

State of the University 2017 AND BEYOND



John A. Fry, President

At a time of escalating competition and price sensitivity within higher education, Drexel University has implemented a new student enrollment and retention strategy that is already paying dividends. This is an exciting time at the University, with many improvements on the horizon. But as we enter the third year of a five-year transition, it has become clear that — with the expected smaller freshman classes — our vision to create a stronger Drexel requires renewed patience, greater flexibility and short-term sacrifice.

Fortunately, we are embarking on this new strategy from a position of strength. Drexel is financially sound, with “A” ratings and “Stable” outlooks from both Moody’s and Standard & Poor’s ratings agencies. But nationwide, universities are preparing for an era of greater price sensitivity and declining enrollment, and in a region crowded with higher-ed options, our goal is to remain competitive and position Drexel well for the next decade and beyond.

As we have discussed previously, our new enrollment strategy replaces a high “volume-

based” approach with a more selective stance that admits students with the academic and financial ability to succeed at Drexel. Likewise, we will continue to minimize tuition increases and increase financial aid to better position Drexel for the future. For the next five years, the University expects to hold total increases in charges (tuition, room, board and fees) to under 2 percent.

This transition will improve our academic quality and, eventually, our retention and graduation rates. Our performance in recent university ratings that emphasize student success already is strong, and our enrollment strategy should only enhance our standing.

But it will take time. We need to continue to reshape the University to reflect decreases in revenues that result from smaller incoming classes, larger graduating classes, minimal tuition and fee increases, and greater investment in student financial aid.

This transition will require difficult decisions. But it’s the right thing to do for Drexel’s future.

The following are key elements of our strategy, and

the state of the University for 2017 and the years immediately ahead.

Enrollment and Retention

Over the years, Drexel's admissions policies had become too easy, resulting in a glut of applications. But many of the applicants knew little about the University and were not always serious about attending. This forced us to dedicate significant enrollment resources admitting students who ultimately enrolled in other schools. In addition, our historical practices for awarding financial aid focused too much on recruiting a freshman class and less on providing the kind of support that would allow students to succeed through graduation. As such, our retention and yield rates suffered.

So, we changed course. Our focus became recruiting and enrolling future alumni, not just freshmen, with improving retention and graduation outcomes among our highest priorities. We're doing that in many ways.

We've crafted an application process designed to be more thoughtful, and we imposed a reasonable fee to ensure qualified applicants were seriously interested in a Drexel education. We are working more closely than ever with guidance counselors to get out the word about Drexel's unique story — its focus on experiential learning, as well as our graduates' career success. We're also beating a path to the doorsteps of thousands more prospective students: with 1,375 high school visits, college fairs, off-campus receptions and counselor receptions for the fall 2017 recruitment cycle, up from 75 in 2014.

Enrolling right-fit students is only the beginning. Supporting those students is critical, and our retention efforts are comprehensive. We are carefully evaluating our support of students academically, financially, socially, and in terms of their professional development. The University is revising academic policies and practices to free advisors from administrative work in order to spend more time as advisors, coaches and mentors, and also implemented a sophisticated early warning system to identify at-risk students, so an advisor can intervene.

The results are showing. It was our expectation that these changes would result in a concomitant increase in yield. The yield rate for the fall 2015 freshman class was 12.7 percent, up 4 percent over the fall 2014 freshman class. We lost ground for the fall 2016 freshman class, due in part to moves by our two strongest competitors, and this contributed to the challenges we were already anticipating as a result of our new recruitment and enrollment strategy. Nevertheless, our yield rate last fall was 10.9 percent — still a significant gain over the 8.7 percent yield in fall 2014.

On retention, we have experienced significant success with an 89.1 percent first-year retention rate for the fall 2015 freshman class. This represents a more than 5 percent increase over the fall 2014 class, and a 4.3 percent increase over the average one-year retention rate for the last five freshman cohorts.

These outcomes in retention exceed even the most optimistic expectations of the division of Enrollment Management and Student Success. But the benefits of a shift to a model focused on right-fit students will not be realized right

away. Our commitment is to stay the course as we navigate our way to better retention and graduation rates and provide the best experience we can for our students. This strategy will continue to enhance our reputation for excellence regionally, nationally, and globally.

Organizational Restructuring and Budget Alignment

Being a largely tuition-driven institution, changes in enrollments and tuition revenues directly impact Drexel. As a result, over the past three fiscal years, senior leaders across the University have worked to identify ways to increase revenues besides tuition, and to reduce expenditures and increase efficiency without compromising our core investments in academic quality. Difficult decisions were made, including the reorganization of some administrative units. These were required to ensure we were providing the best services to our students, support for our faculty and professional staff, and sound financial management.

Nearly \$100 million in budget reductions, largely from administrative units, along with reallocating resources to strengthen academic programs and financial aid, have been made during fiscal years 2015, 2016 and 2017.

Based on conservative long-range budget projections, University revenues are expected to decline in FY18 and FY19 as larger classes enrolled at a lower discount rate graduate, and we significantly minimize tuition, room and board increases. Then, in FY20, the University once again will be positioned for revenue growth.

For the next two fiscal years, we will determine what expense reduction efforts we must implement on a permanent basis to balance the budget. Opportunities being evaluated include: renegotiating contracts, delaying new investment funds, reviewing benefits and merit awards, and evaluating academic programs and administrative processes.

On the revenue side, we need to determine if we can grow undergraduate enrollment without impacting quality, while reviewing our discount rate, growing graduate and online enrollments, increasing our fundraising to grow the endowment and to support current operational initiatives, and increasing research and grant funding.

Academic Quality and Research Investment

The University has approximately 3 percent more students now than in 2010, yet it has 19.7 percent more faculty and 6.6 percent more professional staff. Of course, the majority of the growth in the faculty has been driven by adding research-active faculty in the service of enhancing our research mission. In addition, we have in some cases strategically replaced adjunct faculty with full-time teaching faculty in order to better serve our students. I therefore appreciate that the growth in the faculty does not translate directly into a corresponding growth in teaching resources. Nevertheless, just as administrative streamlining has been vigorously pursued, the academic enterprise also must be closely examined by the provost, deans and faculties to meet the reduced revenue expectations that come with smaller incoming classes.

Over the past five years, the University added 100 tenure-track faculty in key academic areas, which I consider a signature achievement. This commitment required a \$2.7 million budget increase each year, plus an additional \$1 million in startup costs. With declining revenues, last year we scaled back this initiative and focused on recruiting faculty who filled key positions or satisfied contractual requirements. We will channel our future academic investments to recruit strategically in areas such as those identified by our Market-Driven Academic Program Ventures, and to promote academic program growth and enrollments, where student demand is strong.

We also will continue Program Assessment Reviews to match academic offerings with market demand and student interest. Over the next two years, the provost and the deans, in consultation with the faculties and Faculty Senate, will review appropriate and effective teaching workload with tenured, tenure-track, and teaching faculty; remove or combine small class sections; reallocate and streamline instructional duties for teaching faculty and adjunct faculty to meet curriculum and enrollment needs; and carefully examine programs that are no longer viable. In addition, we will examine where there may be areas of unnecessary duplication among professional staff duties within, and between, schools and colleges, and, where feasible, combine or eliminate positions.

Research represents the second-largest source of revenue after tuition, and it will continue to be a cornerstone of our academic enterprise. The creation of new knowledge by faculty and

students informs the mission of the University and enhances our standing among our peers. Between FY15 and FY16, research expenditures grew by 2 percent, while new research awards rose by 6 percent. However, the funding outlook for federal research grants, which support 80 percent of Drexel's research, is uncertain. And, with an unprecedented 11-year decline in federal R&D funding, it is unclear which investments Congress will prioritize moving forward. This, along with regulatory changes that have resulted in significant increases to the competition for funding, negatively affects most research-intensive universities.

Within this research environment, we have four strategic goals to increase the quality and quantity of research at Drexel. The goals are to: increase individual faculty research productivity with support for improved grantsmanship and proposal development; increase high-value funding and reputational awards that stimulate large, interdisciplinary efforts with peer institutions, leveraging strategic initiatives such as the Drexel Areas of Research Excellence program; build upon Drexel's strength with the Department of Defense and expand beyond collaborations with the U.S. Army to include the Air Force and Navy; and increase funding from the U.S. Department of Health and Human Services.

Strategic Partnerships

Drexel's engagement with its neighborhoods and its role as an anchor institution in Philadelphia is central to the mission envisioned by our founder Anthony J. Drexel. What's more, we are very fortunate to have enlisted partners who largely

offset the cost of strategic initiatives that, in many cases, have the potential to substantially expand University resources. Indeed, the University has already been the beneficiary of a number of gifts and grants directly tied to these efforts. The Drexel University community confidently can view these initiatives as sound, long-term investments that do not diminish our ability to support the core academic enterprise.

Our work through the Dornsife Center for Neighborhood Partnerships and the Lindy Center for Civic Engagement — both initially made possible through donor support — is foundational and key to our academic enterprise. The two-fold aim of these efforts is to equip Drexel students, faculty, professional staff and alumni to be civically engaged citizens, and to empower our neighbors in the community to build productive lives. The Philadelphia School District’s new Science Leadership Academy Middle School, currently housed at the Dornsife Center with plans to move into a public-private financed K-8 school at the former University City High School site, will enhance the School of Education’s work in teaching tomorrow’s classroom leaders.

Our drive to promote entrepreneurship and innovation in everything we do is backed by a constellation of important institutions and relationships. Drexel Ventures amplifies the University’s capacity for translational research and commercialization through seamless integration of technology transfer, venture development services, industry collaboration, incubation space and capital. Drexel Ventures works closely with the Coulter-Drexel Translational Research Partnership Program, the Close School of Entrepreneurship

and the Baiada Institute for Entrepreneurship — all donor-backed, and with enormous downstream potential to bring to market discoveries by faculty, students, alumni and regional entrepreneurs.

Similarly, our approach to creating an innovation district at Schuylkill Yards — and in support of the larger 30th Street Station District Plan — will be built with private investment through our development partner Brandywine Realty Trust. And by retaining ownership of the Schuylkill Yards footprint, Drexel stands to collect upwards of \$200 million in ground-lease revenue that will be invested in the endowment. Meanwhile, the creation of mixed-use real estate and economic development on and around the campus will bring robust education and research initiatives, benefiting our co-op students, as well as faculty research.

Just as we set out in our Strategic Plan, our objective in all these efforts is to continue to transform Drexel into one of the most impactful and dynamic urban research universities in the country.

Institutional Advancement

Private philanthropy continues to be an essential and rapidly growing source of revenue for Drexel. Our last comprehensive campaign — “Dream It. Do It. Drexel.” — concluded in December 2013 and exceeded its \$400 million goal by \$55 million. It established the foundation for a new era of fundraising at Drexel, broadening our base of support by 17,684 new donors and more than 2,300 additional qualified major gift prospects.

Since then, Drexel has enjoyed three consecutive years of record-setting fundraising. We’ve raised nearly \$300 million in new gifts and pledges,

including the two largest single commitments in the University's history: the Thomas R. Kline School of Law — named by trial attorney Tom Kline in fall 2014 with a commitment of \$50 million; and, the Dana and David Dornsife School of Public Health — named by philanthropists Dana and David Dornsife, with a commitment of \$45 million in the fall of 2015. In addition, our inaugural Day of Giving last fiscal year inspired 2,887 supporters to donate more than \$713,514 in just 24 hours.

It is critical that we build on this momentum, leveraging the confidence that foundations and corporations have in Drexel as well as the pride of alumni, parents and friends. The University is now finalizing plans to publicly launch its most ambitious fundraising campaign later this year, with a goal of \$750 million. The campaign will count all gifts and pledges since Dec. 1, 2013 — totaling approximately \$305 million as of Dec. 31, 2016 — and is scheduled to conclude by Dec. 31, 2020.

This initiative will target the needs of Drexel's faculty and students by focusing fundraising efforts on three broad categories. First, we will create new pathways for student success by establishing more endowed scholarships and fellowships; increasing paid co-op opportunities, particularly in the non-profit sector; and expanding academic advising and student support services. Second, we will pioneer approaches in teaching and learning by establishing endowed professorships to recruit and retain top faculty, sustaining our commitment to academically driven civic engagement through creative new faculty-led partnerships, creating additional technology-

rich learning environments, and enhancing our standing as an online learning market leader. Third, we will accelerate multidisciplinary discovery and innovation by securing endowed funding for high-priority, interdisciplinary research areas; investing in key research centers and institutes; and upgrading critical research facilities and equipment, especially in the physical sciences and engineering.

The campaign will also focus on securing resources for additional strategic priorities such as public realm improvements to campus connectivity and appearance, and current-use funds at the school/college level. We also have non-financial goals, particularly increasing alumni engagement with the University through participation in giving, volunteering and event attendance. Our aggressive efforts to counter the national trend of declining alumni giving are showing promising results: Last fiscal year we reversed a five-year decline in alumni giving to Drexel, yielding a 9 percent increase in undergraduate alumni donors over the previous year. These efforts not only improve Drexel's standing in the rankings, but also help build a pipeline of potential donors that will support the University's ambitions in the decades to come.

Moving Forward

The changes we are making now will not be easy, but are necessary to enhance Drexel's academic quality and continue to build our retention and graduation rates. Given an enrollment strategy that brings more students to Drexel who are prepared to succeed and take full advantage of everything this University has

to offer, we expect our performance in collegiate rankings that emphasize student success to improve even further.

The adjustments we are making to the University's budget and spending will ensure Drexel's solid financial footing for the next decade and beyond. We will continue to grow in stature and influence as a private research university with a strong public purpose with our ongoing pursuit of translational research, and our emphasis on entrepreneurial education and experiential learning through the Drexel Co-op. And our strategic partnerships will improve the future for our neighbors and our city, while we leverage the resources of private development partners to create the setting for the new innovation economy.

At each stage in this process, we will do what's right and best for Drexel's future. Given the talent and dedication of the University's faculty and our professional staff, there is no doubt that together as a community we will achieve our goals to strengthen Drexel academically and financially for years to come.