERSITY OF AMERICA

Proposal for Academic Renewal

March 8, 2018

EXECUTIVE SUMMARY

The Catholic University of America has a 130-year history of excellence in teaching and research, in service to Church and Nation. The current decline in the number of high school graduates has created an environment of increased competition in Higher Education. In order to take charge of our future in these conditions we need to strengthen both our academic excellence and our financial sustainability.

To reconcile these two vitally important goals of academic excellence and financial sustainability, we are proposing a plan for Academic Renewal that will reinforce our reputation as a comprehensive Catholic Research University with a global reach by highlighting the benefits to our students of being taught by active scholars. The specific objectives of the program are to enhance the University’s research reputation, support sustainable teaching excellence, and enable significant revenue improvements. The

Outline

1. Analysis of peer institutions
2. Review of research presented in AR
3. Review of other independent research
4. Conclusions and recommendations

1. Peer Analysis

Development

September 25-29, 2017	The Provost held three town hall meetings.
December 14, 2017	I presented the Provost a revenue growth comparison for CUA and its top competitors.
February 27, 2018	I sent the Provost an expanded analysis.
March 8, 2018	The Provost published his “Proposal for Academic Renewal.”
April 12, 2018	The Provost sent me a list of “issues” with my analysis.
April 16, 2018	I sent the Provost a response to those issues.
April 22, 2018	I revised my analysis to correct one data error, to clarify the titles on two slides, and to add recently released data for 2016 and 2017.

Methodology

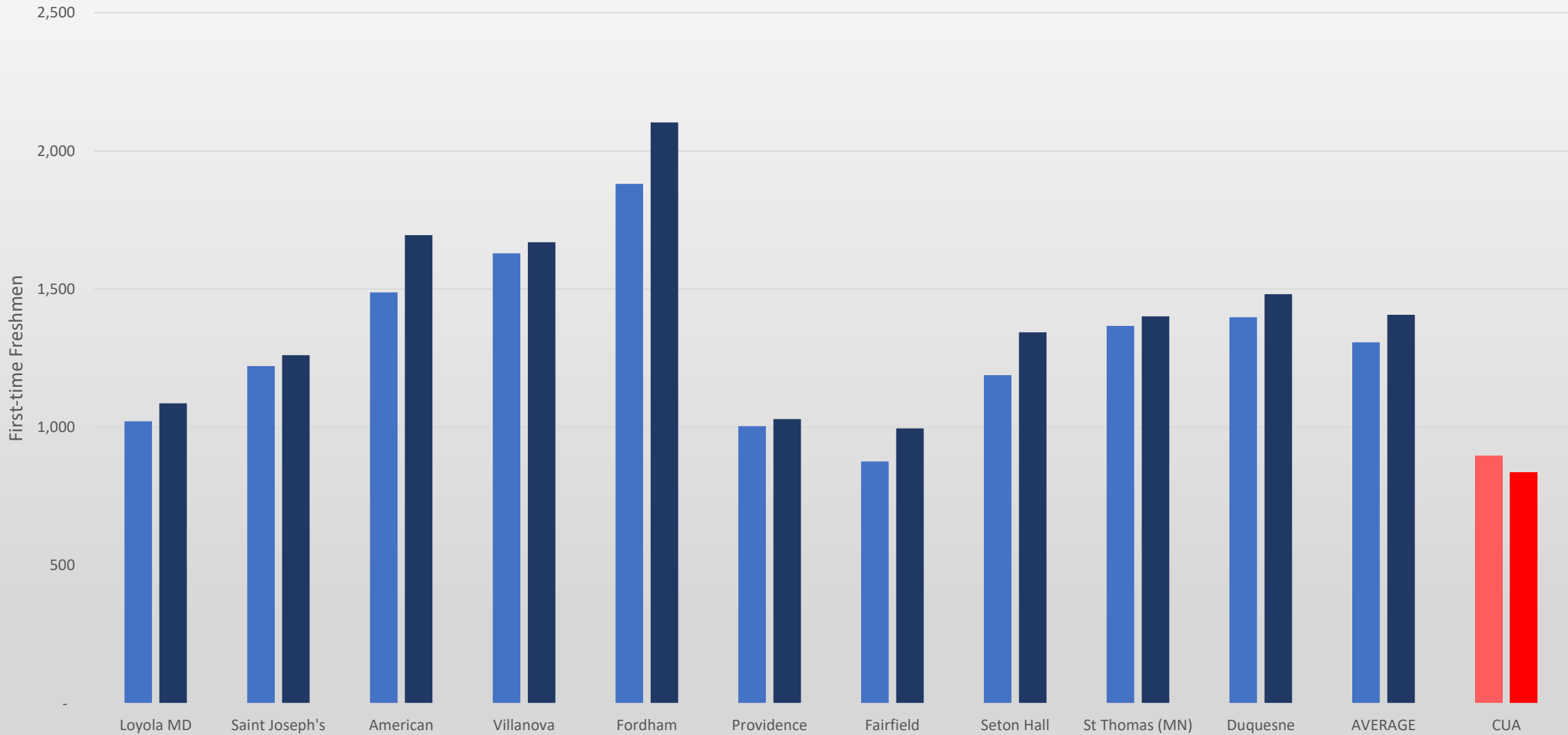
I initially compared CUA to our seven top cross-app competitors as identified by the Provost at one of his town hall meetings.

I subsequently added three institutions that fairly closely resemble us in size, programs offered, etc. They are more properly understood as peers than as competitors. I included them in order to identify possible structural differences (e.g., our having a law school) that might be responsible for differences in our performance relative to the comparison set.

I focused on the five years prior to the arrival of John Garvey (July 1, 2010) and the five years since his arrival. I added data for subsequent years as they became available.

All data are from IRS 990 submissions and IPEDS. I am happy to share my data and spreadsheets with anyone who would like to validate my data and calculations, or use them for his or her own analysis.

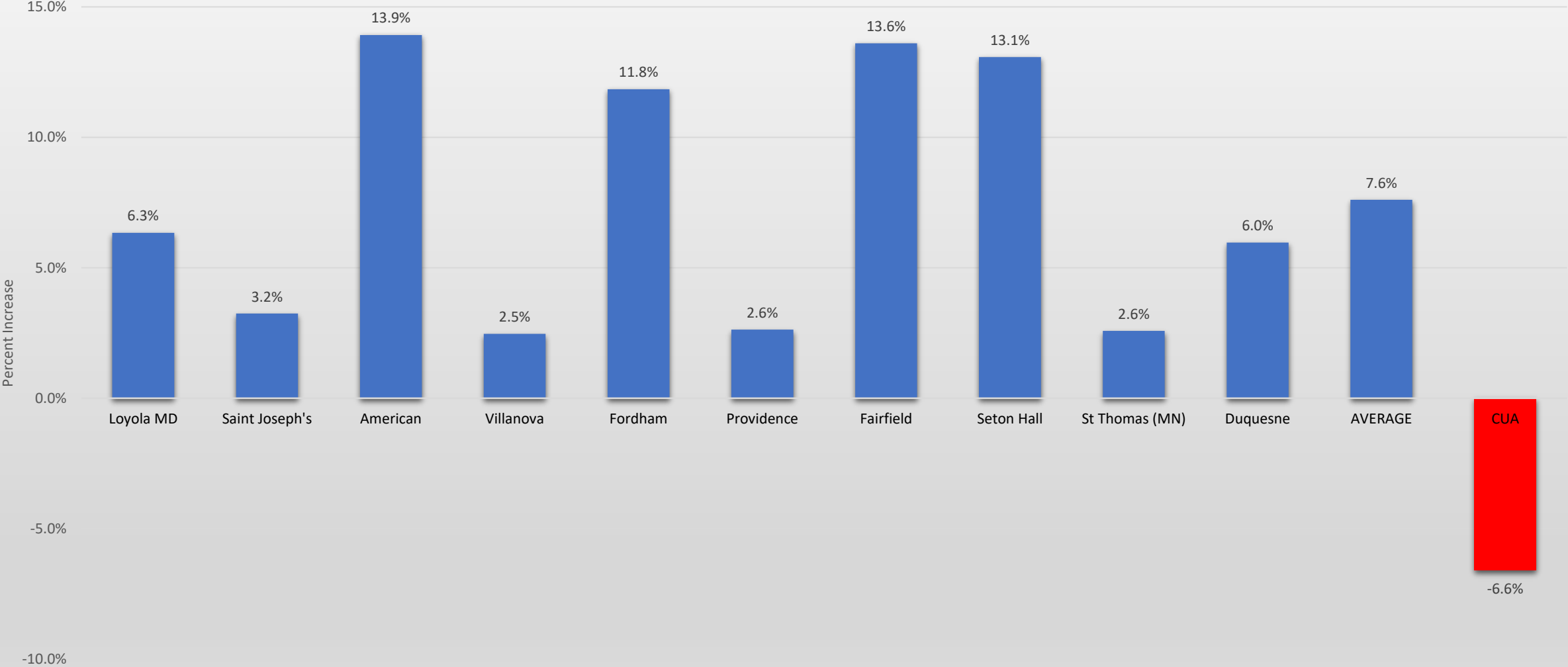
AVERAGE FALL FRESHMAN RECRUITMENT:
Fall 2006-2010 versus Fall 2011-15



Based on IPEDS data.

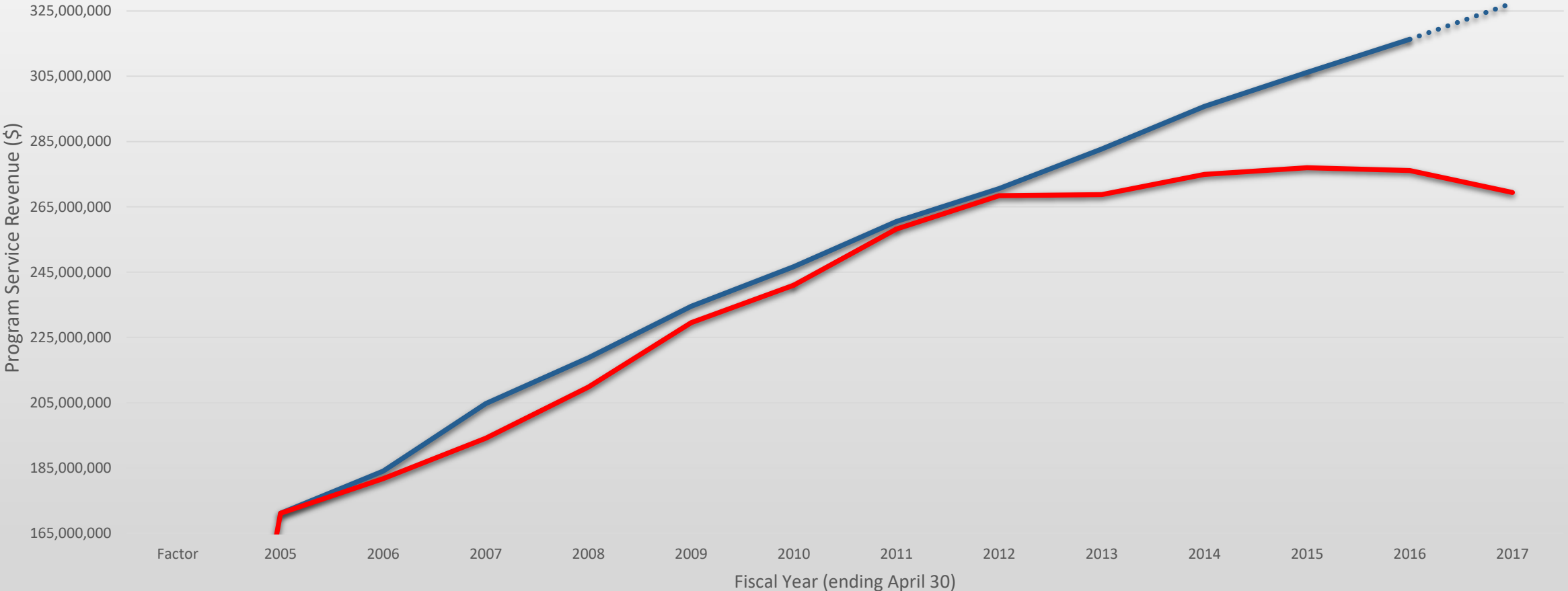
■ 2006-2010 Average ■ 2011-2015 Average

Increase in Fall Freshman Recruitment:
Fall 2011-15 Average versus Fall 2006-2010 Average



Based on IPEDS data.

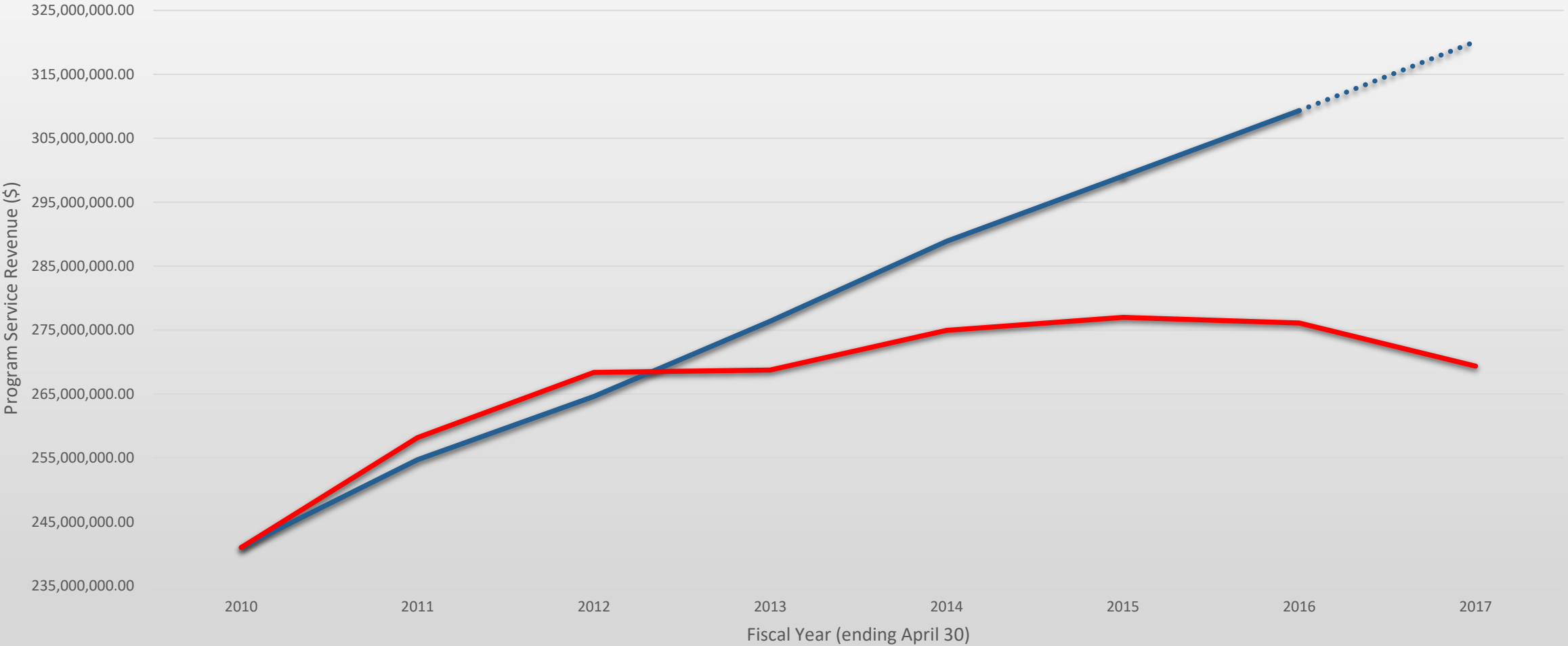
REVENUE PERFORMANCE COMPARISON:
CUA versus Competitors (2005-2017)



Based on IRS 990 data.
For comparison, competitor average is scaled using CUA 2005 revenue as baseline.
Competitor average is projected for 2017.

COMPETITOR AVERAGE CUA ACTUAL

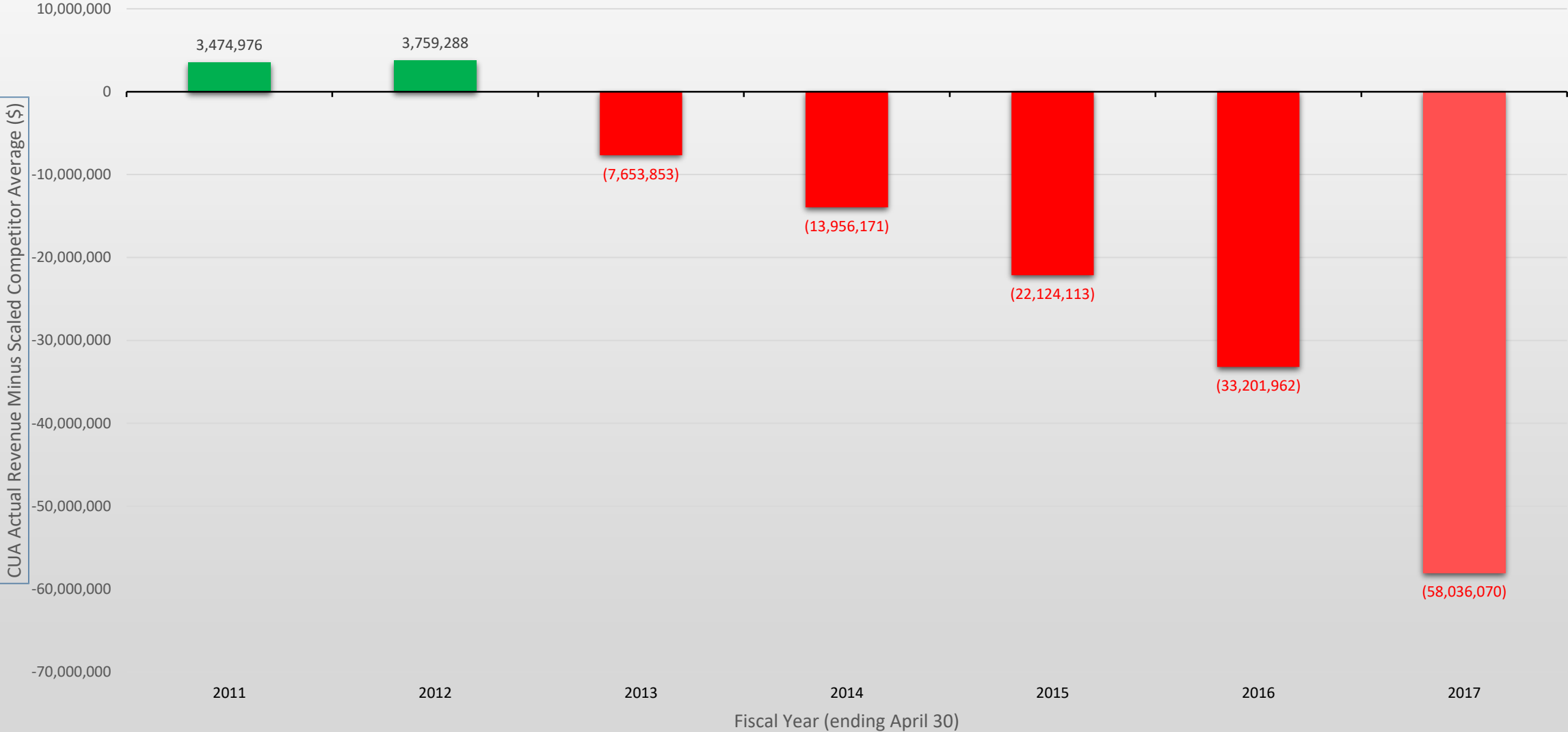
REVENUE PERFORMANCE COMPARISON: CUA versus Competitors (2010-2017)



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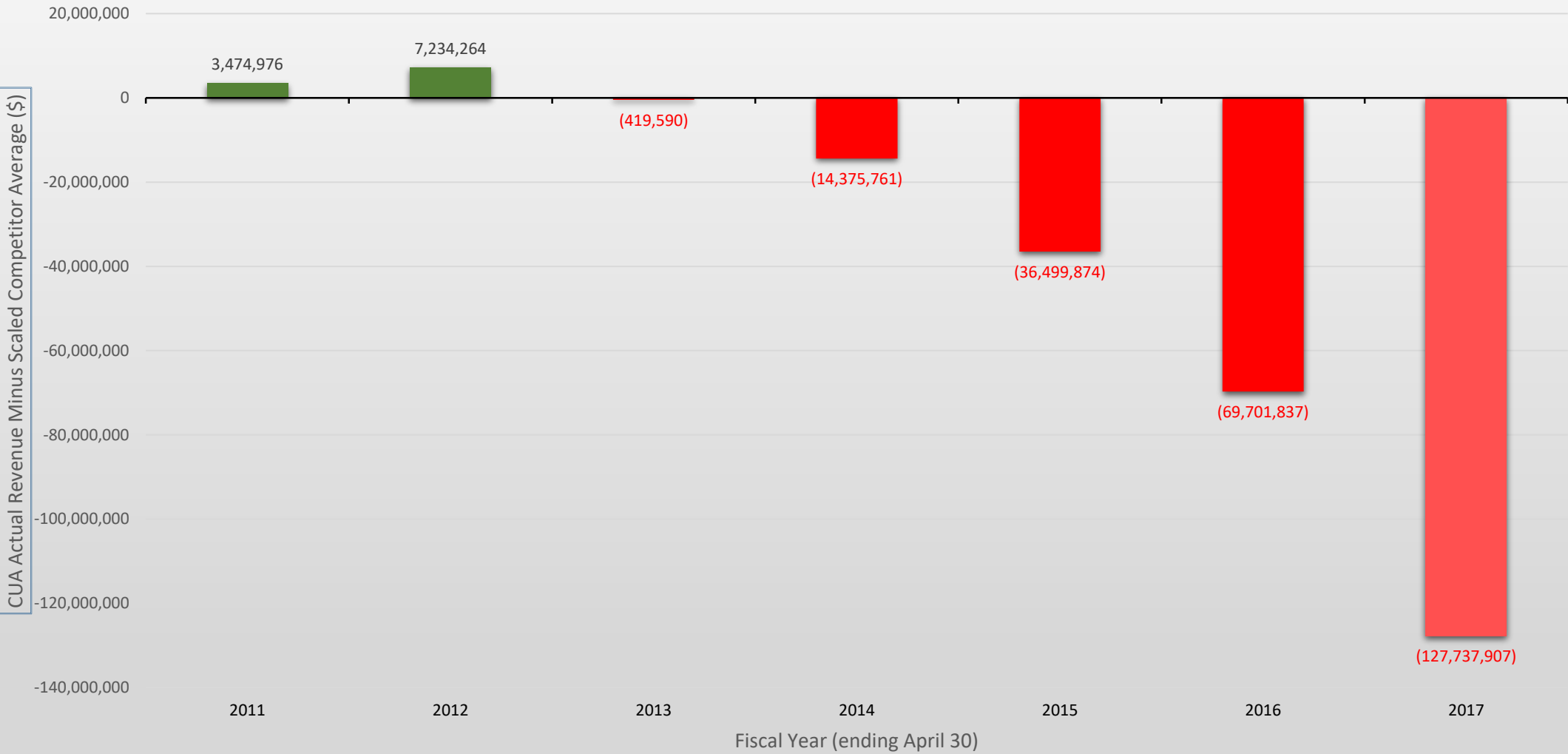
COMPETITOR AVERAGE CUA ACTUAL

CUA REVENUE OVER / UNDER PERFORMANCE: 2011-2017



Based on IRS 990 data.
For comparison, competitor average is scaled using CUA 2010 revenue as the baseline.
Competitor average for 2017 is projected.

CUA REVENUE OVER / UNDER PERFORMANCE:
CUMULATIVE 2011-2017



Based on IRS 990 data.
For comparison, competitor average is scaled using CUA 2010 revenue as the baseline.
Competitor average for 2017 is projected.

If our problem is the declining
number of high school graduates,
why aren't our peers suffering the
same way we are?

The real problem is ***not***
demographics.

Our real problem is that we are underperforming our competitors.

I presented data on our
underperformance to the Provost on
December 14, 2017.

I presented the Provost with an
expanded analysis on February 27,
2018.

The Provost spent three minutes
(literally) reviewing it.

Two weeks later he published his
“Proposal for Academic Renewal.”

Its explicit and entire justification is a
supposed “decline in the number of
high school graduates.”

The Provost continues to maintain
that we are simply victims of
demographics.

He denies that our leadership bears
any responsibility for our current
troubles.

Leaders who are unwilling to
acknowledge problems are unfit to
lead.

Our key leaders are the Provost, the President, and the Board of Trustees.

They are at the controls.

Why are they flying the plane into the
ground?

“Bad weather,” they tell us.

But is it so?

2. Research Presented in AR

From the Provost's proposal. I will be examining the three bullet points under the heading "*External Background—Changes in Higher Education.*"

External Background – Changes in Higher Education

- We are in the midst of a significant decline in the number of high school graduates in the northeastern United States, and a nationwide decline in the number of private high school graduates. From 2011 to 2022, the number of private high school graduates will decline by 28%.¹
- An annual report from the Center for Education Statistics noted that “the number of colleges and universities eligible to award federal financial aid to their students fell by 5.6 percent from 2015-16 to 2016-17. That’s the fourth straight decline since a peak of 7,416 institutions in 2012-13. It is also by far the largest.”²
- In late 2017, Moody’s downgraded the financial outlook for the entire higher education sector from stable to negative. In January 2018, Standard and Poor’s also noted a bleak outlook for the sector.³

Internal Background – Progress to Date

The University has made a significant number of improvements over the past several years.

- After three years of extensive consultation and University-wide discussion, a new Liberal Arts Curriculum was approved (with a near-unanimous vote of the Academic Senate) and will be implemented for incoming first year students in the fall semester of 2018. The faculty are actively engaged in implementing this new plan.

¹Bransberger, Peace and Demarée K. Michelau (2016), “Knocking at the College Door: Projections of High School Graduates,” Western Interstate Commission for Higher Education (December, 2016)

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³Moody’s Investors Service (2017), “2018 outlook changed to negative as revenue growth moderates” December 5, 2017; Harris, Adam, *The Chronicle of Higher Education*, January 23, 2018, <https://www.chronicle.com/article/Outlook-for-Higher-Education-in-2018/242319>

Source for first bullet point

KN[^]OCKING AT THE COLLEGE DOOR

Projections of High School Graduates • December 2016

Peace Bransberger Demarée K. Michelau



WICHE
Western Interstate Commission
for Higher Education

with support from

ACT[®] CollegeBoard

Source for second bullet point (see

<https://www.insidehighered.com/news/2017/07/19/number-colleges-and-universities-drops-sharply-amid-economic-turmoil>)



(<https://www.insidehighered.com>)



Number of colleges and universities drops sharply amid economic turmoil

Submitted by Doug Lederman on July 19, 2017 - 3:00am

It has become trendy to predict that higher education is on the verge of a major collapse, what with enrollments falling as loan debt and rising tuition cause students and families to ask harder questions about the value of a college credential.

The most extreme predictions ^[1] envision hundreds and even thousands of colleges and universities closing over a decade or so ^[2]. But more even-keeled analysts also have foreseen increases in the number of failing institutions: Moody's Investors Service in 2015, for instance, said closures and mergers of small institutions would triple and double ^[3], respectively, in the coming years.

Source for third bullet point

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FINANCE



Moody's Downgrades Higher Ed's Outlook From 'Stable' to 'Negative'

By Adam Harris | DECEMBER 05, 2017

The prospects for higher education are bleak, according to Moody's Investors Service, a credit-rating agency that on Tuesday changed its outlook for the sector from "stable" to "negative."

In a report, the agency cited financial strains at both public and private four-year institutions, mainly muted growth in tuition revenue. But it also cited "uncertainty at the federal level over potential policy changes."

"The higher-education sector is highly exposed to changes in federal policy or funding," the report said. "Changes to financial-aid programs and tax reform could negatively affect enrollment and tuition-revenue growth, philanthropic support, and the cost of borrowing."

RELATED CONTENT

Passage of Senate Tax-Reform Bill Leaves Colleges Scrambling

Moody's Upgrades Higher Ed's Outlook From 'Negative' to 'Stable'

Both the House of Representatives and the Senate have passed legislation in recent weeks that would overhaul the U.S. tax code. The bills have been harshly criticized by higher-education leaders. Provisions particularly at issue include a tax on graduate students' tuition waivers

in the House version, and, in both the House and Senate versions, a 1.4-percent excise tax on the endowment earnings of some private colleges, and a doubling of the standard deduction, which critics argued would discourage charitable giving. (*The Chronicle outlined the differences in the House and Senate versions here.*)

Moody's assigned the "stable" designation in 2015, citing expected increases in state funding and predicting that revenue growth would improve at four-year institutions. That was an improvement from the "negative" rating the agency had assigned since 2013. Copies of the report are available to Moody's subscribers.

Adam Harris is a breaking-news reporter. Follow him on Twitter [@AdamHSays](#) or email him at adam.harris@chronicle.com.

Analysis of first bullet point

KNOCKING AT THE COLLEGE DOOR

Projections of High School Graduates • December 2016

Peace Bransberger Demarée K. Michelau



WICHE
Western Interstate Commission
for Higher Education

with support from

ACT  **CollegeBoard**

Visit

<https://knocking.wiche.edu/reports/>
to see the full update as well as the
original report.

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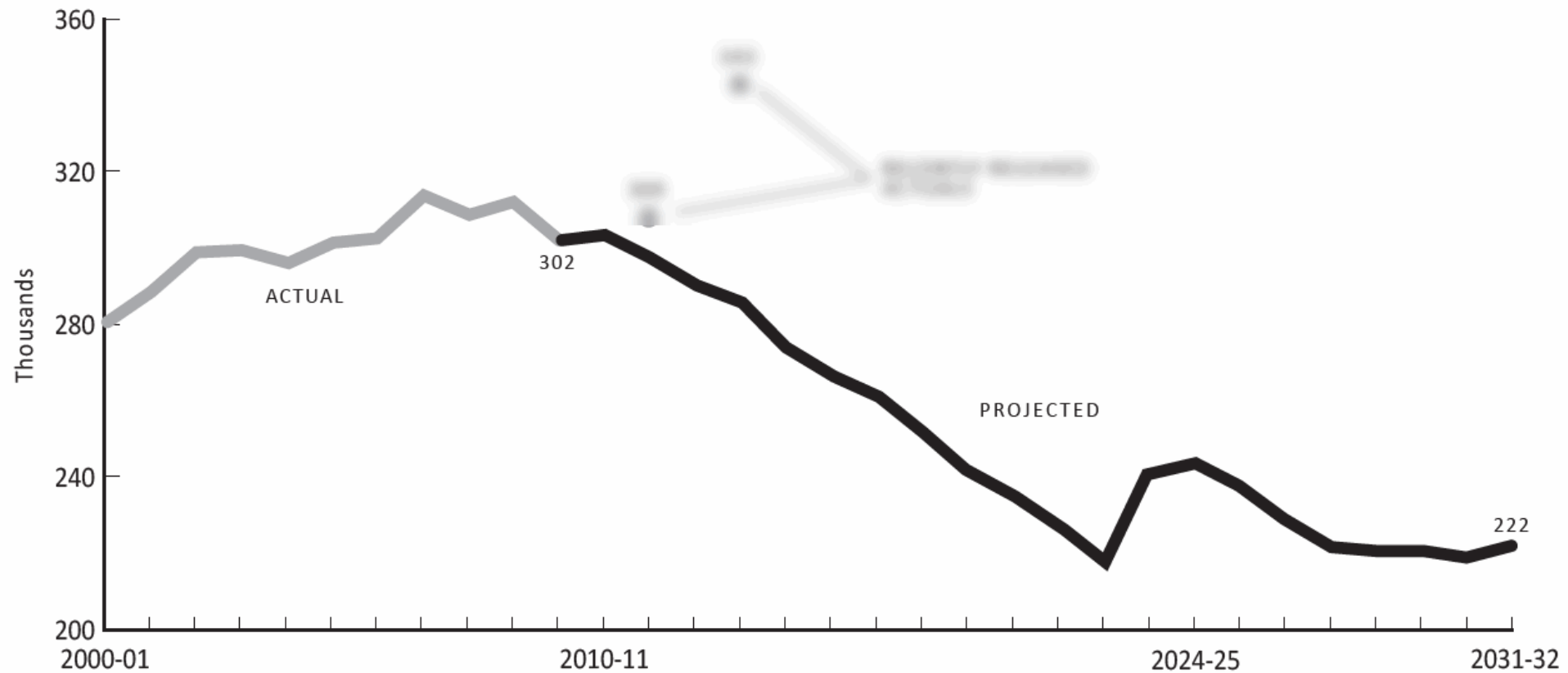
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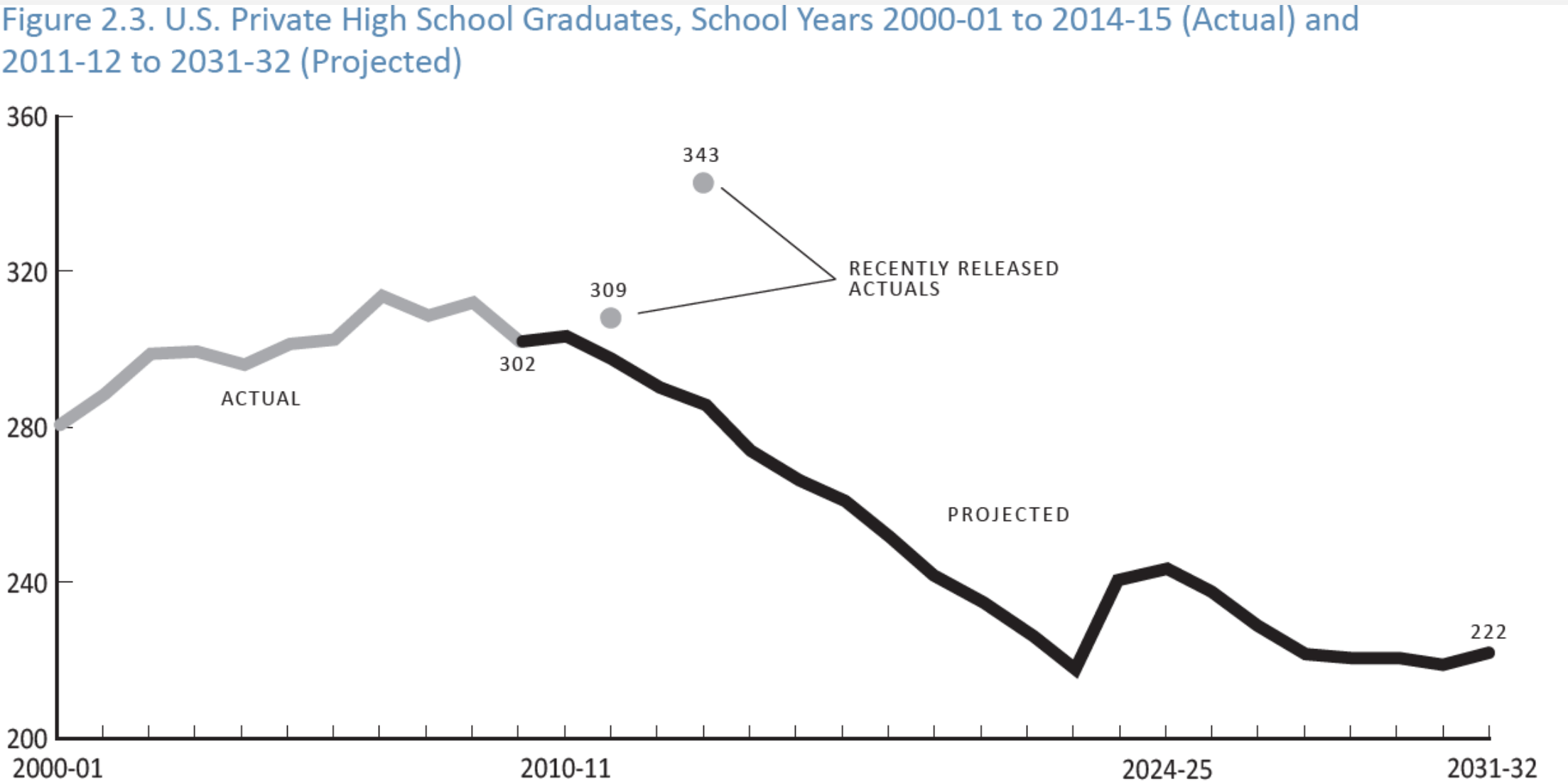
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The WICHE projections published in December of 2016 and cited by the Provost (I have obscured contents added to the original graph in December 2017).

Figure 2.3. U.S. Private High School Graduates, School Years 2000-01 to 2014-15 (Actual) and 2011-12 to 2031-32 (Projected)



In December 2017, WICHE retroactively added recently released data and a note of caution to its previously published graph.



Note: Revised December 2017 with new information about private high school graduates. See knocking.wiche.edu/reports/privates when referring to high school graduate trends.

WICHE revised its original report and “strongly advised” users of the report to refer to the December 2017 update. See <https://knocking.wiche.edu/reports/>.

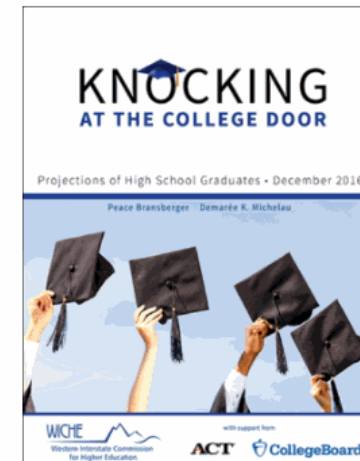
December 6, 2016

Knocking at the College Door (9th Edition)

One of the most widely cited sources of comprehensive and reliable data on the future size and composition of high school graduating classes throughout the nation, WICHE's ninth edition of *Knocking at the College Door: Projections of High School Graduates* (December 2016) examines data on public and private schools and projects the number of high school graduates for the nation, four geographic regions, the 50 states, and the District of Columbia. And, for the first time, WICHE also includes projections for Guam and Puerto Rico. Knocking also presents projections for public high school graduates, disaggregated by race/ethnicity.

REPORT

EXEC SUM



Note: In December 2017, WICHE released new information about private high school graduates, which affects a number of pages throughout this report. Users are strongly advised to review the information available at knocking.wiche.edu/reports/privates when referring to private high school graduate trends.

The first page of the update

WICHE INSIGHTS

December 2017

Peace Bransberger, Senior Research Analyst

wiche.edu

Knocking update: new data about private high school graduates

In the December 2016 edition of *Knocking at the College Door*, WICHE projected that the U.S. is headed into a period of stagnation in the overall number of high school graduates it produces, and that high school graduates from private religious and nonsectarian schools would decline.¹ New data have become available, and they confirm WICHE's overall projections, but modify the projections for private high school graduates (who constitute about 9 percent of the total number of high school graduates in the nation). Specifically, declines in the future number of private high school graduates no longer appear imminent through at least 2018. WICHE is not issuing new projections of private high school graduates at this time, but herein discusses the newly released data that have been posted to knocking.wiche.edu so that users of the *Knocking* projections may analyze them alongside the published projections.²

The newly available data

In the simplest terms, WICHE's projection methodology uses the latest available actual data about student levels and numbers of graduates to project future numbers of graduates.³ Therefore, the introduction of new actual data has the potential to change the numbers projected. In October 2016, the National Center for Education Statistics (NCES) released an additional year of public school enrollments through the federal Common Core of Data, for school year 2014-15; no additional data for the number of public high school graduates

Key takeaways

- New data show a recent strong increase in private school enrollment, despite a prior expectation of decline. The data suggest an increase in private school graduates through 2018, then potential decline up to 12 percent by 2025.
- Overall trends WICHE projected for high school graduates—a period of stagnation and slow increase through 2032—still hold, since private school graduates are just 9 percent of the total.
- Catholic schools still enroll the majority of private school students, but their proportion is decreasing, the relative influence on trends of other private school types has increased, and there is wide variation by state.

beyond school year 2012-13 have been released.⁴ These enrollment data were released past the point at which WICHE could have incorporated them in the published projections. In September 2017, the U.S. Department of Education (USDOE) released revised *Projections of Education Statistics to 2025*.⁵ And between October 2016 and November 2017, USDOE released new private

WICHE has been producing national, regional, and state-level projections of public high school graduates (with race/ethnicity detail) and of state-level private school graduates for almost 40 years, in the *Knocking at the College Door: Projections of High School Graduates* series. The 9th edition of these projections for the Classes of 2013 to 2032 was released in December 2016 and is available at knocking.wiche.edu along with charts, data, and other materials.

The first “key takeaway” from the update: “New data show a recent strong increase in private school enrollment, despite a prior expectation of decline.”

Key takeaways

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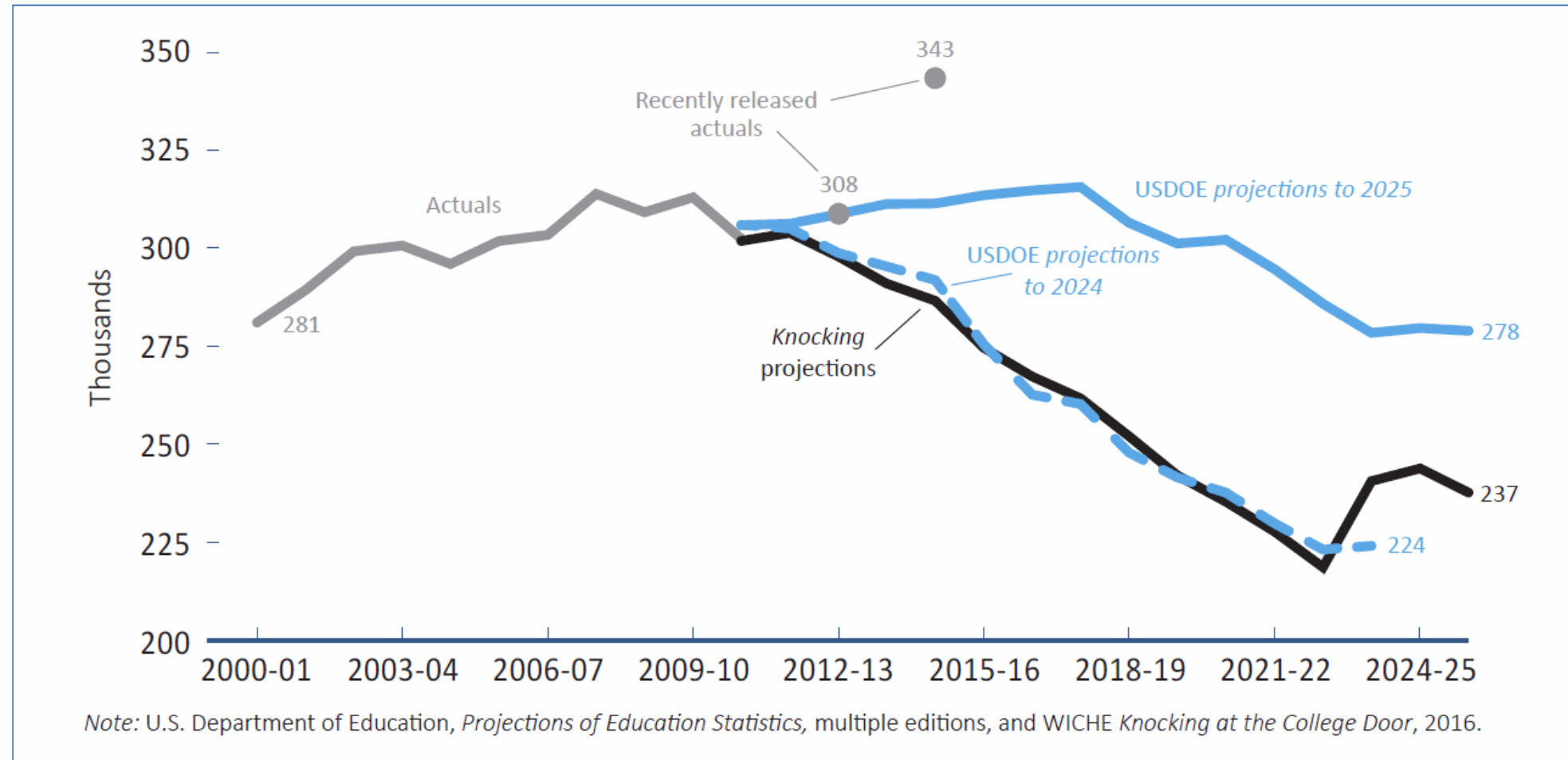
From the Update

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WICHE did not revise its projection but instead gives the revised projection from the US Department of Education's National Center for Education Statistics.

Figure 1. Actual and projected private high school graduates



WICHE reports that Catholic school enrollments have stabilized:

 Data from the National Catholic Education Association (NCEA) confirm the overall decrease and recent stabilization in Catholic school student enrollments (through 2016-17).¹⁵ 

WICHE provides a table showing Catholic school enrollments, which appear to have stabilized during the 2011-2 to 2015-16 period.

Table 2. U.S. private school enrollments, by school year

	1987-88	2001-02		2011-12		2015-16	
	Students (millions)	Students (millions)	Compared to 1987-88	Students (millions)	Compared to 2001-02	Students (millions)	Compared to 2011-12
Total	3.34	4.82	44%	3.97	-18%	4.36	10%
Grade 1 to 8	2.44	3.48	44%	2.70	-22%	2.92	8%
Grade 9 to 12	0.914	1.34	47%	1.27	-5%	1.44	13%
Catholic	n/a	2.67	--	2.09	-22%	2.08	0%
Other religious	n/a	2.33	--	2.00	-14%	2.27	14%
Nonsectarian ¹²	n/a	1.32	--	1.19	-10%	1.40	18%

Source: WICHE calculations of PSS data.

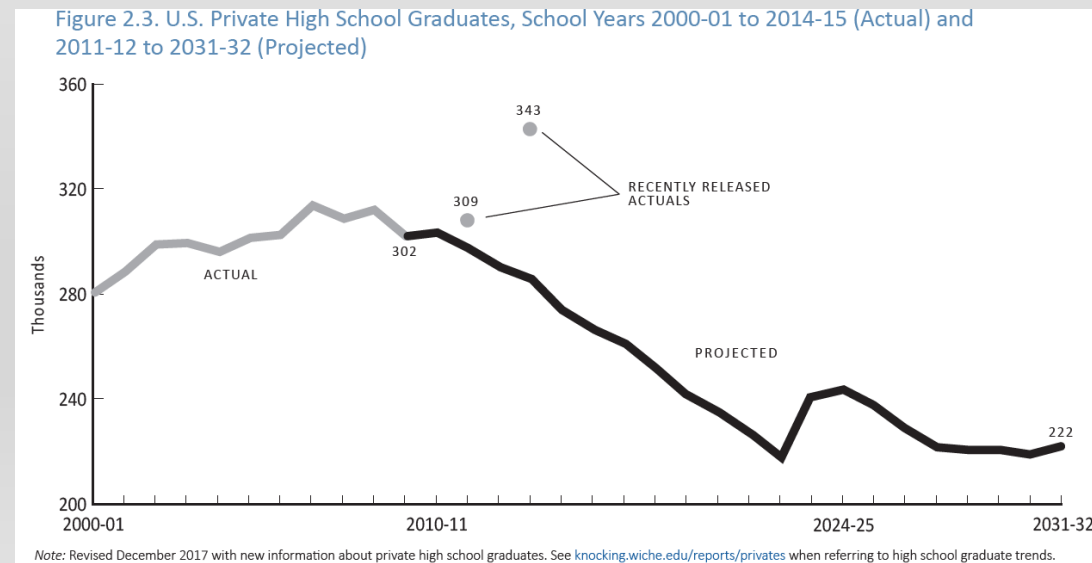
One might wonder . . .

Why is the Provost citing WICHE for his statistics?

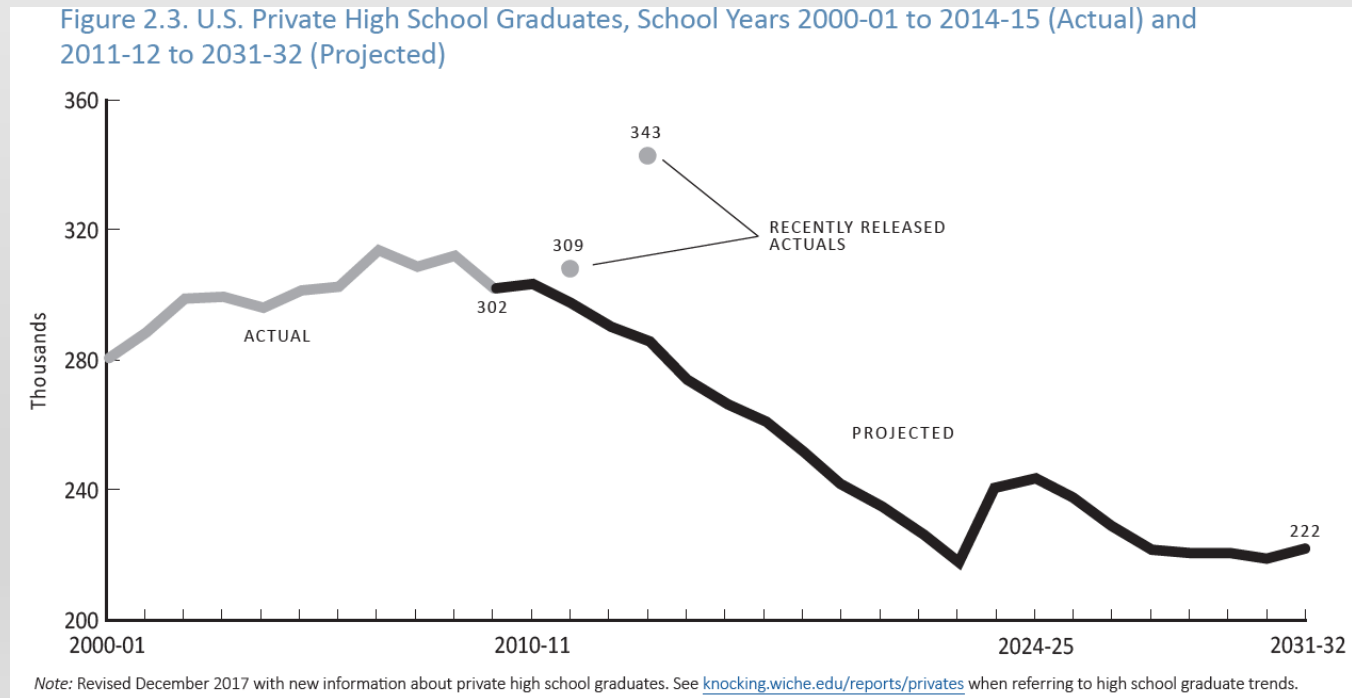
Why did the Provost fail to mention the December 2017 update, in which WICHE cautions against relying on their own projections?

Given that the Provost was told about the December 2017 WICHE update, why didn't he amend his first bullet point?

Why does the Provost choose the years 2011 to 2022, when the projections go out to 2031-32? Is he cherry-picking his data?



When the actual numbers went up, why didn't our applications or enrollments go up?



And since when did national private school numbers become the driver for student recruitment at CUA?

Moving on to the second bullet point...

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The paragraph quoted by the Provost

New federal data suggest the increasing financial pressures may be starting to take a toll on institutions. An annual report ^[4] from the Education Department's National Center for Education Statistics shows that the number of colleges and universities eligible to award federal financial aid to their students fell by 5.6 percent from 2015-16 to 2016-17. That's the fourth straight decline since a peak of 7,416 institutions in 2012-13. It is also by far the largest (the others were 0.3, 1.2 and 2.0 percent, in order).

The paragraph that immediately follows

There's a giant asterisk on the data for those predicting the decline and fall of traditional higher education: as in the past, the vast majority of the vanishing institutions are for-profit colleges. Some of that sector's problems are shared with nonprofit institutions (declines in the number of traditional college-age students, concerns about debt and price), but for-profit institutions also have encountered aggressive regulation from the federal government and self-inflicted wounds from misbehavior and poor performance.

And a little further along

The number of private nonprofit institutions, meanwhile, fell by 33, or 1.7 percent, from 2015-16 to 2016-17, from 1,909 to 1,876. But the 2015-16 number had risen by almost that amount the year before, so it's not entirely clear how significant that drop is, or how representative it is of what is to come.

Bar chart from article. The rapid increase and rapid decrease is driven by the number of for-profit colleges.

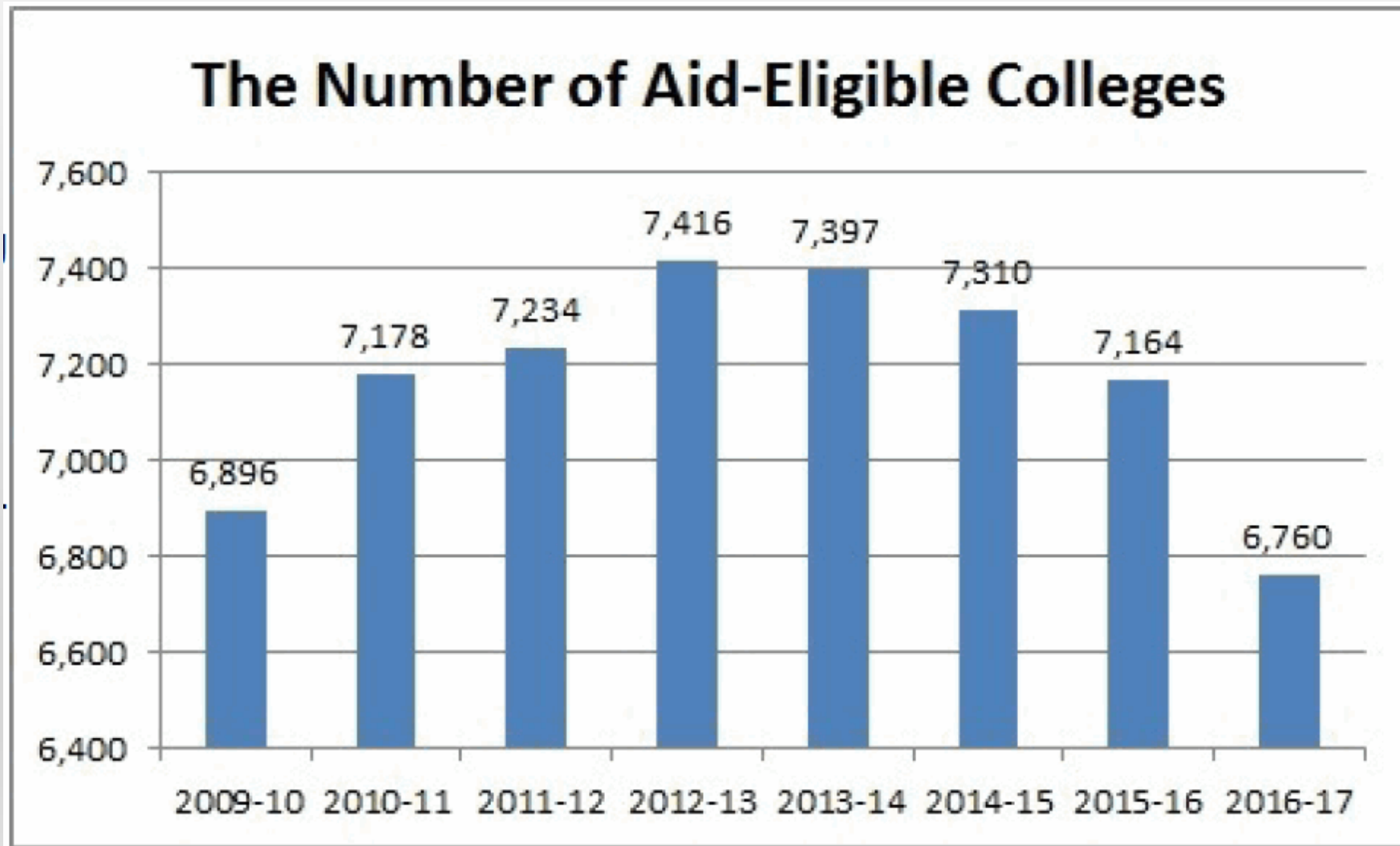


Table from article. The number of private nonprofit colleges actually *increased* during the period reported.

Academic Year	All Institutions	Public	Private Nonprofit	For-Profit
2009-10	6,896	2,015	1,865	3,016
2010-11	7,178	2,043	1,869	3,266
2011-12	7,234	n/a	n/a	n/a
2012-13	7,416	2,009	1,880	3,527
2013-14	7,397	2,008	1,892	3,497
2014-15	7,310	1,991	1,883	3,436
2015-16	7,164	1,990	1,909	3,265
2016-17	6,760	1,985	1,876	2,899
Data for 2011-12 not available from National Center for Education Statistics				

Does it matter that the Provost cites figures without mentioning the “giant asterisk”?

Does it matter that the Provost fails to mention that the number of schools like ours has actually *grown* over the period reported in the article (2009-10 to 2016-17)?

Does it matter that the Provost does not bother to consult the primary source but instead relies exclusively on reporting in the media?

Does it matter that the Provost
misrepresented research?

Should the Provost be using scare tactics?

What agenda would drive the Provost to employ research in order to mislead his own faculty?

And the Provost's third point

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The article in the *Chronicle*

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[Moody's Upgrades Higher Ed's Outlook From 'Negative' to 'Stable'](#)

Both the House of Representatives and the Senate have passed legislation in recent weeks that would overhaul the U.S. tax code. The bills have been harshly criticized by higher-education leaders. Provisions particularly at issue include a tax on graduate students' tuition waivers

in the House version, and, in both the House and Senate versions, a 1.4-percent excise tax on the endowment earnings of some private colleges, and a doubling of the standard deduction, which critics argued would discourage charitable giving. (*The Chronicle outlined the differences in the House and Senate versions here.*)

Moody's assigned the "stable" designation in 2015, citing expected increases in state funding and predicting that revenue growth would improve at four-year institutions. That was an improvement from the "negative" rating the agency had assigned since 2013. Copies of the report are available to Moody's subscribers.

Adam Harris is a breaking-news reporter. Follow him on Twitter [@AdamHSays](#) or email him at adam.harris@chronicle.com.

And the announcement it covers



Announcement: Moody's: US higher education sector outlook revised to negative as revenue growth prospects soften

Global Credit Research - 05 Dec 2017

New York, December 05, 2017 -- Moody's Investors Service is revising the 2018 outlook for US higher education to negative from stable as aggregate operating revenue moderates while expense growth increases. The outlook indicates the credit rating agency's expectations for fundamental business conditions over the next 12-18 months.

"The annual change in aggregate operating revenue for four-year colleges and universities will soften to about 3.5% and not keep pace with expense growth, which we expect to be almost 4%," according to Moody's Vice President Susan E. Shaffer. "Excluding academic medical centers, sector-wide revenue growth is projected to be under 3% for the outlook period."

Moody's expects private universities to outperform public universities. At least 15% of universities will be forced to cut costs in response to stagnant or weak revenue growth.

Although the sector has diverse revenue streams, Moody's expects tuition revenue growth will remain subdued as will research funding and state appropriations.

Net tuition revenue growth will be affected by affordability concerns and limited enrollment growth over the outlook period, based on Moody's 2017 Annual Tuition Survey. Public universities, which face state limits on raising tuition, will only have growth in net tuition revenue of 2%-3%.

The survey indicates private universities will have stronger tuition revenue growth of 3%-3.5% overall. But small- and moderate-sized public and private institutions will have lower net tuition revenue growth compared to their comprehensive counterparts.

Higher education is also vulnerable to looming changes in federal policy or funding. Tax reform could negatively affect philanthropy and endowments. Eliminating private activity bonds, which private colleges have used to facilitate tax-exempt borrowing, would increase borrowing costs for these universities. Any tax changes to tuition support for graduate students could also negatively impact graduate enrollment and research levels since research is a key component of many graduate programs.

In 2018, the administration will also attempt to reauthorize the Higher Education Act, which governs all financial aid programs. Changes to Pell Grants and the direct student loan program could impact higher education affordability and access, and cuts would further suppress net tuition revenue growth.

Moody's would change the outlook to stable if aggregate operating revenue growth was at least 3% and above expense growth and combined with ongoing solid student demand and strong cash and investment levels.

The report "Higher education -- US: 2018 outlook changed to negative as revenue growth moderates," is available to Moody's subscribers at

https://www.moody.com/researchdocumentcontentpage.aspx?docid=PBM_1097717 .

The first paragraph of the announcement. The Provost's quotation makes the situation sound not only dire but also long-term. However, the rating reflects "expectations for fundamental business conditions *over the next 12-18 months.*"

New York, December 05, 2017 -- Moody's Investors Service is revising the 2018 outlook for US higher education to negative from stable as aggregate operating revenue moderates while expense growth increases. The outlook indicates the credit rating agency's expectations for fundamental business conditions over the next 12-18 months.

Moody's also states conditions that would lead them to upgrade higher education even before 12-18 months pass.

Moody's would change the outlook to stable if aggregate operating revenue growth was at least 3% and above expense growth and combined with ongoing solid student demand and strong cash and investment levels.

Moody's projects net tuition revenue growth of 3% to 3.5% for private universities. Not only did we not hit 3%, our revenue growth was **negative**.

Net tuition revenue growth will be affected by affordability concerns and limited enrollment growth over the outlook period, based on Moody's 2017 Annual Tuition Survey. Public universities, which face state limits on raising tuition, will only have growth in net tuition revenue of 2%-3%.

The survey indicates private universities will have stronger tuition revenue growth of 3%-3.5% overall. But small- and moderate-sized public and private institutions will have lower net tuition revenue growth compared to their comprehensive counterparts.

The *Chronicle* article notes the history of Moody's rating of higher education. A "negative" rating was assigned in 2013. The sector received an upgrade to "stable" in 2015. Then in 2017 Moody's issued a downgrade.

Moody's assigned the "stable" designation in 2015, citing expected increases in state funding and predicting that revenue growth would improve at four-year institutions. That was an improvement from the "negative" rating the agency had assigned since 2013. Copies of the report are available to Moody's subscribers.

Adam Harris is a breaking-news reporter. Follow him on Twitter [@AdamHSays](#) or email him at adam.harris@chronicle.com.

Here is Moody's announcement when it upgraded higher education to "stable."

MOODY'S INVESTORS SERVICE

Announcement: Moody's: Fiscal 2014 medians show easing pressures at public and private universities

Global Credit Research - 06 Jul 2015

New York, July 06, 2015 -- Fiscal year 2014 medians for public and private universities show much of the higher education sector stabilizing into balanced operations, increased liquidity, and slowly strengthening balance sheets, Moody's Investors Service says in two new reports. Nonetheless, approximately 20% of universities continue to confront material revenue growth pressures.

For private colleges and universities, revenue growth outpaced expense growth for the first time in four years, with median revenue growth at 3.4% while expense growth was 2.9%.

"Double-digit investment returns, robust philanthropic support and limited borrowing led to continued strengthening of private university balance sheets. Strongly correlated with investment returns, total gift revenue grew 7.3% in FY 2014, and larger, wealthier institutions continue to benefit the most," Moody's AVP-Analyst Michael Osborn says in "Signs of Moderating Stress in Private University FY 2014 Medians."

Median growth in net tuition revenue, typically a private university's largest revenue source, stabilized in the 3% range for FY 2013 and 2014. This is much lower than the 7% range from 2005-2008 but equivalent to inflation.

Here is Moody's affirmation of the "stable" rating in July 2016.

MOODY'S INVESTORS SERVICE

Announcement: Moody's: FY 2015 public, private university medians highlight overall stability, but with pockets of stress

Global Credit Research - 11 Jul 2016

New York, July 11, 2016 -- Fiscal year 2015 medians for US public and private universities continue to largely maintain financial stability, but smaller, lower-rated private universities and smaller, regional public universities continue to face the most acute fiscal pressure, Moody's Investors Service says in two new reports.

Median revenue growth exceeded median expense growth for both public and private universities in 2015, with publics showing 3.9% revenue growth while privates had 3.1%.

"Median revenue growth continues to trend positively, with a growing share of public universities generating increases higher than inflation. An improving state funding environment helps support this growth, with median state funding per student up 13% since FY 2012," Moody's Associate Analyst Christopher Collins says in "Higher Education -- US Medians - US Public Universities Largely Stable but with Considerable Sector Variability."

However, 42% of public universities also had net tuition revenue growth below 3%, and these schools tended to be lower-rated, smaller institutions that draw students largely from the surrounding region. Half of Moody's-rated private universities also had less than 3% growth for this key variable.

"Across the private university sector, 27% experienced declining net tuition revenue, a number which we expect to increase to approximately 30% in 2016," Moody's Associate Analyst Matthew Kuchtyak says in

Does it matter that Moody's outlook is only
for a period of 12 to 18 months?

Does it matter that the Provost suppresses
that fact?

Some questions pertaining to the Provost's External Background section as a whole.

External Background – Changes in Higher Education

- We are in the midst of a significant decline in the number of high school graduates in the northeastern United States, and a nationwide decline in the number of private high school graduates. From 2011 to 2022, the number of private high school graduates will decline by 28%.¹
- An annual report from the Center for Education Statistics noted that “the number of colleges and universities eligible to award federal financial aid to their students fell by 5.6 percent from 2015-16 to 2016-17. That’s the fourth straight decline since a peak of 7,416 institutions in 2012-13. It is also by far the largest.”²
- In late 2017, Moody’s downgraded the financial outlook for the entire higher education sector from stable to negative. In January 2018, Standard and Poor’s also noted a bleak outlook for the sector.³

Internal Background – Progress to Date

The University has made a significant number of improvements over the past several years.

- After three years of extensive consultation and University-wide discussion, a new Liberal Arts Curriculum was approved (with a near-unanimous vote of the Academic Senate) and will be implemented for incoming first year students in the fall semester of 2018. The faculty are actively engaged in implementing this new plan.

¹Bransberger, Peace and Demarée K. Michelau (2016), “Knocking at the College Door: Projections of High School Graduates,” Western Interstate Commission for Higher Education (December, 2016)

²Lederman, Doug (2017), “The Culling of Higher Ed Begins,” *Inside Higher Ed*, July 19, 2017

<https://www.insidehighered.com/news/2017/07/19/number-colleges-and-universities-drops-sharply-amid-economic-turmoil>

³Moody’s Investors Service (2017), “2018 outlook changed to negative as revenue growth moderates” December 5, 2017; Harris, Adam, *The Chronicle of Higher Education*, January 23, 2018, <https://www.chronicle.com/article/Outlook-for-Higher-Education-2018/242319>

Does it matter that in each of his bullet points,
the Provost suppresses data and essential
interpretive context?

Does it matter that the Provost misrepresents
research to advance his own agenda?

Does it matter that as a member of the faculty, the Provost is responsible for upholding the University's standards for academic integrity?

Does it matter that as the chief academic officer of the University, the Provost is the ultimate authority for enforcing the University's standards for academic integrity?

Does it matter that the Provost's handling of research is at best grossly incompetent?

3. Other Independent Research

In addition to the curious omissions from the cited sources, there are odd omissions from the universe of available data.

As long as we are citing Moody's...



Rating Action: Moody's downgrades The Catholic University of America, DC's Revenue bonds to A3 from A2; outlook stable

Global Credit Research - 06 Jul 2017

New York, July 06, 2017 -- Summary Rating Rationale

Moody's Investors Service has downgraded the rating on The Catholic University of America, DC's Refunding Revenue Bonds, Series 2010 to A3 from A2. The bonds were issued through the District of Columbia. The outlook is stable. The downgrade impacts \$28 million of rated debt.

The downgrade reflects the increased competition for students culminating in a 5% decline in student revenue in fiscal 2017 and related decline in operating performance. While financial leverage will remain manageable, the action also incorporates ongoing capital needs and an expected \$60 million increase in debt in the coming months.

The A3 rating on the revenue bonds of The Catholic University of America (CUA) incorporates its distinctively Catholic character, favorable location and prospects for donor support. The rating also acknowledges healthy financial reserves, with spendable cash and investments of roughly \$400 million. These strengths are offset by high competition for students and limited pricing power as well as substantial capital needs and declining operating performance.

Rating Outlook

The stable outlook is predicated on the university achieving earned revenue growth and gradually improving cash flow margins above the estimated 5% margin in fiscal 2017. Gains in donor support also support the stable outlook, with capital support offsetting the potential reliance on debt to fund capital investments. The outlook also reflects expectations of stable to gradually improving total wealth and unrestricted liquidity.

Factors that Could Lead to an Upgrade

Clear strengthening of pricing power demonstrated by material gains in net student charges

Ongoing gains in donor support including gifts for student financial aid

Ability to invest in facilities and programs while maintaining flexible reserves and manageable leverage

Factors that Could Lead to a Downgrade

Inability to achieve growth in net tuition revenue

Sustained move to weak operating performance

Material decline in unrestricted liquidity

While the competition has revenue growth of 3%, we have a decline of 5%. Damn those demographics.

MOODY'S INVESTORS SERVICE

Rating Action: Moody's downgrades The Catholic University of America, DC's Revenue bonds to A3 from A2; outlook stable

Global Credit Research - 06 Jul 2017

New York, July 06, 2017 – Summary Rating Rationale

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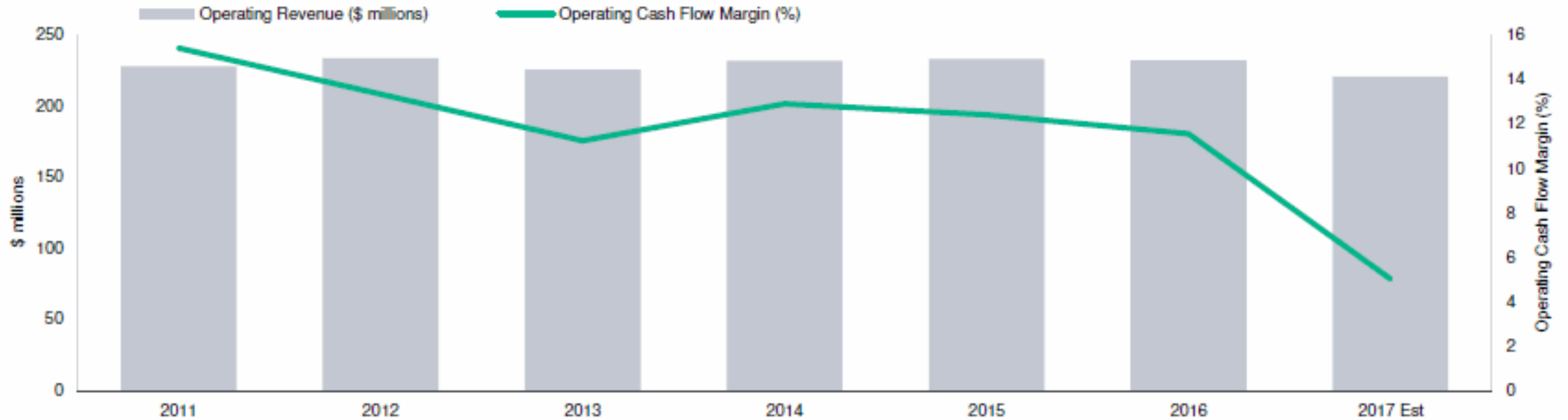
The full report from Moody's on CUA makes our troubles quite clear.



Chart from Moody's. CUA's rapid decline in cash flow margins should scare us.

Exhibit 1

Net tuition revenue miss in 2017 leads to decline in cash flow margin



Sources: Moody's Investors Service, audited financial statements and unaudited projections for fiscal 2017

As should every every line on this table—including Investments (what the market gives it can take away).

Key Indicators

Exhibit 2

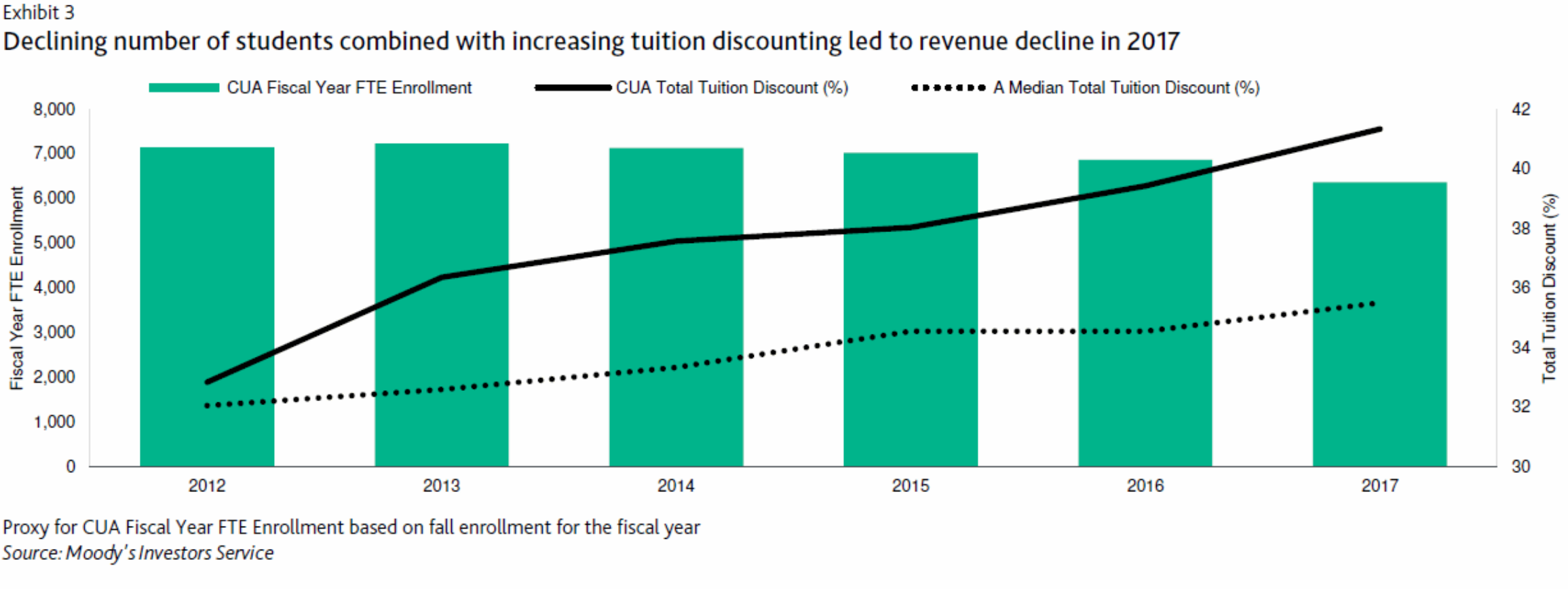
CATHOLIC UNIVERSITY OF AMERICA, DC

	2011	2012	2013	2014	2015	2016	2017 Est
Total FTE Enrollment	7,143	7,232	7,128	7,023	6,864	6,367	
Operating Revenue (\$000)	228,122	233,887	225,505	231,903	233,088	232,387	220,815
Annual Change in Operating Revenue (%)	5.3	2.5	-3.6	2.8	0.5	-0.3	-5.0
Total Cash & Investments (\$000)	336,487	342,405	362,143	391,663	409,240	393,182	412,529
Total Debt (\$000)	112,454	109,474	102,552	99,503	99,826	94,545	90,829
Spendable Cash & Investments to Total Debt (x)	2.3	2.4	2.7	3.0	3.2	3.2	3.5
Spendable Cash & Investments to Operating Expenses (x)	1.2	1.2	1.3	1.4	1.4	1.4	1.4
Monthly Days Cash on Hand (x)	215	200	186	193	190	166	172
Operating Cash Flow Margin (%)	15.4	13.3	11.3	12.9	12.4	11.6	5.0
Total Debt to Cash Flow (x)	3.2	3.5	4.0	3.3	3.4	3.5	8.2
Annual Debt Service Coverage (x)	5.0	4.0	3.3	3.8	3.7	3.7	1.6

Total FTE Enrollment is for fall of indicated year

Source: Moody's Investors Service

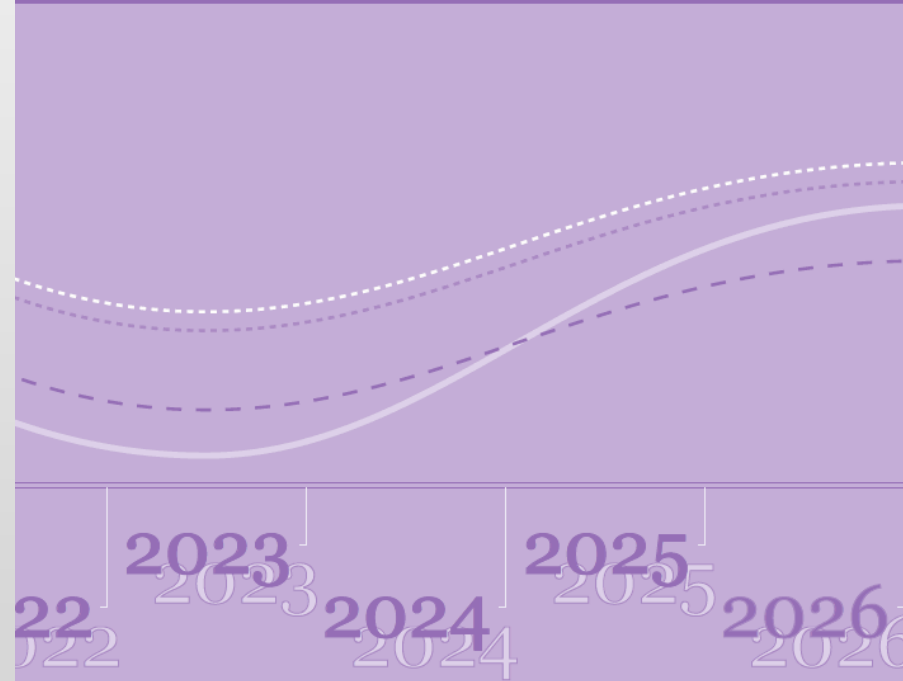
Here is where the alarm bells should really be going off. Not only are enrollments flat to declining, our discount rate is going through the roof.



Now for the Provost's most curious
omission of all...

Projections of Education Statistics to 2026

Forty-fifth Edition



Download your very own copy at <https://nces.ed.gov/pubs2018/2018019.pdf>. Your tax dollars made this possible.

Every university receiving Title IV funding is required by law to submit data multiple times each year to the NCES via its Integrated Postsecondary Education Data System (IPEDS).

IPEDS is the definitive repository for
data on higher education.

It is where every Institutional
Research professional at every
university in the country goes
virtually every day.

And like WICHE, they publish
projections.

Quick survey: Where should CUA go
for its data on higher education?

- A. Western Interstate Commission on
Higher Education
- B. The United States Department of
Education's National Center for
Education Statistics

Like WICHE, NCES publishes
projections for high school
graduations.

From *Projections of Education Statistics to 2026*. Published just this month.

NATIONAL

The total number of high school graduates

- ▲ increased 20 percent between 2001–02 and 2012–13 (2.9 million versus 3.5 million), a period of 11 years; and
- ▲ is projected to increase 3 percent between 2012–13 and 2026–27 to 3.6 million.

The number of public high school graduates

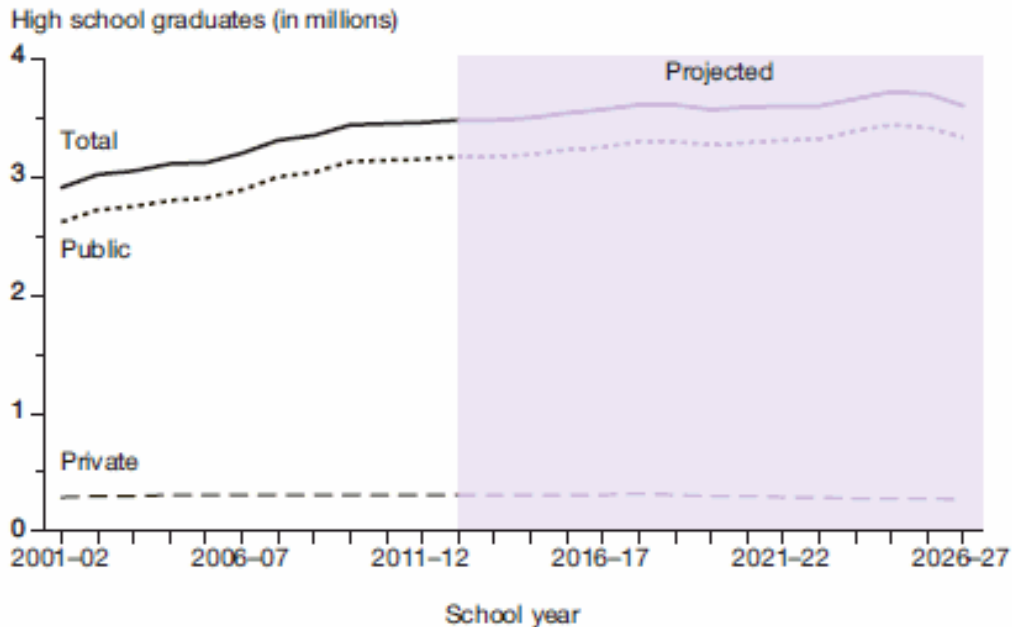
- ▲ increased 21 percent between 2001–02 and 2012–13 (2.6 million versus 3.2 million); and
- ▲ is projected to increase 5 percent between 2012–13 and 2026–27 to 3.3 million.

The number of private high school graduates

- ▲ increased 8 percent between 2001–02 and 2012–13 (285,000 versus 309,000); and
- ▼ is projected to decrease 13 percent between 2012–13 and 2026–27 to 270,000.

For more information:
Table 9

Figure 9. Actual and projected numbers for high school graduates, by control of school: School years 2001–02 through 2026–27



NOTE: Since the biennial Private School Universe Survey (PSS) is collected in the fall of odd-numbered years and the numbers collected for high school graduates are for the preceding year, private school numbers for odd years are estimated based on data from the PSS. Includes graduates of regular day school programs. Excludes graduates of other programs, when separately reported, and recipients of high school equivalency certificates. Some data have been revised from previously published figures. Mean absolute percentage errors of selected education statistics can be found in table A-2, appendix A.

SOURCE: U.S. Department of Education, National Center for Education Statistics, Common Core of Data (CCD), "State Nonfiscal Survey of Public Elementary/Secondary Education," 2002–03 through 2009–10; "State Dropout and Completion Data File," 2010–11 through 2013–14; Private School Universe Survey (PSS), selected years, 2001–02 through 2013–14; and National High School Graduates Projection Model, 1972–73 through 2026–27. (This figure was prepared April 2017.)

Last year's edition—the one available to the Provost, if he had chosen to use it.

The total number of high school graduates

- ▲ increased 22 percent between 2000–01 and 2012–13 (2.8 million versus 3.5 million), a period of 12 years; and
- ▲ is projected to increase 5 percent between 2012–13 and 2025–26 to 3.7 million.

The number of public high school graduates

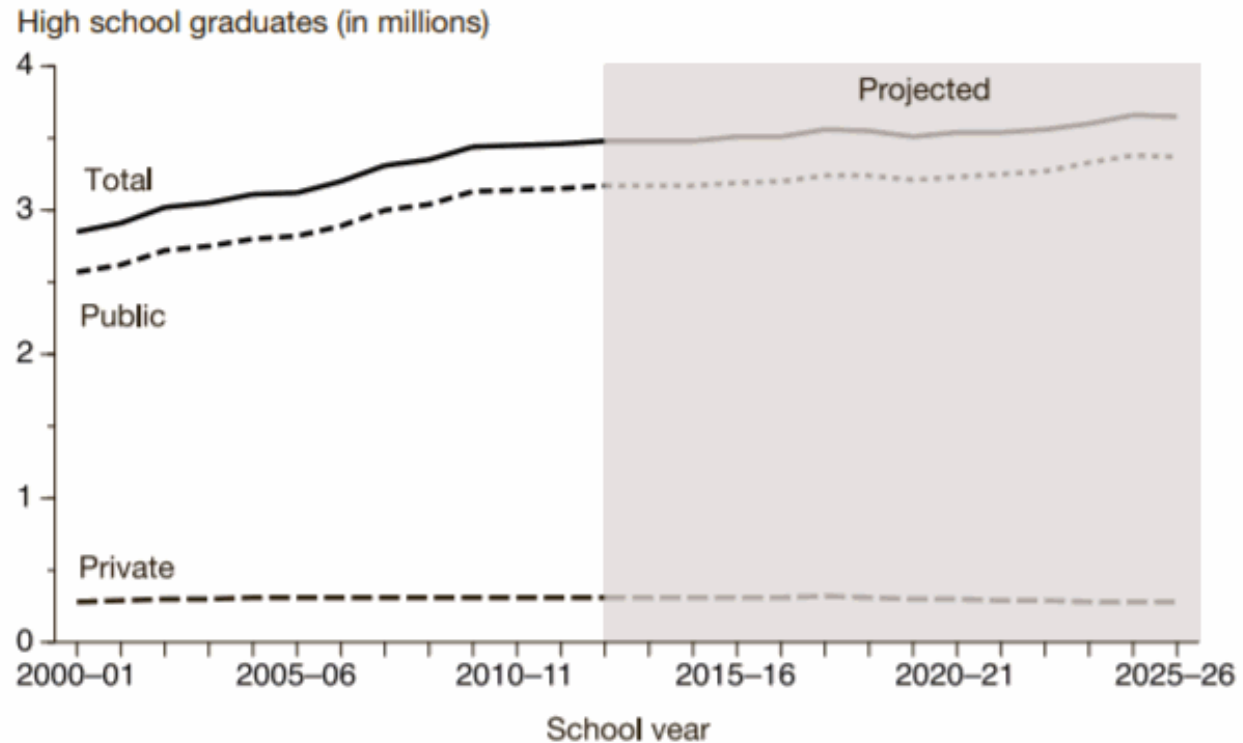
- ▲ increased 23 percent between 2000–01 and 2012–13 (2.6 million versus 3.2 million); and
- ▲ is projected to increase 6 percent between 2012–13 and 2025–26 to 3.4 million.

The number of private high school graduates

- ▲ increased 11 percent between 2000–01 and 2012–13 (279,000 versus 309,000); and
- ▼ is projected to decrease 10 percent between 2012–13 and 2025–26 to 279,000.

For more information:
Table 9

Figure 9. Actual and projected numbers for high school graduates, by control of school: School years 2000–01 through 2025–26



NOTE: Since the biennial Private School Universe Survey (PSS) is collected in the fall of odd-numbered years and the numbers collected for high school graduates are for the preceding year, private school numbers for odd years are estimated based on data from the PSS. Includes graduates of regular day school programs. Excludes graduates of other programs, when separately reported, and recipients of high school equivalency certificates. Some data have been revised from previously published figures. Mean absolute percentage errors of selected education statistics can be found in table A-2, appendix A.

SOURCE: U.S. Department of Education, National Center for Education Statistics, Common Core of Data (CCD), "State Nonfiscal Survey of Public Elementary/Secondary Education," 2001–02 through 2009–10; "State Dropout and Completion Data File," 2010–11 through 2013–14; Private School Universe Survey (PSS), selected years, 2001–02 through 2013–14; and National High School Graduates Projection Model, 1972–73 through 2025–26. (This figure was prepared April 2016.)

Since not all high school students go to college, and since their decisions take into account many factors, including economic conditions. . .

Changes in the number of high school graduates do not necessarily correspond to changes in the number of students moving on to college.

The good news is...

NCES also tracks statistics for
postsecondary institutions. . .

And offers projections for how many students will be going to college.

In its most recent publication, NCES projects an *increase* in college enrollment of 13% over the next 11 years.

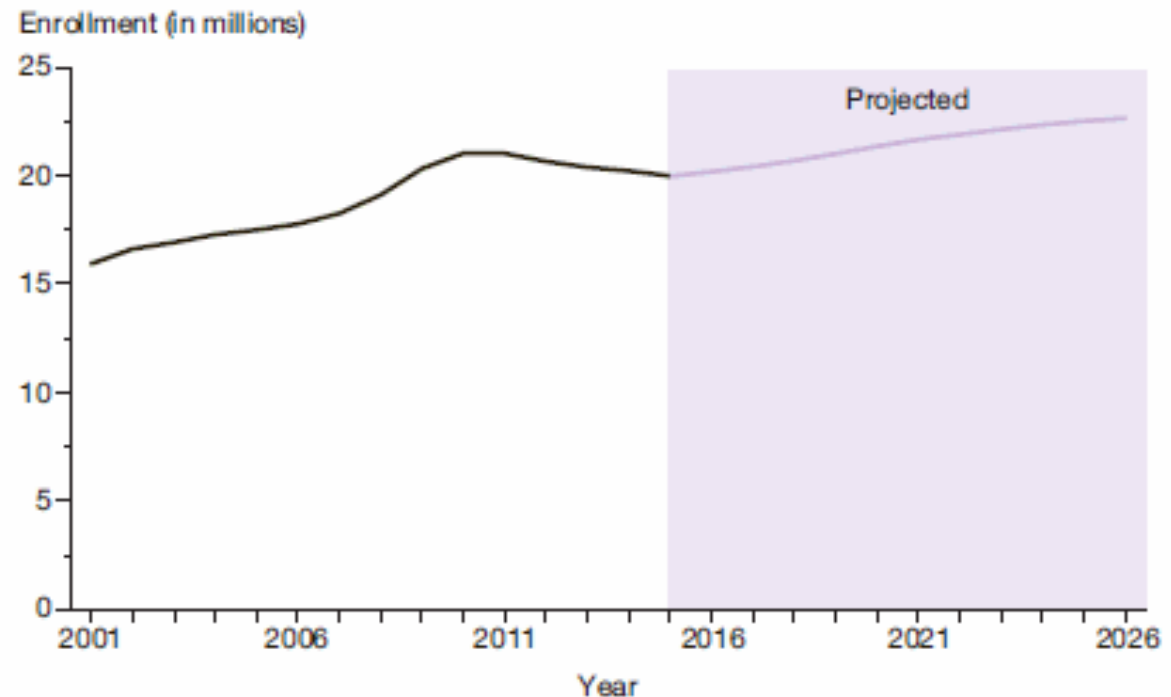
TOTAL ENROLLMENT

Total enrollment in degree-granting postsecondary institutions

- ▲ increased 25 percent from 2001 to 2015 (15.9 million versus 20.0 million), a period of 14 years; and
- ▲ is projected to increase 13 percent, to 22.6 million, from 2015 to 2026, a period of 11 years.

*For more information:
Table 13*

Figure 16. Actual and projected numbers for total enrollment in all degree-granting postsecondary institutions: Fall 2001 through fall 2026



NOTE: Degree-granting institutions grant associate's or higher degrees and participate in Title IV federal financial aid programs. Some data have been revised from previously published figures. Mean absolute percentage errors of selected education statistics can be found in table A-2, appendix A. SOURCE: U.S. Department of Education, National Center for Education Statistics, Integrated Postsecondary Education Data System (IPEDS) Spring 2001 through Spring 2016, Fall Enrollment component; and Enrollment in Degree-Granting Institutions Projection Model, 2000 through 2026. (This figure was prepared April 2017.)

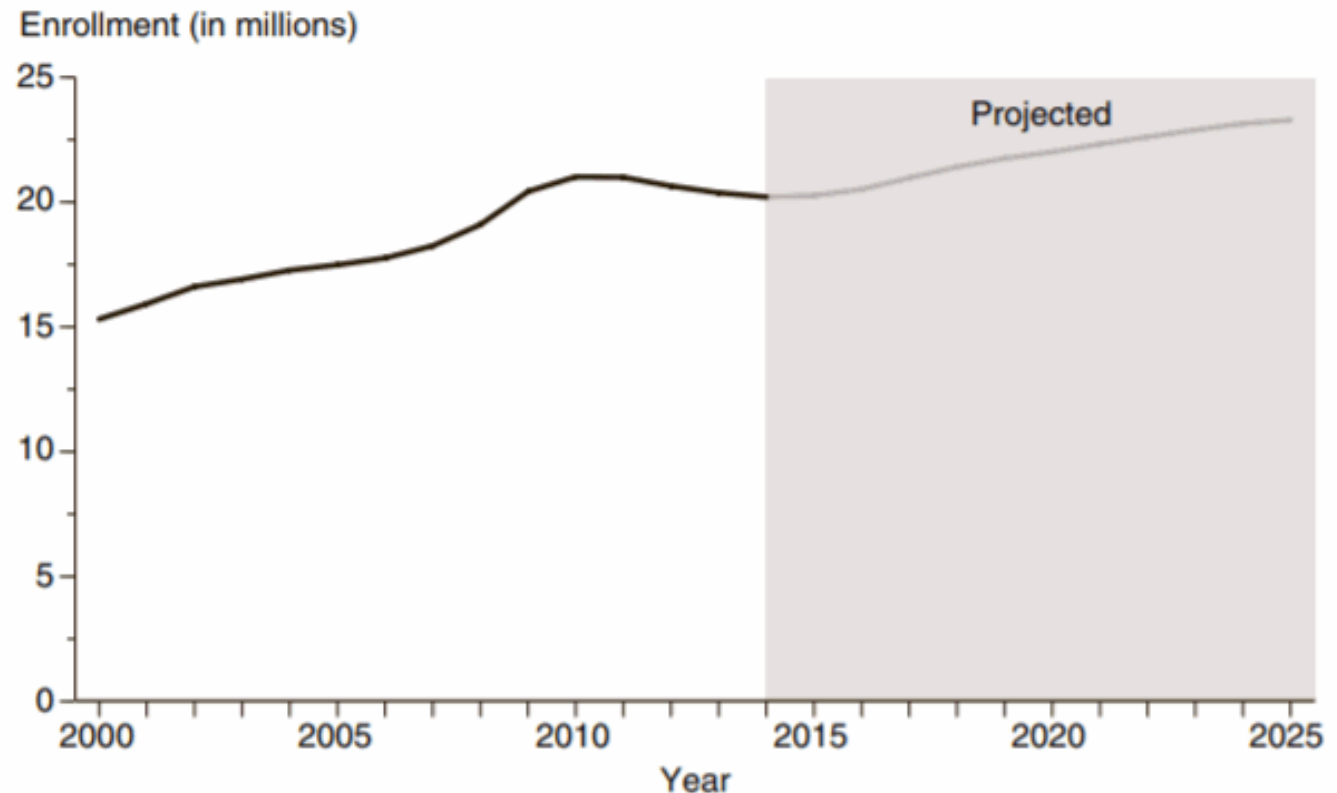
Last year they projected an increase of 15% over the next 11 years.

Total enrollment in degree-granting postsecondary institutions

- ▲ increased 32 percent from 2000 to 2014 (15.3 million versus 20.2 million), a period of 14 years; and
- ▲ is projected to increase 15 percent, from 2014 to 2025 to 23.3 million, a period of 11 years.

For more information:

Figure 16. Actual and projected numbers for total enrollment in all degree-granting postsecondary institutions: Fall 2000 through fall 2025



NOTE: Degree-granting institutions grant associate's or higher degrees and participate in Title IV federal financial aid programs. Some data have been revised from previously published figures. Mean absolute percentage errors of selected education statistics can be found in table A-2, appendix A. SOURCE: U.S. Department of Education, National Center for Education Statistics, Integrated Postsecondary Education Data System (IPEDS) Spring 2001 through Spring 2015, Fall Enrollment

NCES projects an 11% increase in private college enrollment over the next 11 years.

Enrollment in public and private institutions

Enrollment in public degree-granting postsecondary institutions

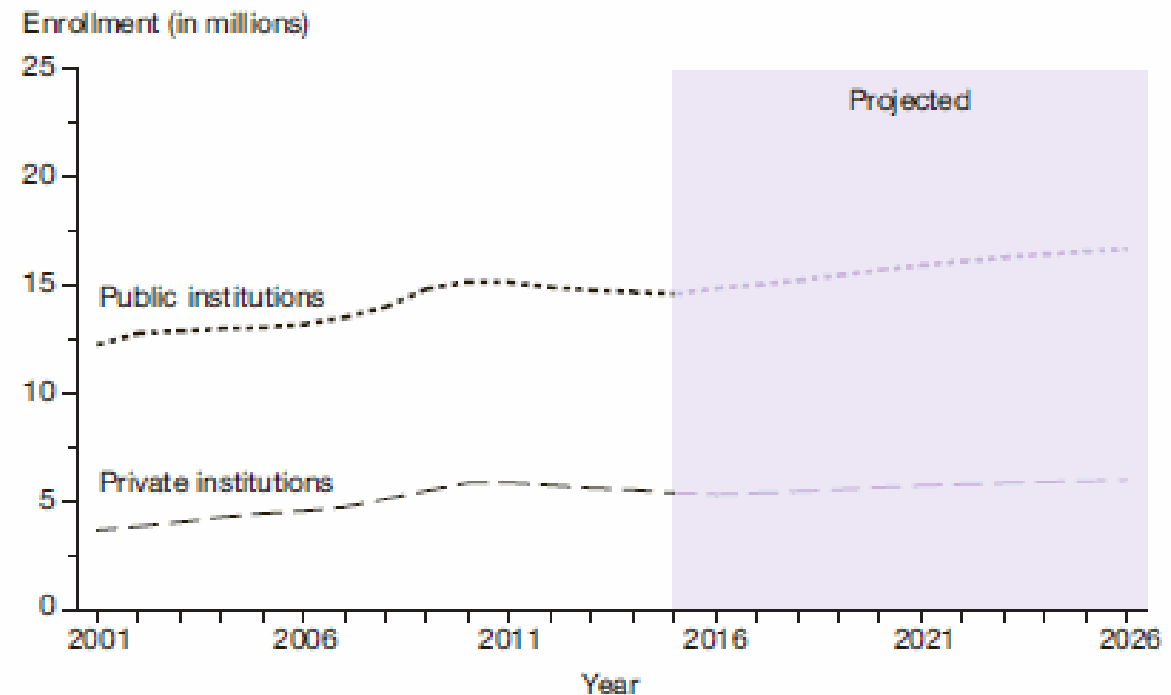
- ▲ increased 19 percent between 2001 and 2015 (12.2 million versus 14.6 million); and
- ▲ is projected to increase 14 percent between 2015 and 2026 to 16.6 million.

Enrollment in private degree-granting postsecondary institutions

- ▲ increased 46 percent between 2001 and 2015 (3.7 million versus 5.4 million); and
- ▲ is projected to increase 11 percent between 2015 and 2026 to 6.0 million.

*For more information:
Table 13*

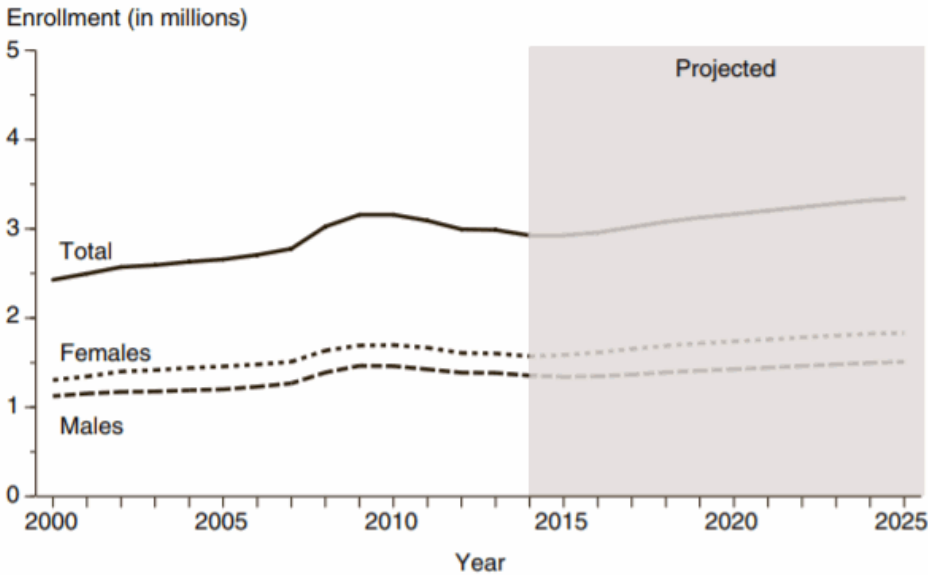
Figure 22. Actual and projected numbers for enrollment in all degree-granting postsecondary institutions, by control of institution: Fall 2001 through fall 2026



NOTE: Degree-granting institutions grant associate's or higher degrees and participate in Title IV federal financial aid programs. Some data have been revised from previously published figures. Mean absolute percentage errors of selected education statistics can be found in table A-2, appendix A. SOURCE: U.S. Department of Education, National Center for Education Statistics, Integrated Postsecondary Education Data System (IPEDS) Spring 2002 through Spring 2016, Fall Enrollment component; Enrollment in Degree-Granting Institutions Projection Model, 2000 through 2026. (This figure was prepared April 2017.)

Last year the projection was 17%.

Figure 23. Actual and projected numbers for total first-time freshmen fall enrollment in all degree-granting postsecondary institutions, by sex: Fall 2000 through fall 2025



NOTE: Degree-granting institutions grant associate's or higher degrees and participate in Title IV federal financial aid programs. Some data have been revised from previously published figures. Mean absolute percentage errors of selected education statistics can be found in table A-2, appendix A. SOURCE: U.S. Department of Education, National Center for Education Statistics, Integrated Postsecondary Education Data System (IPEDS) Spring 2001 through Spring 2015, Fall Enrollment component; Enrollment in Degree-Granting Institutions Projection Model, 1980 through 2025; and First-Time Freshmen Projection Model, 1975 through 2025. (This figure was prepared April 2016.)

First-time freshmen fall enrollment

Total first-time freshmen fall enrollment in all degree-granting postsecondary institutions

- ▲ increased 20 percent from 2000 to 2014 (2.4 million versus 2.9 million); and
- ▲ is projected to increase 14 percent between 2014 and 2025 to 3.3 million.

First-time freshmen fall enrollment of males in all degree-granting postsecondary institutions

- ▲ increased 21 percent from 2000 to 2014 (1.1 million versus 1.4 million); and
- ▲ is projected to increase 11 percent between 2014 and 2025 to 1.5 million.

First-time freshmen fall enrollment of females in all degree-granting postsecondary institutions

- ▲ increased 20 percent from 2000 to 2014 (1.3 million versus 1.6 million); and
- ▲ is projected to increase 17 percent between 2014 and 2025 to 1.8 million.

*For more information:
Table 18*

It should go without saying that projections are variable and uncertain. Yet the Provost writes, “From 2011-2022 the number of high school graduates ***will*** decline by 28%” (emphasis added).

Who to trust?

- A. WICHE projections of private high school graduations.
- B. The Department of Education's projections of college enrollments.

If I had to choose whose projections
NOT to trust, it would most definitely be
those of WICHE from December 2016.

They themselves don't trust them.

But the Provost does.

Some broader questions . . .

Don't we have professionals in
Institutional Research?

Doesn't Enrollment Management
contract consultants who are experts
in demographics and statistical
projections?

Why didn't the Provost consult with the pros—who work at or for CUA?

Is keeping the professionals away
actually a strategic decision?

Does it matter that we are on the eve of an accreditation visit from Middle States? Does it matter if they find us in violation of their standards for Ethics and Integrity?

Does it matter that the Provost has
wasted so much of our time?

Does it matter that we have lost so
much time that should have been
spent productively—not in refuting
bogus research?

And by the way...

Where is the University's President?

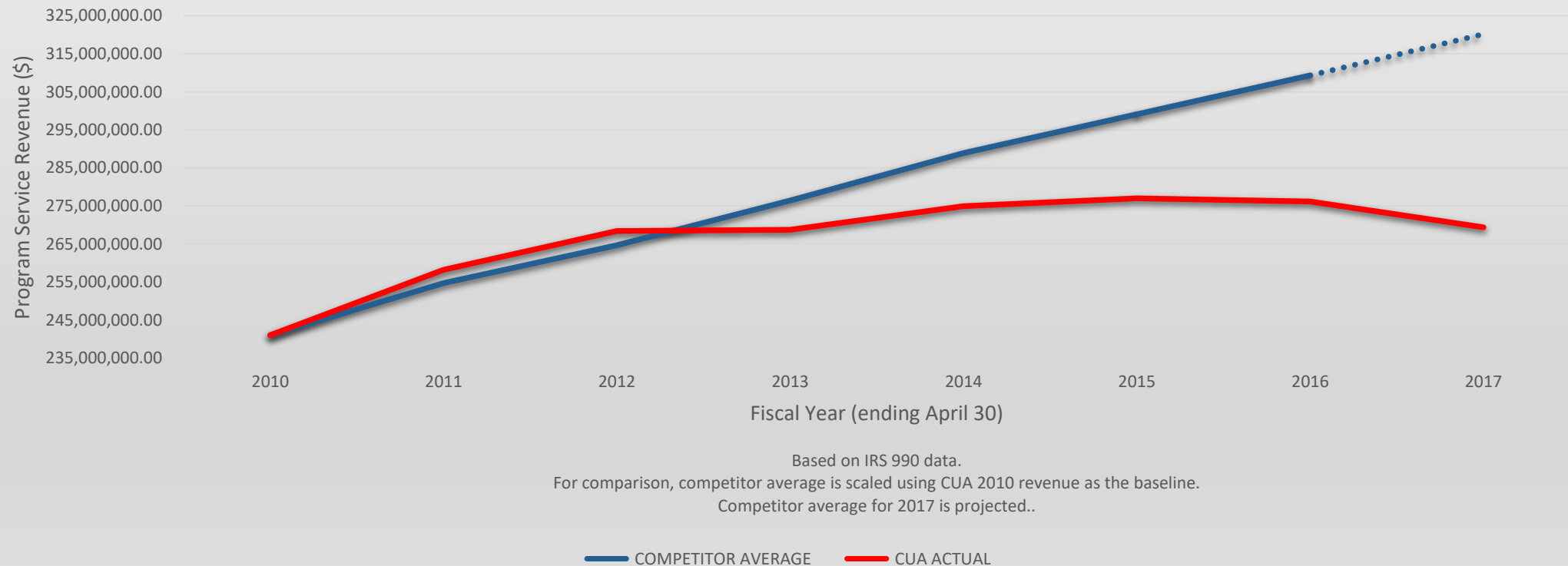
Has he completely handed over the
reins to the Provost?

And the University's Trustees? Where
are they as the ship is taking on
water?

Is it true that the topic of their fall retreat will be themselves—talking about their new two-tier structure?

Time permitting, maybe they could have a look at our revenues. . .

**REVENUE PERFORMANCE COMPARISON:
CUA versus Competitors (2010-2017)**



and discuss fiduciary responsibility.

In sum . . .

We have a Provost who appears to have represented research dishonesty in a document entitled “A Proposal for Academic Renewal.”

We have a President who has fully endorsed this meretricious proposal—and its false premise.

We have a Board of Trustees who--
without a single word of consultation
with the faculty--recently reappointed a
President who is leading the University
on a path toward financial ruin.

What do we do in this unfortunate situation?

The first thing is to do what we
MUST do...

Defend Academic Integrity

In my view, every faculty member has an obligation a) to study the Provost's use of research in his proposal and b) to insist on his *immediate* resignation if, as I believe I have proven, he has used research either carelessly or dishonestly when so much is at stake.

The second thing is to demand an account from the Board of Trustees on its fulfillment of its fiduciary responsibilities.

And, finally, we must demand an independent investigation into how we got into the current mess.

The University needs to hire a law firm and give it full scope to investigate every level of the University's operation and governance.

Without delay, we need to know a) what exactly went wrong—and why; b) who is responsible; and c) what we have to do to right the ship and prevent such a thing from ever happening again.