

Introduction

Good morning Madam Chair and other Distinguished Committee Members. My name is Dr. Ronald Manahan, President of Grace College and Seminary in Winona Lake, Indiana. Founded in 1937 and located in the northern part of the state, Grace is an independent, regionally accredited institution of higher education offering undergraduate and graduate degrees. Thank you for the opportunity to testify about strategic changes made at Grace College to address the serious matter of rising college cost. I am pleased to provide you with information regarding our institution's intentional efforts to address cost through efficiency, innovation, and collaborations.

Institutional Profile

Grace College and Seminary is comprised of a liberal arts college offering undergraduate and graduate degrees and a graduate seminary. The institution's mission states that Grace is an evangelical Christian community of higher education which applies biblical values in strengthening character, sharpening competence, and preparing for service. Grace has a fall 2011 enrollment of 1,616. The incoming undergraduate class had average standardized test scores of 24 on the ACT and 1055 on the SAT. The average high school grade point average was 3.54 (4.0 scale). Students at Grace this year come from 36 states and 8 countries. Full-time student tuition is \$22,546 (covers up to 18 semester hours each semester) and room and board is \$7,214. Approximately half of our students come from Indiana. The incoming students for fall 2011 came from homes with an average adjusted gross income of \$66,717. 95% of our students receive financial aid. Our institutional default rate for the three most recent years is 2.9% (2007), 0.8% (2008), and 2.1% (2009). A general overview of institutional grants and federal grants and loans follows.

FINANCIAL AID	2009-10	2010-11	2011-12 pj
Grace Institutional Grants (minus grad/non-trad.)	\$10,649,409	\$10,696,166	\$10,170,690
Pell Grants	\$1,535,320	\$1,808,685	\$1,948,386
Perkins Loans	\$463,879	\$466,801	\$512,036
Stafford Subsidized Loans	\$3,247,397	\$3,535,621	\$4,014,510
Stafford Unsubsidized Loans	\$2,976,818	\$2,856,314	\$3,710,399

Background

For a number of years our institution has been concerned about the rising cost of college education and specifically the cost of a Grace College education. We realized we were pricing ourselves out of the very group of students we desired to serve. As a result of this concern we undertook steps to address the cost of our college through review of institutional programs, institutional operations, innovation, and partnerships and collaborations. The economic turbulence of 2008 and beyond made even more clear (a) that our campus had to address rising cost with the greatest urgency, (b) that federal and state support of higher education was

challenged, and (c) that we must find ways through our educational mission to contribute to the local and regional health of our economy. We could not simply stand by and wait for others to help us with these concerns.

Addressing Rising Cost through Review of Institutional Programs

In early 2006 our institution approved a five-year strategic plan that included among its goals the review and evaluation of educational programming within the institution.

- Strategic Initiative 3.7: Determine the most efficient and effective academic structure
- Strategic Initiative 3.8: Implement aggressively the College's current policies on the conduct of comprehensive assessments of each academic department
- Strategic Initiative 3.9: Examine the potential for adding new majors

In the case of every program the evaluation included enrollment patterns, staffing, cost effectiveness, demand among high school students, competitive advantages over similar programs at other institutions, and other such data points. Potential outcomes of this thorough review were placing each program into one of four categories and their respective outcomes: (1) Program is strong, nurture its strength; (2) program can be strengthened by selected strategic help; (3) program needs substantive changes that, if not achievable within a couple of years the program will be closed and taught out; and (4) the program must be closed and taught out. The result of that major evaluation was that six programs were taught out and eliminated. In each case the institution helped students either finish at Grace or transfer to another institution offering the student's program of choice. By the end of the 2008-2009 academic year all program reviews were completed. During this same period several programs were added that focused more directly on areas of student program interest and local and regional needs.

Addressing Rising Cost through Review of Institutional Operations

For more than eight years Grace has been taking steps to reduce operational cost by seeking more efficient ways to serve students and employees. As a result of thorough reviews the campus has strategically aligned physical plant operations, institutional food service, publications, marketing, and printing services with regional businesses that provide good and cost-effective service. In these cases we have been able to contain or reduce cost while advancing service to students and employees.

Addressing Rising Cost through Institutional Innovations

(1) Three-Year Degree Option

In 2009 Grace College undertook a thorough study and review of an innovative approach to all of our institution's four-year baccalaureate programs. Our goals for this review were to stay committed to our institutional mission, maintain baccalaureate programming that in every case

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requires at least 120 semester hours (these hours as defined by regional accreditation and federal requirements) for graduation, increased focus on competence (not simply content), incorporate applied learning experiences as a part of program requirements, increase affordability for students and their families, and make use of in-depth research through a recognized firm.

Grace College took dramatic steps to achieve these goals. The result was development of a three-degree option (the four-year degree option is still available to students selecting that option) for all Grace undergraduate degree programs (approximately 54). The institution still continues the four-year degree option but makes the three-year degree option available in every program. This required a change to the institution's academic calendar and restructuring every course to be taught in the altered academic calendar:

- Each semester was lengthened to include two eight-week sessions. The two sessions in a semester are separated by a brief vacation break.
- Students using the three-year degree option take three three-hour courses each eight weeks, completing a total of eighteen credit hours each semester.
- Students take eighteen hours each of the two semesters of a year and do this for three years totaling 108 semester hours of credit. Of course, students often bring with them credits earned through advanced placement, community college courses, etc.
- Students take six hours on online course work provided by the campus for each of the two summers between the first and second year and between the second and third year totaling 12 semester hours of credit. Because summer work is online, students can live most any place for work or travel and still complete the courses. No tuition is charged for full-time students taking the 12 hours of summer online courses.
- Taking the three-year degree option instead of the four-year option offers a 25% savings to full-time Grace students paying tuition, room, and board, meaning at today's prices a total cost of \$89,280 instead of \$119,040. These are the costs before any federal, state, institutional, and other student financial aid is applied.
- The *average institutional* financial aid for Grace freshmen students for the 2011-2012 year is \$10,033. At today's prices this further reduces the total cost for a full-time three-year degree option student to \$59,181 (\$89,280 minus \$30,099).
- Grace College's annual pricing increase for the three most recent years averages 3.3%.
- The three-year degree option allows the student to enter the workforce a year earlier than the four-year degree option, meaning the ability to gain up to an additional year of full-time income.

Extensive faculty interaction and training was required to accommodate all these changes. The new three-year degree option was launched with the beginning of the fall 2011 semester. To date we have completed the first eight week session and are half-way through the second session of the fall semester. While the three-year degree was just recently launched, several institutional data points suggest the students' attraction to the three-year degree option.

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- Full-time freshman enrollment for fall 2011 was 21% higher than for fall 2010.
- According to the Grace Office of Registrar 47% of first-time students entering fall 2011 indicated at the beginning of the fall semester that they were taking the three-year degree option.
- Halfway through the fall 2011 semester 48% of the entering freshman class indicated they are planning on graduating in three years because of the three-year degree option.
- The average credit hours taken by freshman increased substantially for fall 2011 over the previous four years:

Average Credit Hours Taken	2007-08	2008-09	2009-10	2010-11	2011-12
New Freshmen	15.53	14.86	14.90	14.90	16.95

- Recruitment for fall 2012 year-to-date is running ahead of recruitment for fall 2011 year-to date:

Year-to-Date Recruitment	Fall 2009	Fall 2010	Fall 2011	FALL 2012
Inquiries	11,097	11,488	12,299	14,963
Applications	1,058	1,630	1,983	2,559
Accepts	412	669	967	1,410
Deposits	34	33	34	72

(2) Two-Year Weber School

- The two-year Weber School at Grace College is designed to be offered in multiple urban areas where family incomes make the cost of independent higher education unaffordable. This program was designed after the campus evaluated specific research conducted regarding the need for a cost effective alternative to independent higher education.
 - The *annual* cost for a full-time student in the Weber School is \$7,800, a dramatic savings when compared to the average cost of independent higher education in Indiana of \$25,547 (*tuition* only in 2010-11) or of all U. S. independent education of \$27,793 (*tuition* only in 2010-11).
 - The program is offered close enough to a student's home that room and board expenses at the Weber School are eliminated.

- In the summer of 2011 Grace received approval from the Higher Learning Commission to offer a two-year associate degree in two urban cities in Indiana, Fort Wayne and Indianapolis.
 - All courses in the program are designed and approved by on-campus full-time resident faculty.
 - All courses are taught by either full-time or part-time faculty who meet the college's faculty requirements regarding graduate degrees, successful higher education teaching experience, and other such requirements.
- This program, named to honor a faithful supporter of Grace, is designed to be a cost effective alternative for students and their families who cannot afford to attend an independent college such as Grace.
- This two-year program matches the first two years of the on-campus four-year degree option.
 - This allows a student completing the associate degree to transition to Grace's Winona Lake, IN, campus to complete the student's four-year baccalaureate degree.
 - If preferred, the two-year Weber School graduate can transfer to a baccalaureate program at an institution other than Grace.

Addressing Rising Cost through Institutional Partnerships and Collaborations

Through several means Grace College is addressing the rising cost of higher education through forming institutional partnerships and collaborations with other institutions and organizations.

(1) Articulation Agreements with Regional Two-Year Institutions

Grace has a degree completion program called GOAL (Grace Opportunity for Adult Learners) and has entered into articulation agreements with two regional two-year institutions, Ivy Tech State College and Ancilla College. The GOAL program allows students who have earned an associate degree to complete a baccalaureate degree in sixteen months. Graduates from these two institutions receive a discounted rate which means these students are paying \$300 per credit hour.

(2) Collaboration with Four-Year Institutions Offering Nursing and Engineering Programs

Grace has collaborated with two four-year institutions who offer nursing degrees (Bethel College) and engineering programs (Trine University). In both cases Grace students take the nursing and engineering courses on the Grace campus. This arrangement gains efficiencies for Grace, Bethel, and Trine.

(3) Graduate Education Programming Needed by Regional Businesses

Three of the five largest orthopedic companies in the world are located within several miles of the Grace campus. Additionally, two major suppliers and several start-up companies are located in close proximity as well. Grace approached these companies, asking what is the greatest educational need the companies had that, if addressed, would be of great help. All the companies said graduate education in regulatory and clinical affairs. Currently Grace offers a successful masters program in orthopedic regulatory and clinical affairs. The program was designed in collaboration with experts in the field and is the only such program in the country.

(4) Orthopedic Scholar Institute

Since 2003 Grace has offered the Orthopedic Scholar Institute (OSI) to students who are accepted into the program. Those accepted receive strategically designed learning experiences to enhance transferable skills expected by the orthopedic industry. OSI provides students accepted into the program with an opportunity to meld liberal arts learning with marketplace learning and technology. These students are given internship experiences within the industry, and their learning experiences are designed to help give them preferred employment opportunities when they graduate.

(5) Arranging Applied Learning Experiences with Regional Organizations and Businesses

All Grace students are required to take twelve credit hours of applied learning. These experiences, completed under the supervision of faculty, are designed to provide learning opportunities that interface classroom work with real world experiences through internships or other applied projects.

(6) Pursuing Campus Business Incubator Designated as Certified Tech Park by State

During the past many months Grace has been working with our county economic development corporation, state entities, and regional businesses to establish a business incubator on the campus and have this campus facility recognized as a Certified Tech Park. Good progress is being made. The incubator would provide business, engineering, and other students with significant internship opportunities as well as enhance the students' employability. We and others believe this will be a great advantage to our region in terms of developing future jobs.

Conclusion

We at Grace College realize that our three-year degree option is not for everyone, but it is right for us. It has produced encouraging early results. Our applications for fall 2012 are up. We have attracted interest from significant external groups within Indiana. Through our two-year Weber

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School we have expanded our educational service to Fort Wayne and Indianapolis. And we are looking to expand to other urban areas within the Great Lakes region. Our intention is to reach into more at-risk areas among individuals with much to lose in this economy. We believe the innovative programs and services we developed to address cost and strengthen education and access are the right moves for our time and our campus.

Again, I thank the Committee and express my appreciation for the opportunity to tell you about Grace College and our efforts. Higher education must be vigilant in controlling cost, ensuring access, and increasing employability. I personally appreciate your interest in this subject and stand ready to assist in whatever way I can on this important subject.