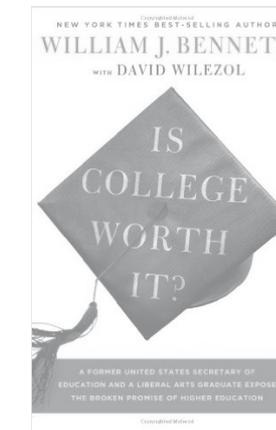
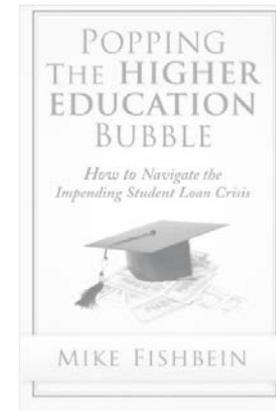
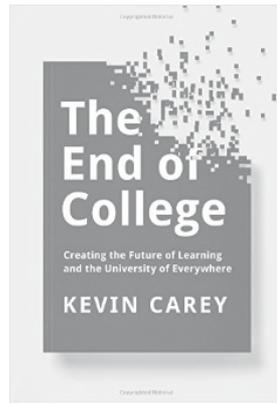


# **The Enrollment Landscape: Trends Affecting Higher Education**

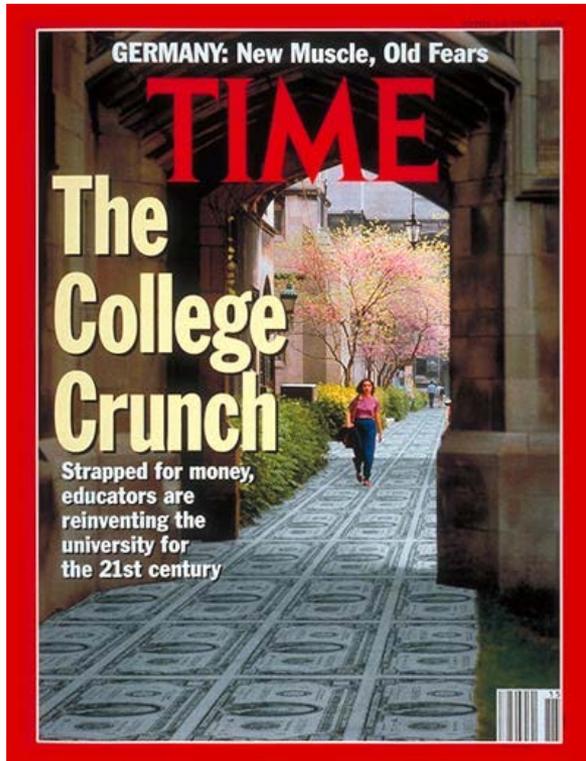
Peter Farrell  
Senior Enrollment Management Consultant  
Royall & Company

# Is There a Bubble in Higher Education?

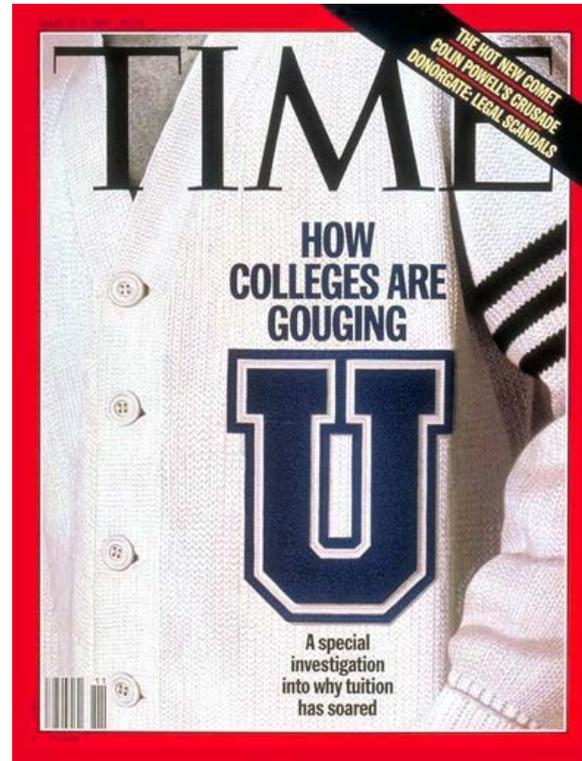


## Not the First Time We've Made the Cover

April, 1992



March, 1997

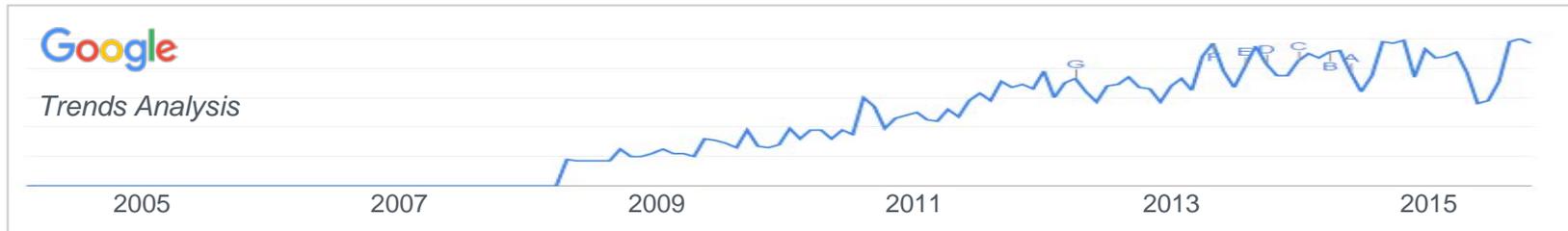


August, 2006



# The Year of Higher Ed “ROI” Accountability

*Dramatic Rise of “Is College Worth It?” Internet Searches in Last Half-Decade Alone*



## 2015: A Hallmark Year for Higher Education ROI Policies

March 2015

### An Expansive Accountability Vision

HELP releases white papers outlining accreditation reform, tying debt to federal aid eligibility, and data transparency

July 2015

### Tying Title IV Funding to Loan Repayment

Gainful employment regulations take effect

September 2015

### Providing Comparative Debt and Salary Data to Consumers

White House College Scorecard launched

### Increasing Cost Transparency Earlier in Decision Process

FAFSA Prior-Prior Year data announced

October 2015

### Looking to Alternate Providers for Better Outcomes, Lower Costs

EQUIP program pilots federal financial aid to coding boot camps and MOOC providers

Ongoing

### Targeting Graduate Debt

HEA Reauthorization proposals on table include loan limits for graduate and part-time students

# Debates Front and Center in the Public Imagination

What Subjects Should We Teach?

## Welders vs. Philosophers

### Election Year Rhetoric

“Welders make more money than philosophers. We need more welders and less philosophers.”

- Marco Rubio, GOP Presidential Debate

### Fact Check

- By most averages, philosophy majors have higher average earnings
- False dichotomy between vocational and liberal arts

How Should We Teach?

## Sage on the Stage vs. Guide on the Side

### The New York Times

“Lecture Me. Really.” (Oct. 2015)

Defends lecture’s unique ability to model sustained, complex argumentation

### The New York Times

“Colleges Reinvent Classes to Keep More Students in Science” (Dec. 2014)

Profiles of student success benefits of active learning

Is Education Preparing Students for Work and Life?

## Future of the Degree at Risk Due to New Alternatives?

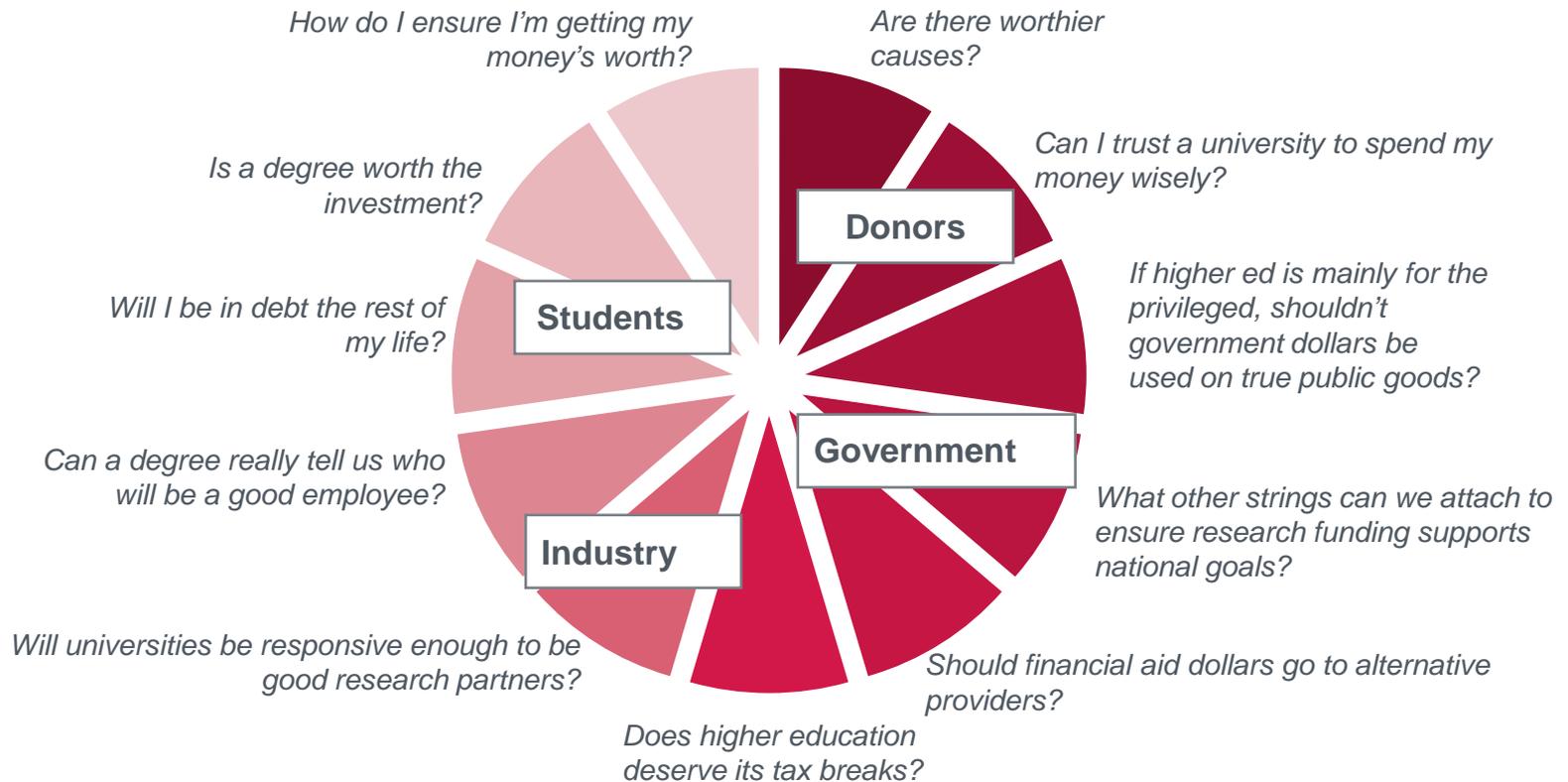
### What Your Board Member Read on Her Last Flight



“The Degree Is Doomed” (Jan. 2014)



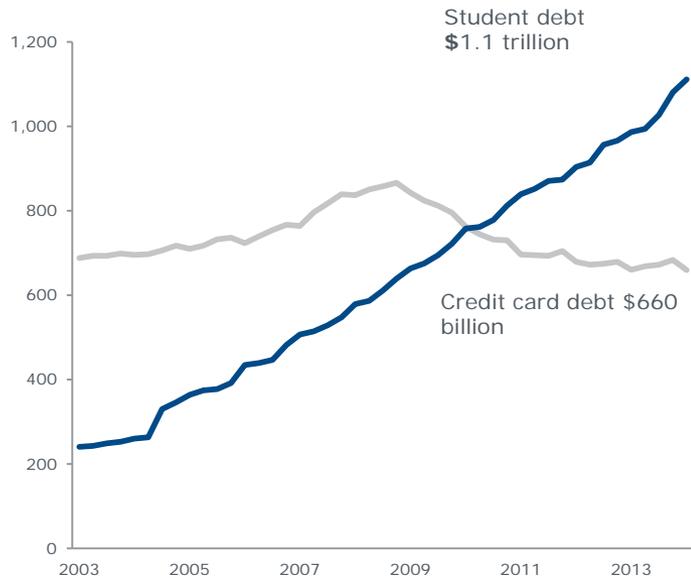
# All Stakeholders Questioning Value



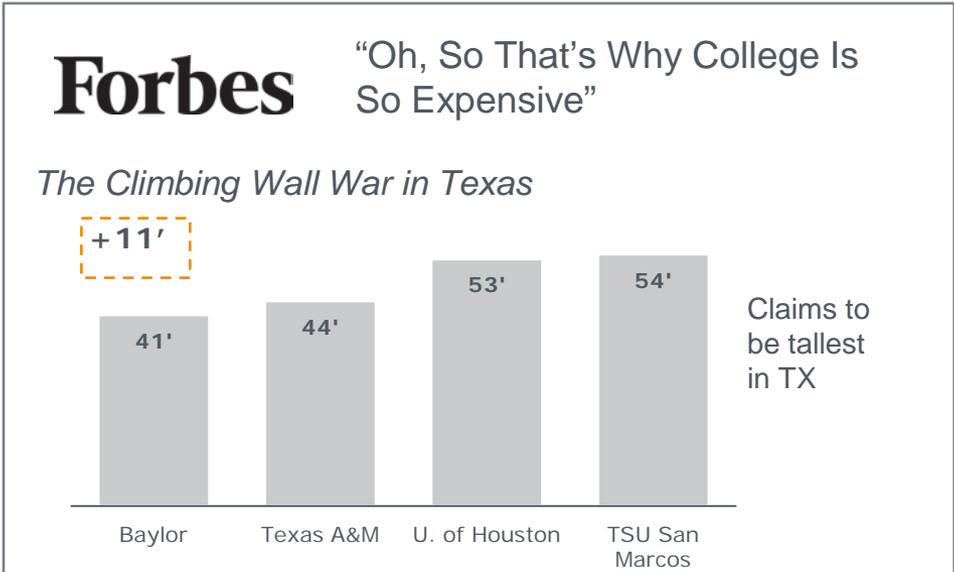
# False Claims about College Costs

## Crossing the \$1 Trillion Mark

Total U.S. Student Loan and Credit Card Debt, in Billions



## Higher Ed Criticized for What's Seen as Irresponsible Spending



## The Reality – Hardly Driving Up Costs

**.001%** Increase to \$100M operating budget

And often funded by student-elected fees

Source: "Oh, So That's Why College Is So Expensive," *Forbes*, August 2012; "Public University Costs Soar," March 16, 2013; Federal Reserve Bank of New York.

# “ROI-Shopping” Likely to Accelerate

## Even More Fierce Negotiation Ahead



*Prior-Prior Year Data Expedites Award Letters*

- Students can apply for financial aid as soon as October
- Don't have to wait to file tax returns
- Announced in September 2015, goes into effect Fall 2016

*Earlier Offer Letters Encourage More Price Competition*

- More time for negotiations and appeals
- Less time to cultivate relationship before offer

## Strategies Making Way into Higher Ed



*No-Haggle Pricing*

**Tuition Price Reset**  
\$10,000 list price replaces discount



*Price Match Guarantee*

**In-State Price Match**  
Top 10% HS class pays public tuition



*“All you can eat!”*

**Subscription Pricing**  
One flat 6-month fee (“All you can learn”)

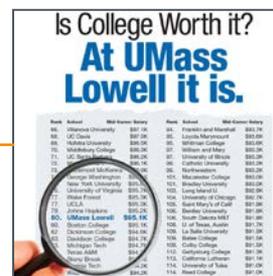


*Pre-Paid Savings*

**Pre-Paid Tuition**  
Newborns to 11<sup>th</sup>-graders

## “ROI” Calculation of the Future = Both Aid + Likely Return

*2013 UMass Lowell Campaign*



- Website for job-seekers to research salaries
- Data used to rank institutions based on salary and net ROI

## The Boston Globe

**“Post-graduation salaries: Show me the money” (March 2014)**

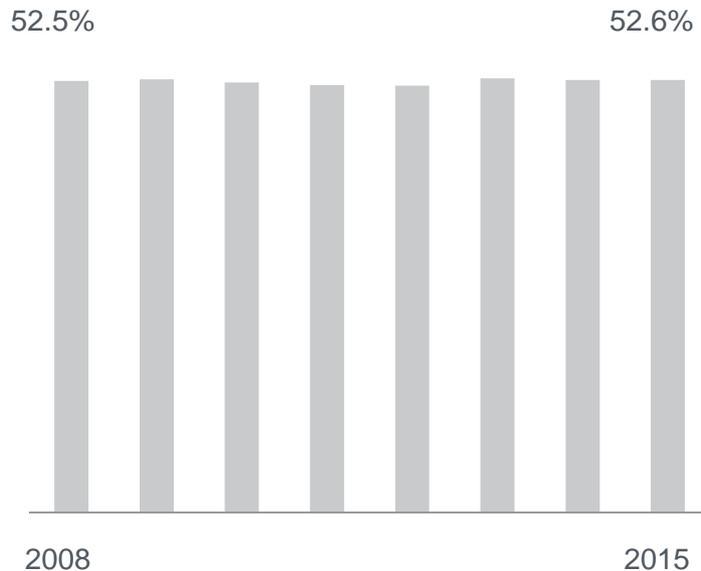
- Highlights students who transferred to UMass Lowell due to cost + published salary estimates
- Decisions influenced by high debt of friends



# Slow National Progress on Student Success

*Despite Investments, Key Success Indicators Still Lag*

## 5-Year Graduation Rates



## Investments in Student Success

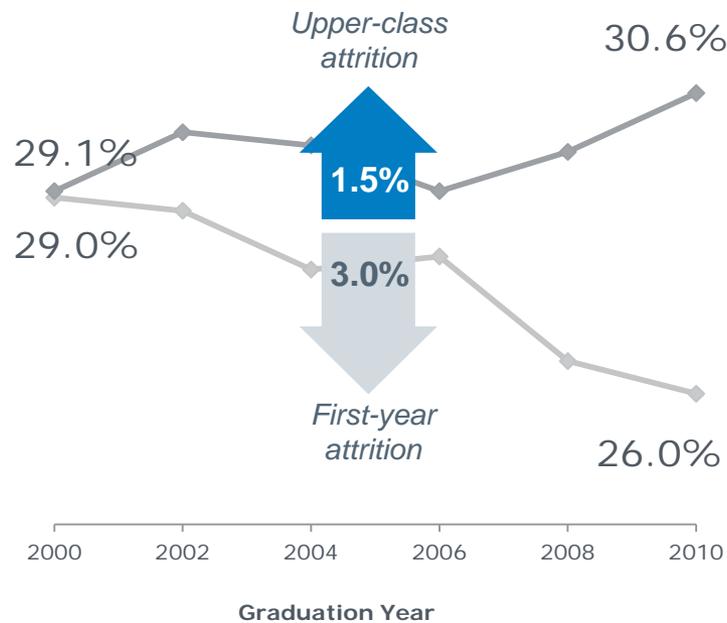
- Early alert systems
- Attendance tracking
- Financial aid labs
- Emergency fund awards
- Student success centers
- *And many more faculty- and staff-driven efforts*

# Solving One Problem, Creating Another

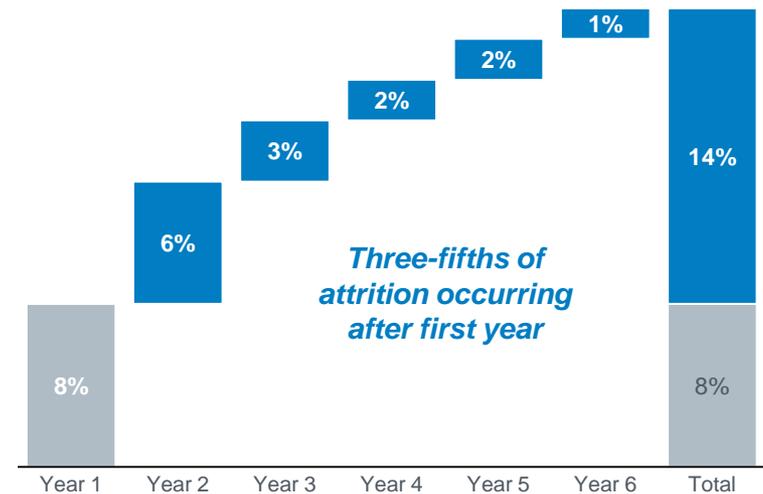
Gains in First-Year Retention, but Upper-Division Attrition Increasing

## Attrition across the Student Lifecycle

Public University Graduating Classes, 2000 to 2010



Twenty-One State Flagship Universities



# The Other Side of the Story

*Popular Accounts Based on Lack of Understanding*

## Public Perception

## Reality

Tuition prices are skyrocketing



Median list price is \$11,000; net price significantly lower at publics and actually declining at privates

Students are crippled by debt



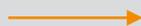
Majority of new graduates owe less than \$20,000

Rising tuition is driving up student debt



Falling family income, lack of savings and non-tuition costs fueling debt growth

Rising tuition reduces access for low-income students



Access has never been higher and net tuition for low-income students is low; lost wages are biggest barrier

College degree is losing value



College premium has never been higher

Universities are losing students to low-cost providers



Community colleges and for-profits are losing enrollment; “disruptive” innovators focus more on non-consumers

# An Unsustainable Model?

*Emerging Consensus that the Current Financial Model Is Broken*

I am confident in the sustainability of my institution's financial model over the next 10 years

**50%**

Presidents

**41%**

Chief Business Officers

## Revenues



- Long-term demographics
- State budget pressures
- Federal budget cuts
- Increased financial aid
- Declining incomes



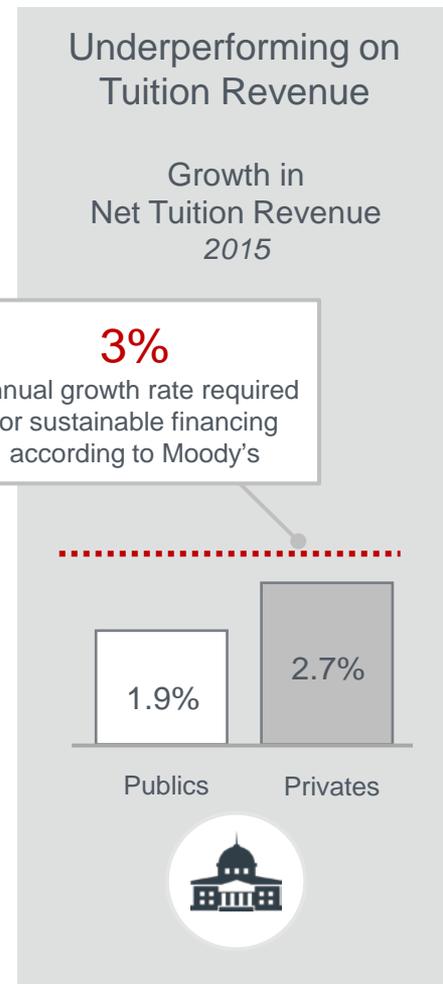
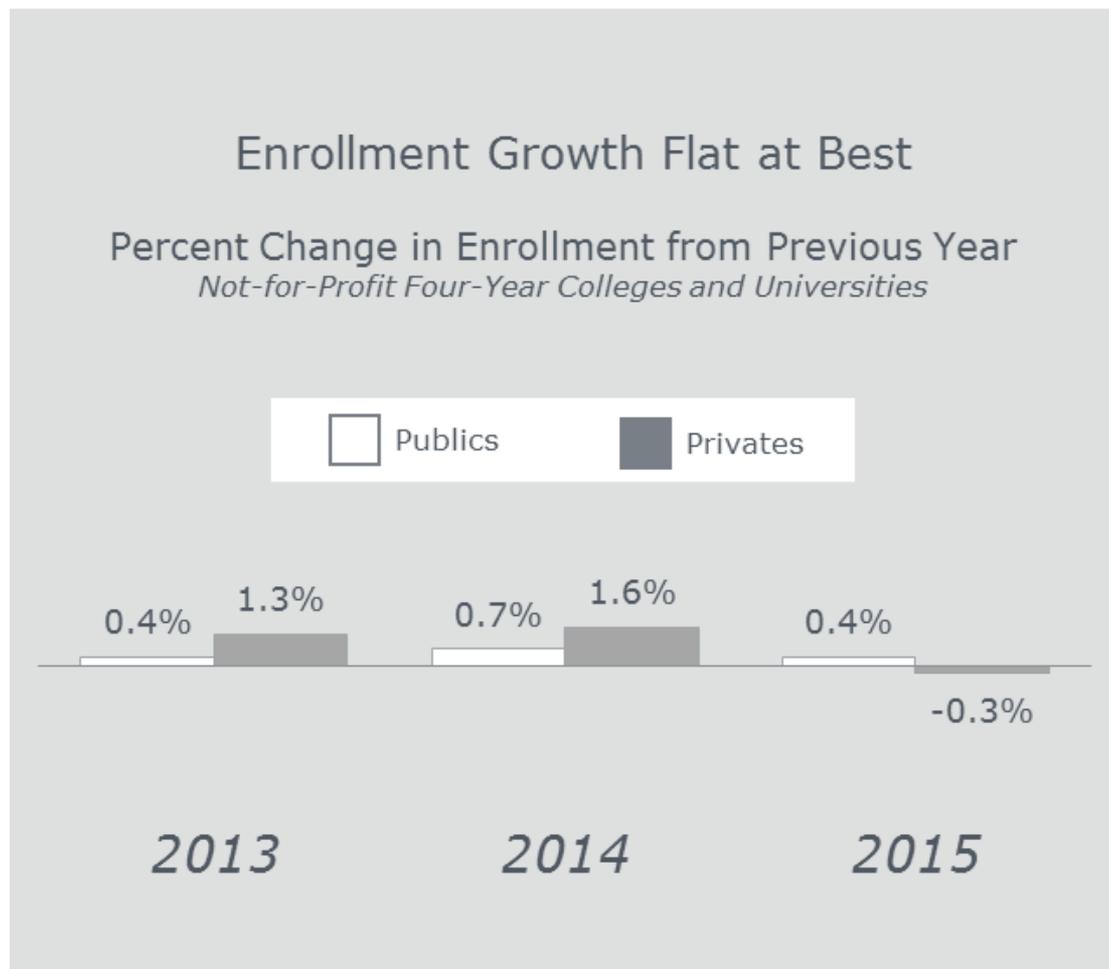
## Costs



- Employee benefits
- Deferred maintenance
- Increased student services
- Rising compliance costs
- Legacy programs

# Flat Enrollments Pinching Revenues

Nationwide Enrollment and Net Tuition Growth below "Subsistence" Levels

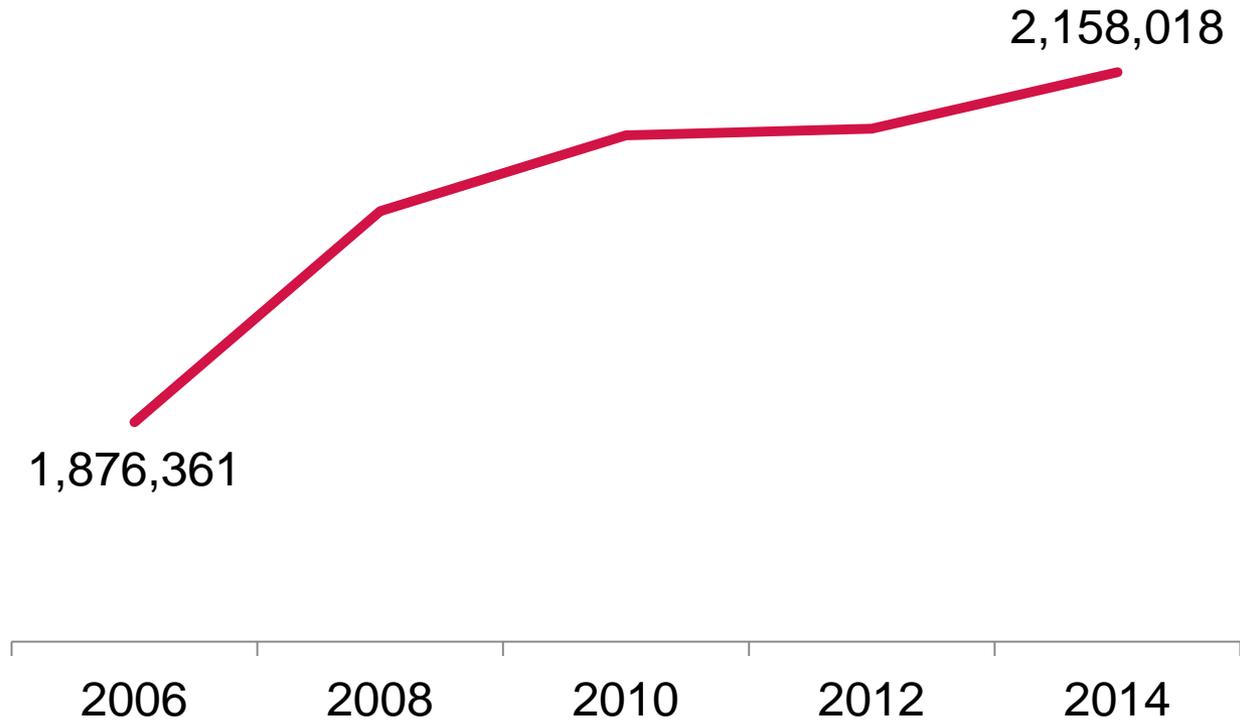




# Is a Supply Problem?

*The raw numbers would suggest not*

## Freshman Enrollments Nationally

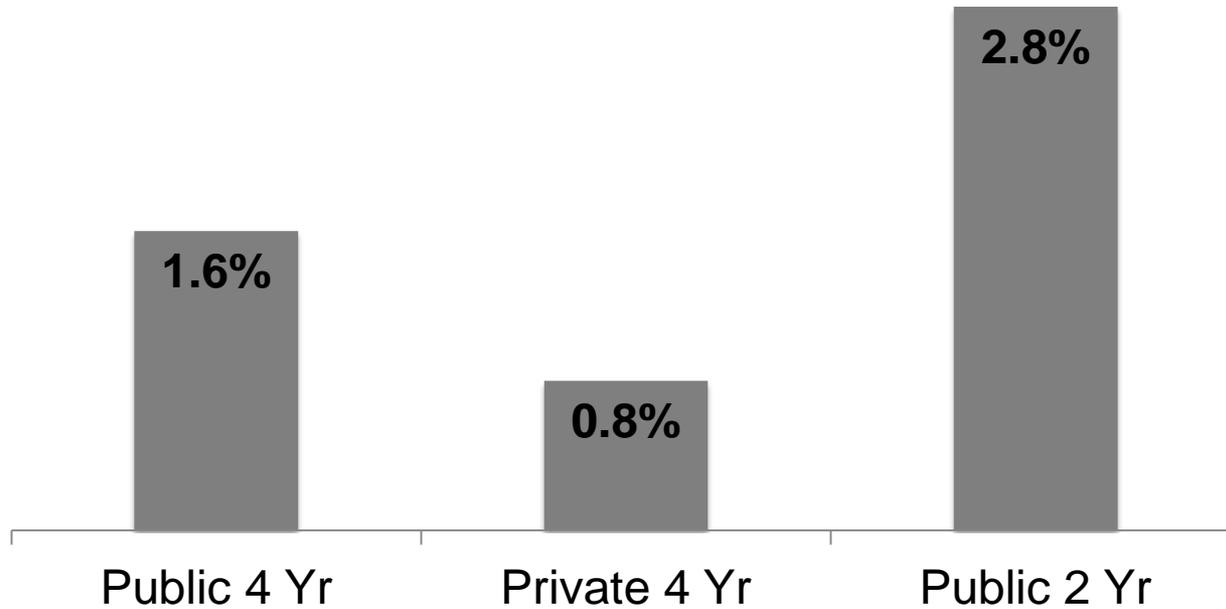




# Uneven Growth in Enrollment by Sector

*Public sector has seen the most reliable growth*

## Compound Annual Growth FTFT Freshman 2006-2014



# What about these guys?!



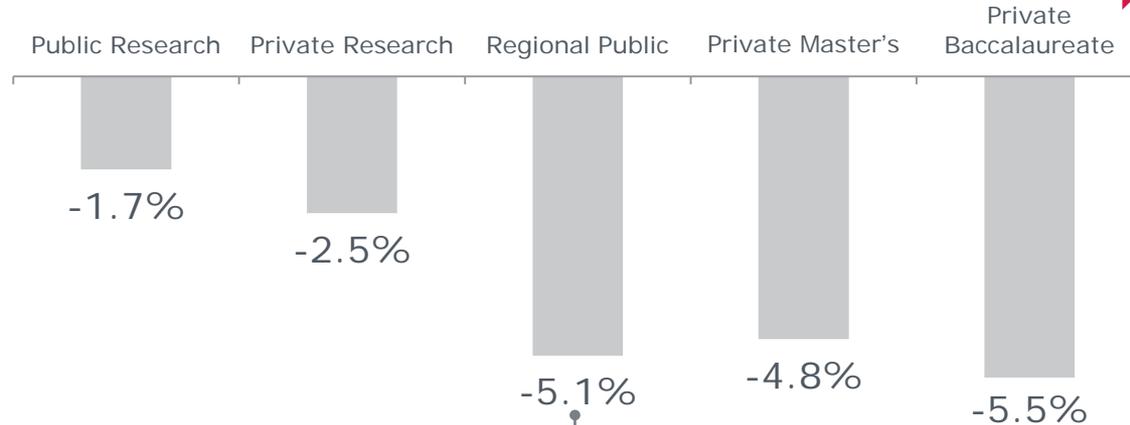
# Is Education Headed for a Shakeout?

*Unequal Pressure across Segments*

Level of Tuition Dependence

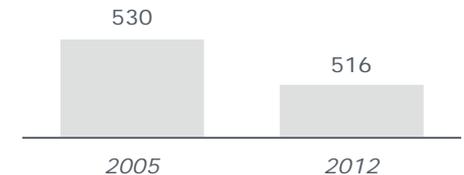


Change in Net Tuition Growth Rate, Pre- and Post- "Great Recession"



### Regional Publics Losing Best Students

Change in SAT Scores (75<sup>th</sup> Percentile)





Not the Solution They Used to Be

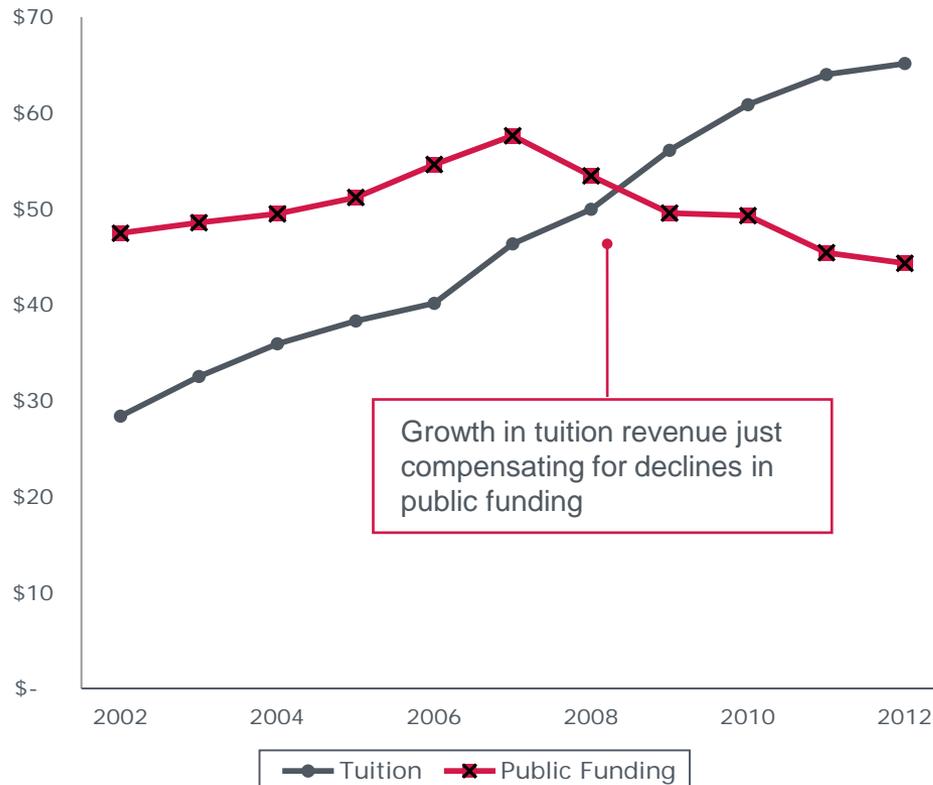
# **OTHER REVENUE STREAMS**

# Fighting the Free Market

State Policy Makers Seek to Increase Leverage Rather than Funding

## Publics Increasingly Reliant on Tuition Revenue

Revenue by Source (2002-2012, in real 2012 billions of dollars)



## Directing More while Appropriating Less

State Higher Education Policy Directives

### Price Controls

- Caps on tuition increases
- Caps on nonresident students

### Incentive Models

- Performance-based funding

### Increased Competition

- Statewide online education infrastructure
- Mandated articulation agreements
- Free community college

### Micromanagement

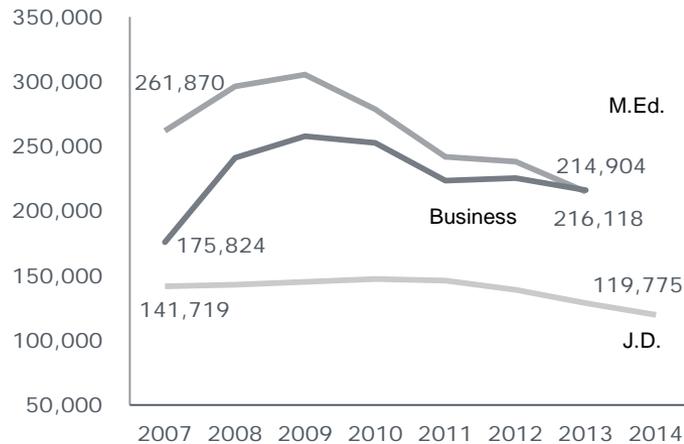
- Mandated increases in workload
- Reduced funding for liberal arts

# Master's Market Facing Questions

## Potential Oversupply in Graduate Programs

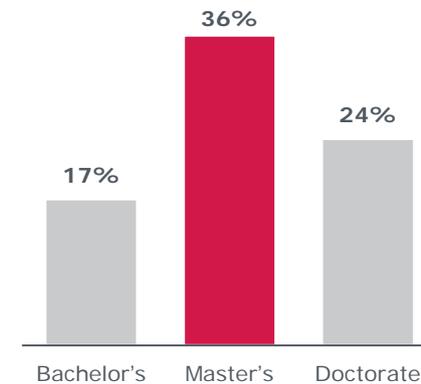
### Master's Programs No Longer a Guaranteed Cash Cow

J.D., Education and Business Master's Enrollments, 2007-2014



### Still Predicting Faster Growth in Master's Enrollment

Bachelor's, Master's and Doctoral Enrollment Growth, 2012-2022



### Will Colleges and Universities "Overbuild" and Push Down Price?

5.5%

Growth in the number of master's programs from 2011 to 2012

1,700

New master's programs introduced in 2012

650

Institutions added new master's programs in 2012



# Why MOOCs Won't Save Higher Education

*Early Promise Fades in the Face of Current Realities*



## The Promise



## The Reality



**Free Education**

Students will leverage MOOCs to reduce the cost of a degree

Turning MOOCs into college credit still a major challenge



**Job Placement**

Employers will hire people based on performance in MOOCs

Outside of computer programming, few students are being placed in jobs



**Educational Access**

The poor and uneducated around the world will have access to the best instructors

Majority of MOOC students already have baccalaureate degree; underprepared students struggle



**New Revenue Stream**

Universities will use MOOCs to monetize the value of star faculty and reach new student markets

MOOC providers still struggling to identify viable business models



**Enhanced Learning**

MOOCs will combine top faculty and innovative technology to improve learning outcomes

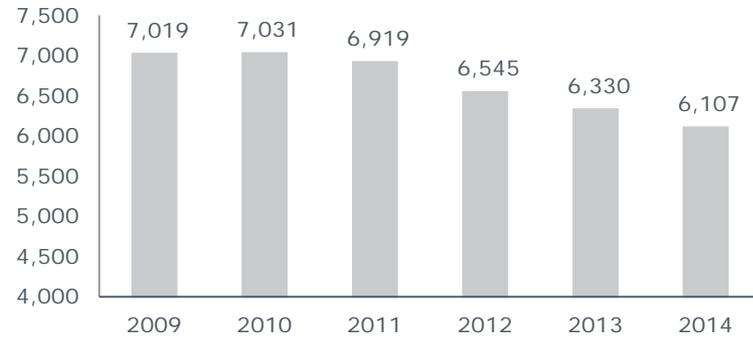
Supplementing face-to-face classroom instruction

# Transfer Market Under Stress

## Community Colleges Facing Challenges

### Declining Enrollments on All Fronts

Total Fall Community College Enrollments, 2009-2014, in thousands

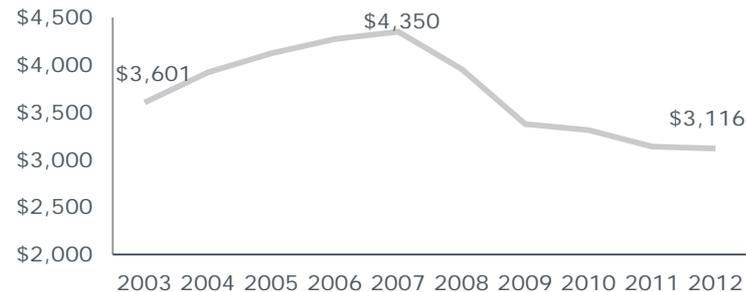


**-12.5%**

Decline in enrollment among students over age 24, 2011-2014 (to 2.3M)

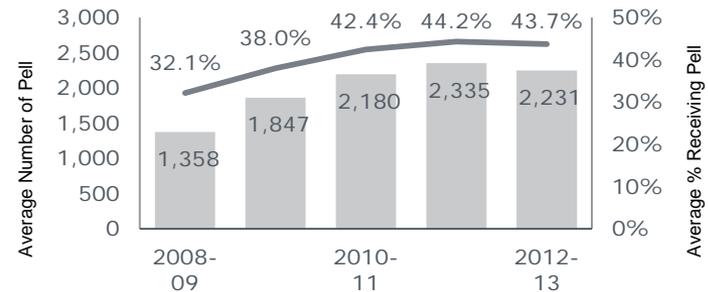
### States Pull Back Support

State Appropriations per Public Community College FTE, 2004-2012<sup>1</sup>



### Students Grow More Financially Distressed

Growing Share of Community College Students Receiving Pell



Source: National Center for Education Statistics

1. Constant 2012 dollars

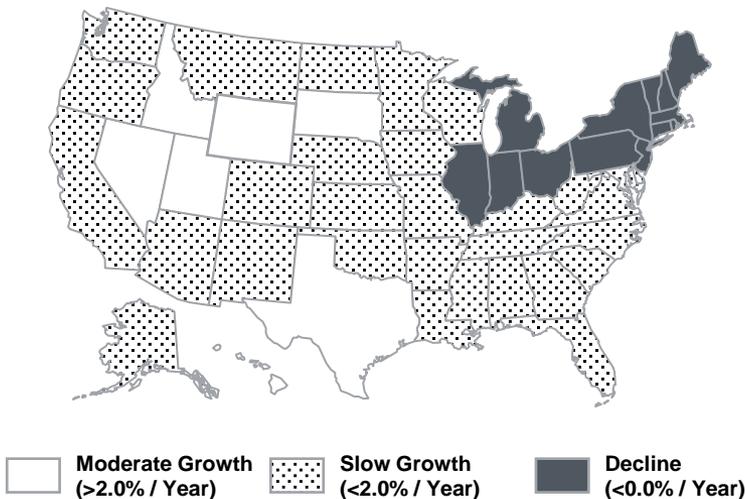


# **ENROLLMENT HEADWINDS**

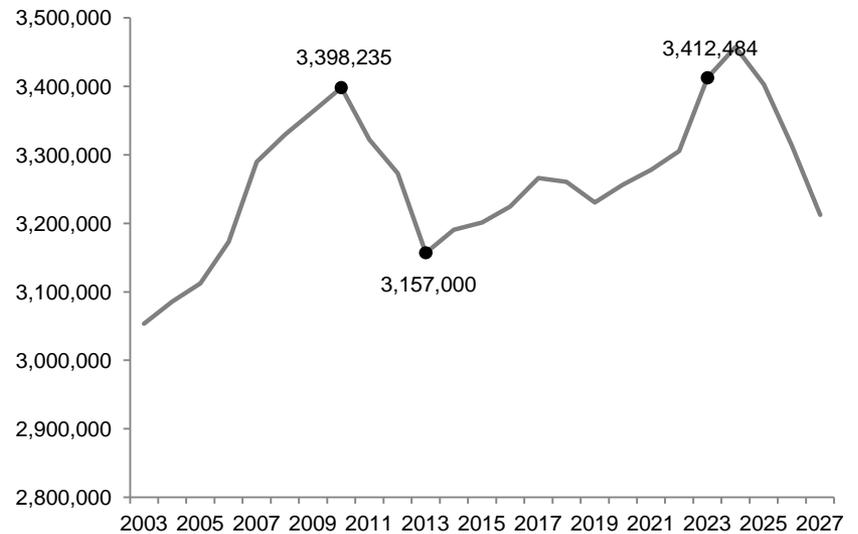
# Regional Demographics Driving Challenges

*Most States not seeing sufficient growth to drive demand*

**Change in High School Graduates, 2015 to 2025**



**Change in High School Graduates, 2003 to 2027**



**87%**

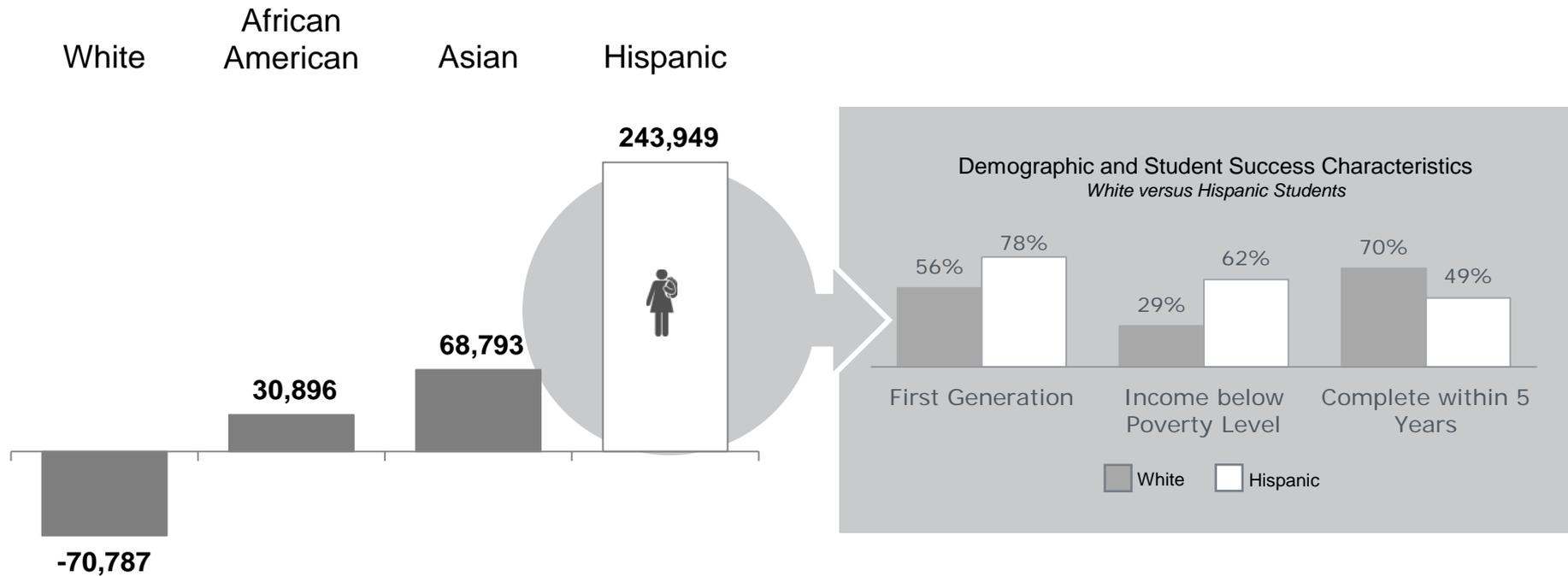
High School graduates hailing from states with little or no growth

**74%**

Share of undergraduates enrolled in their home state

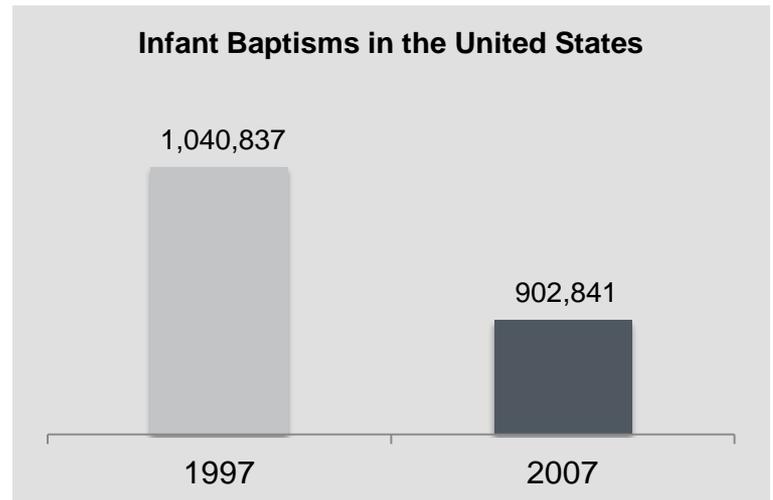
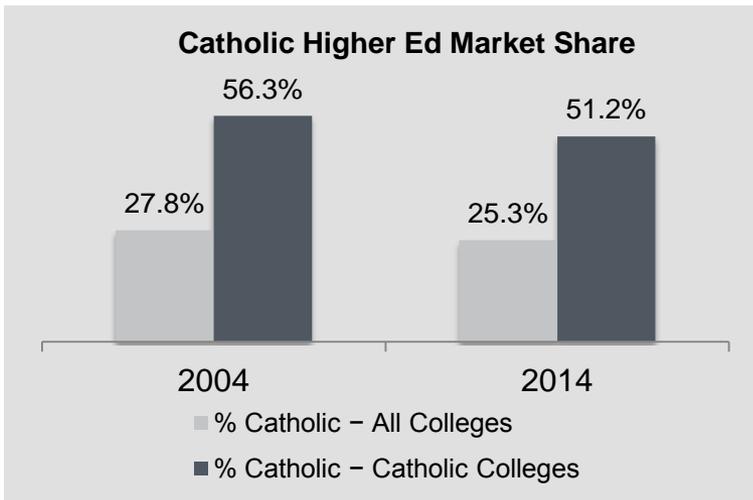
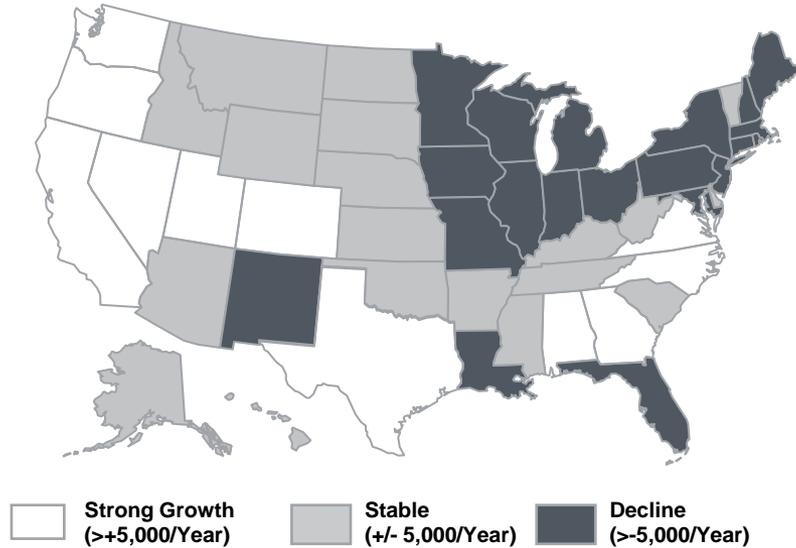
# Changes in High School Graduates by Ethnicity

National 2013-2023



# Challenging Times for Catholic College Leaders

Change in Catholic Population, 2000 to 2010



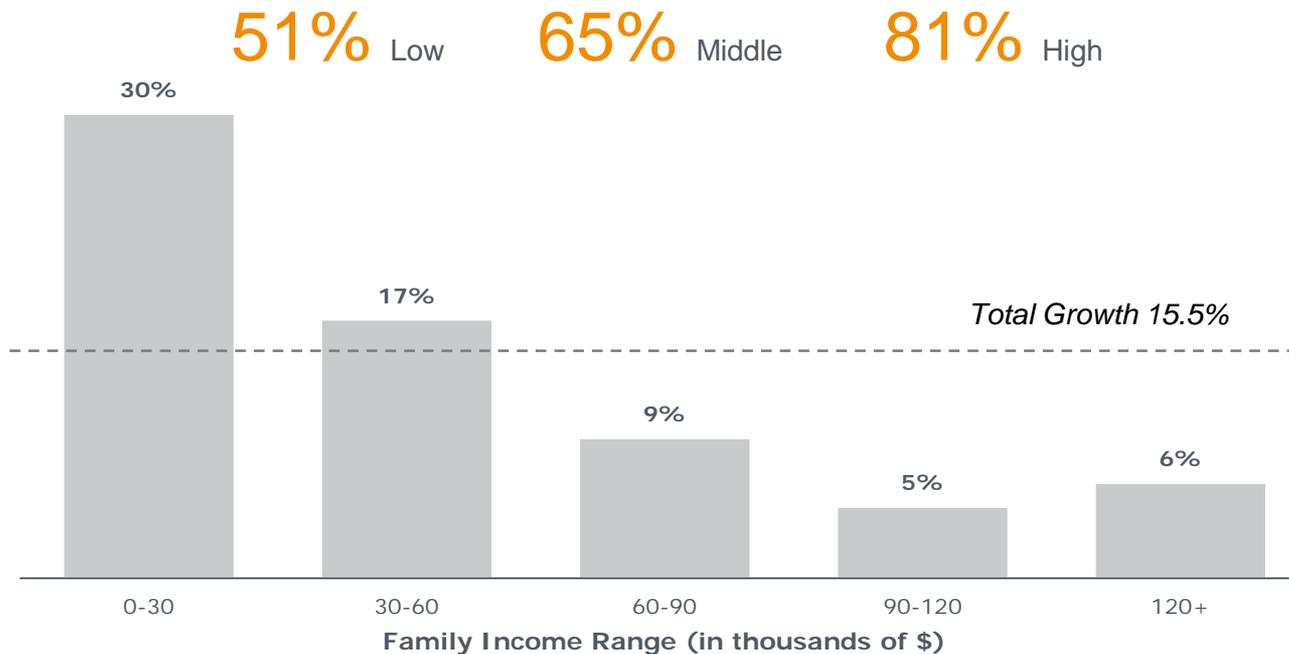
# Concentration of Growth in Low-Income Segment

Demographic Growth Trends Don't Support Price Increases/College Readiness

## Lower-Income Families Grew at Faster Pace than Middle- and Higher-Income Families

Percentage Growth, 2000-2013

2012 College-Going Rates by Income



51% Low

65% Middle

81% High

“Student Affluence Test”

-262 pts.

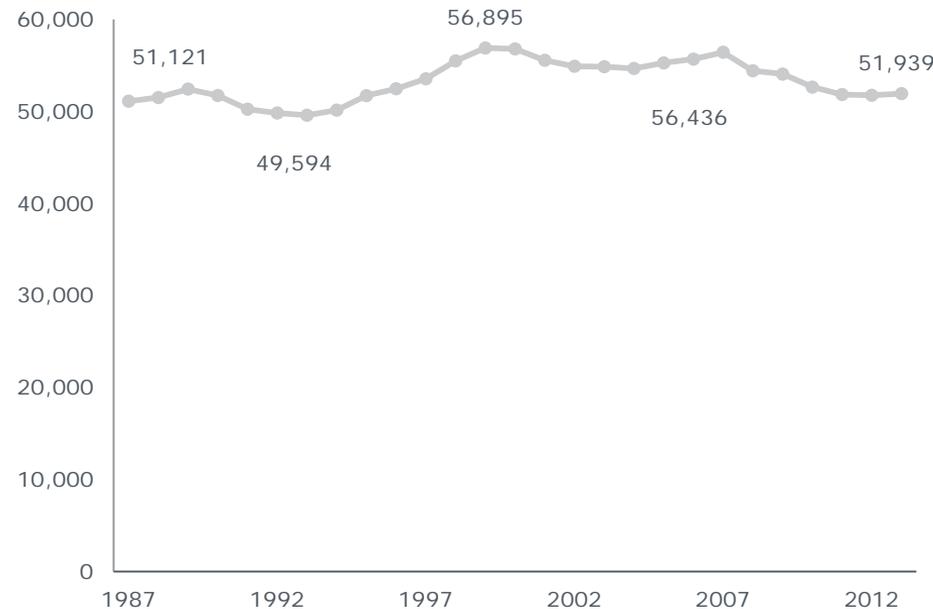
Difference in average SAT score between students from lowest- and highest-income families, 2014

# More Pressure on the Middle

Stagnating Median Incomes, Loan Burdens Inhibit Willingness to Pay

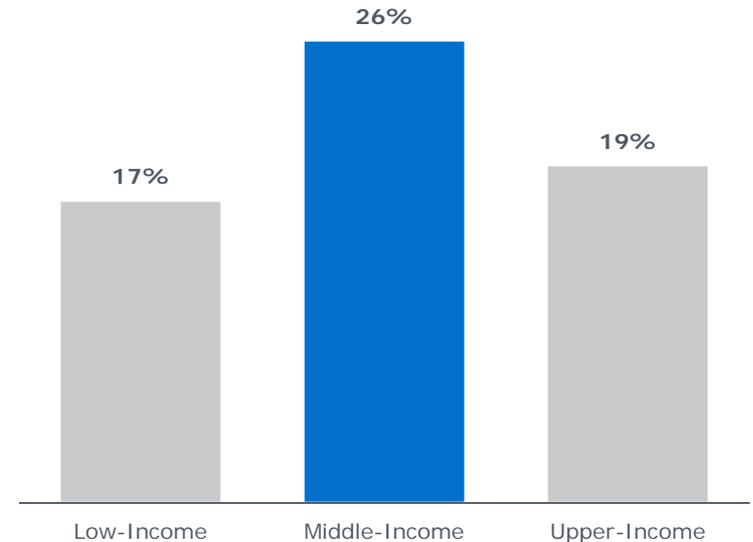
## Stagnating Median Incomes

Median Annual Household Income, U.S., 1987-2012



## Middle-Income Students Particularly Reliant on Loans

Share of List Price Accounted for by Loans by Income<sup>1</sup>  
(n=1,617 families, 2013-2014)



1. Low-income: Total income <\$35K, Middle-income: \$35k-\$100K, Upper-income: >\$100K

# Unequal Distribution Low-Income Students

*Regional Publics Serve Growth of Income-Constrained Market Segment*

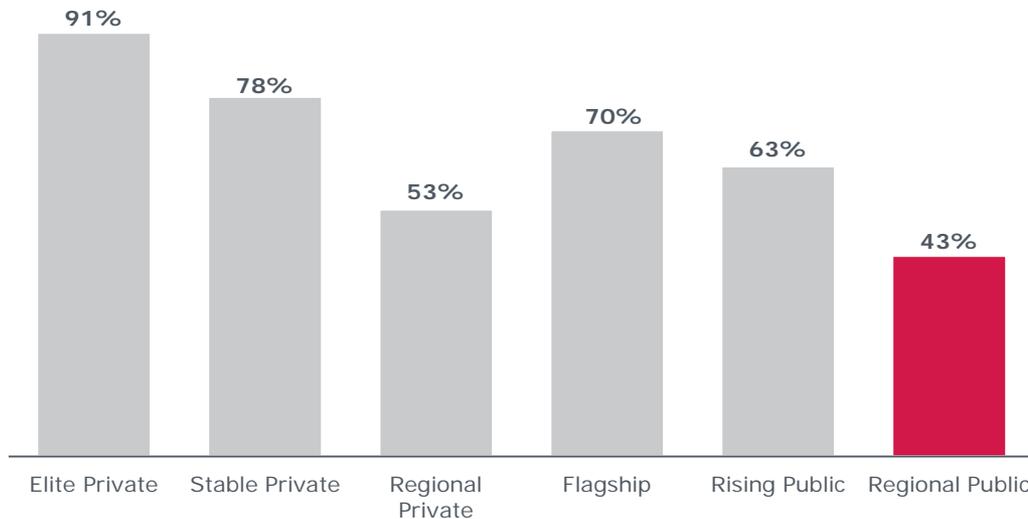
Pell-Eligible and Nonresident Student Head Count Growth (2007-2012)

2007-2012	Regional Publics	Everybody Else
<b>Pell Students</b>	<b>+67,221</b>	<b>+60,113</b>
<b>Nonresident Students</b>	<b>+2,450</b>	<b>+40,188</b>

The composition of the student body at regional publics has gone from **33%** to **43%** Pell-eligible

## Demographics at Regional Publics Present Student Success Challenge

*6-Year Graduation Rates across the Segments (2008-2013)*

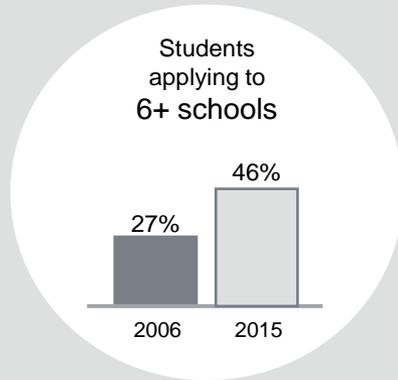


Student success improvements critical to revenue growth but difficult given changing demographics

# Students Becoming More Consumer-Oriented

Coming to Terms with a Buyer's Market

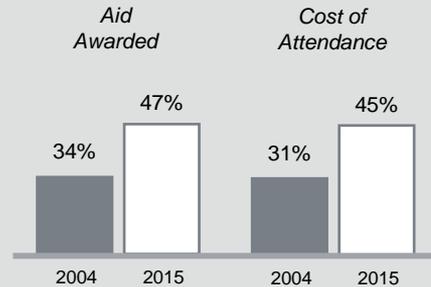
## Applying to More Schools



## Increasingly Price-Sensitive



% of Students Identifying Factor as "Very Important" to College Choice



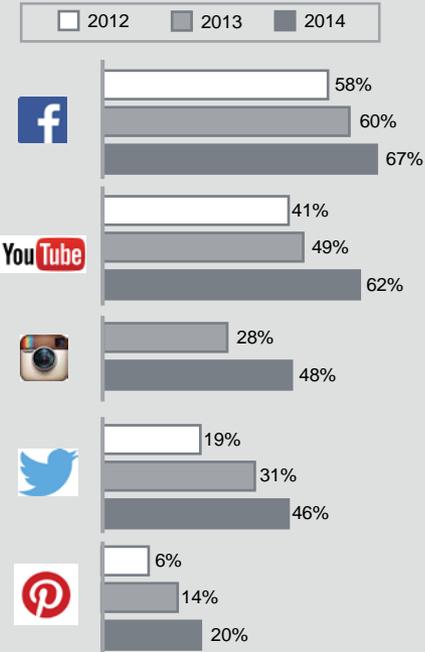
Before, when families got a scholarship offer, they said, "Thank you!" Now they say, "Is this your best offer?"

Director of Admissions  
Private Master's College in the Midwest

## Harder to Reach



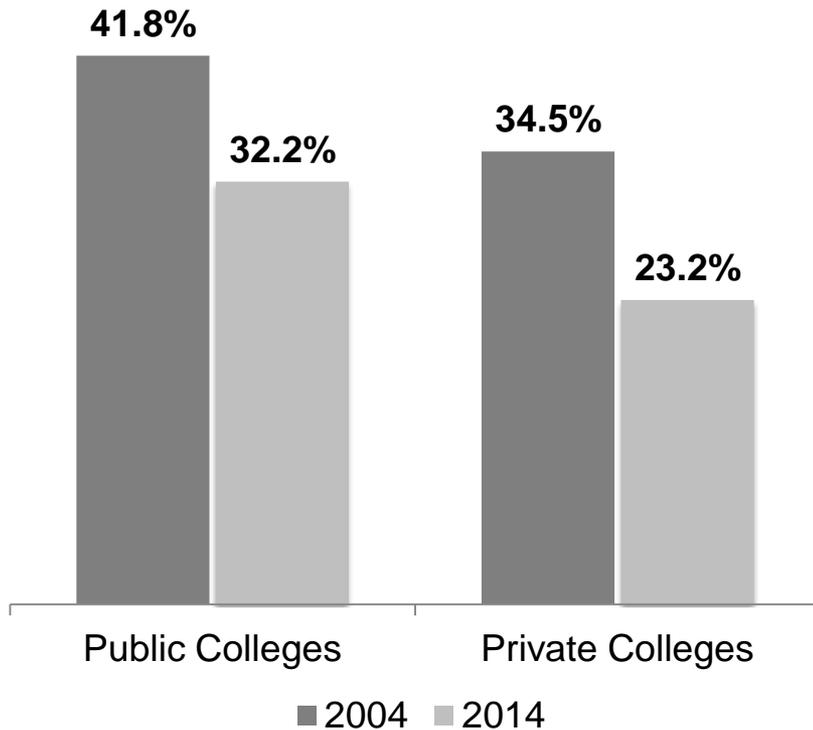
% of Teens Using Social Media



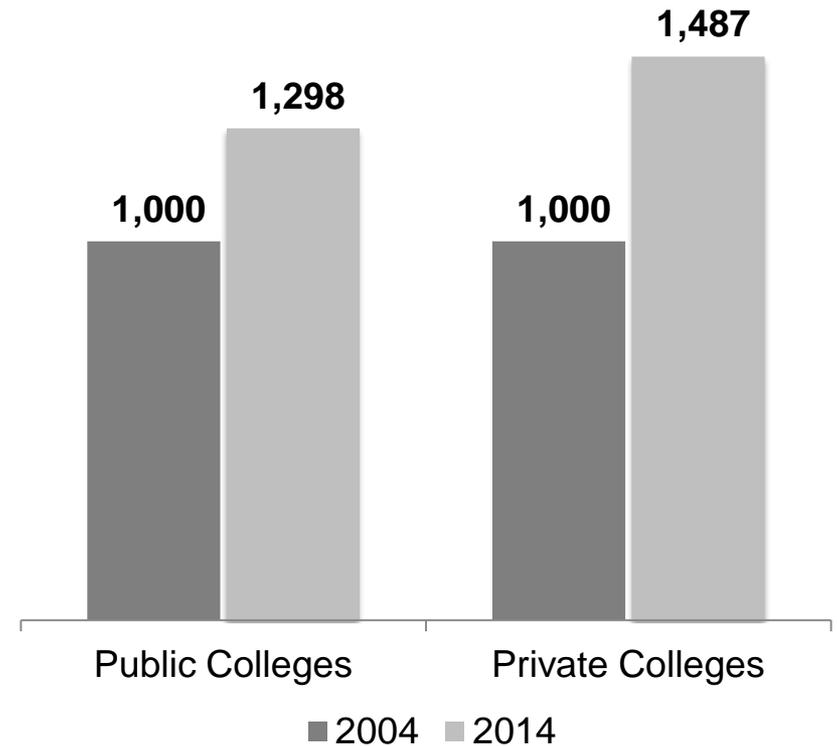
# As Pressures Mount, Yield Continues to Erode

*For every thousand students you admitted ten years ago...*

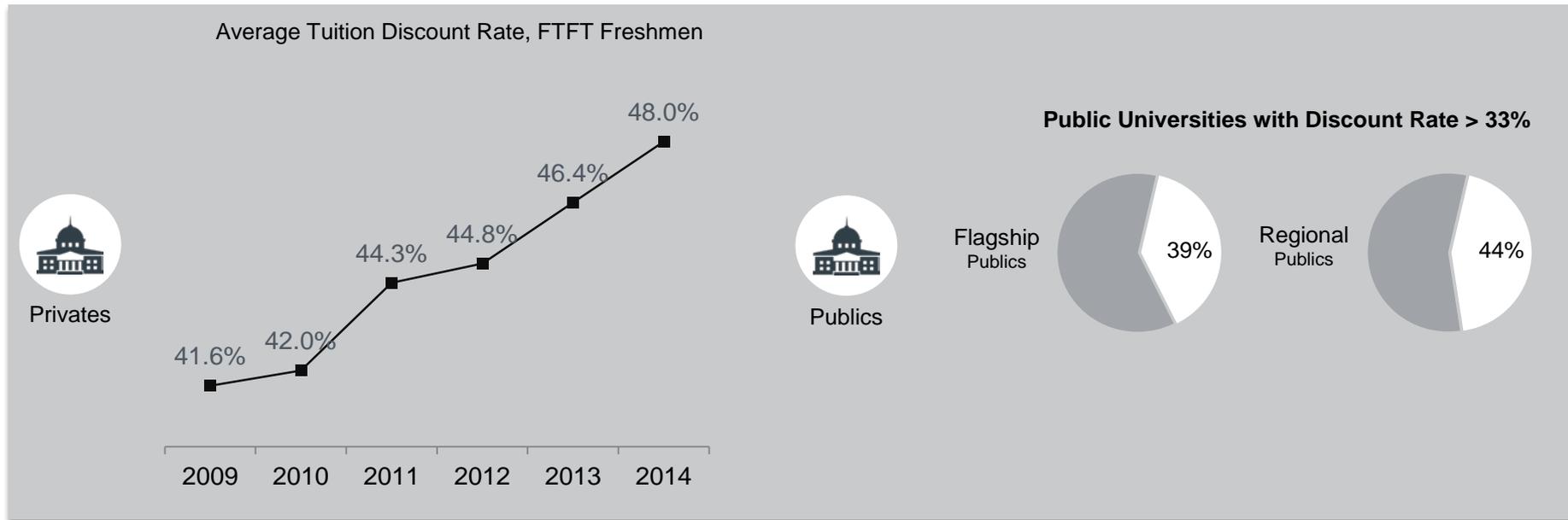
Average Yield by Segment



Normalized Admits per Enrollment



# Discount Rates Continue to Soar



Source: NACUBO Tuition Discounting Survey

# Understanding Higher Ed's Multiple Markets

*Each Segment Faces Unique Challenges and Opportunities*

## Elite Privates

n=45, SAT=1520, Price=\$37K

- Soaring demand
- Able to meet full need
- Working to improve socioeconomic diversity

## Stable Privates

n=95, SAT=1350, Price=\$31K

- Unable to match elite levels of need-based aid
- Increasing selectivity and maintaining price
- Concerned about lower-priced top publics

## Regional Privates

n=573, SAT=1135, Price=\$22K

- Unsustainable discounting
- Innovative recruitment
- Declining student quality
- Working to improve student success

## Flagship Publics

n=60, SAT=1290, Price=\$19K

- Increasingly selective
- Growing nonresident population
- Facing state-imposed constraints on tuition
- Working on aid for middle-class students

## Rising Publics

n=57, SAT=1280, Price=\$17K

- Stealing share from privates
- Growing nonresident population
- Investing in research and athletics to build national reputation

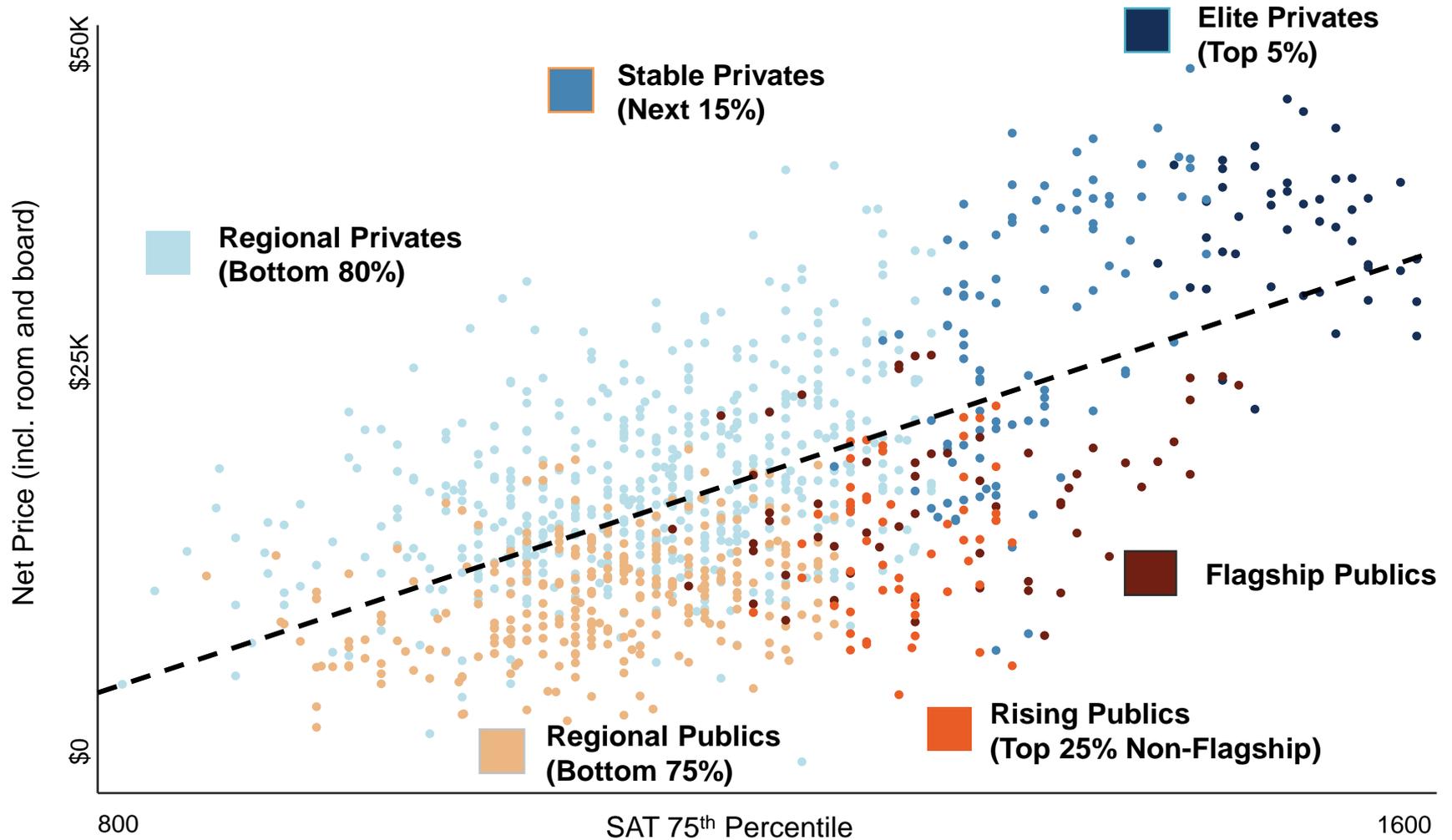
## Regional Publics

n=344, SAT=1090, Price=\$13K

- Tied to regional demographics
- Declining student income
- Laboratories for student success

# Making Sense of the Market

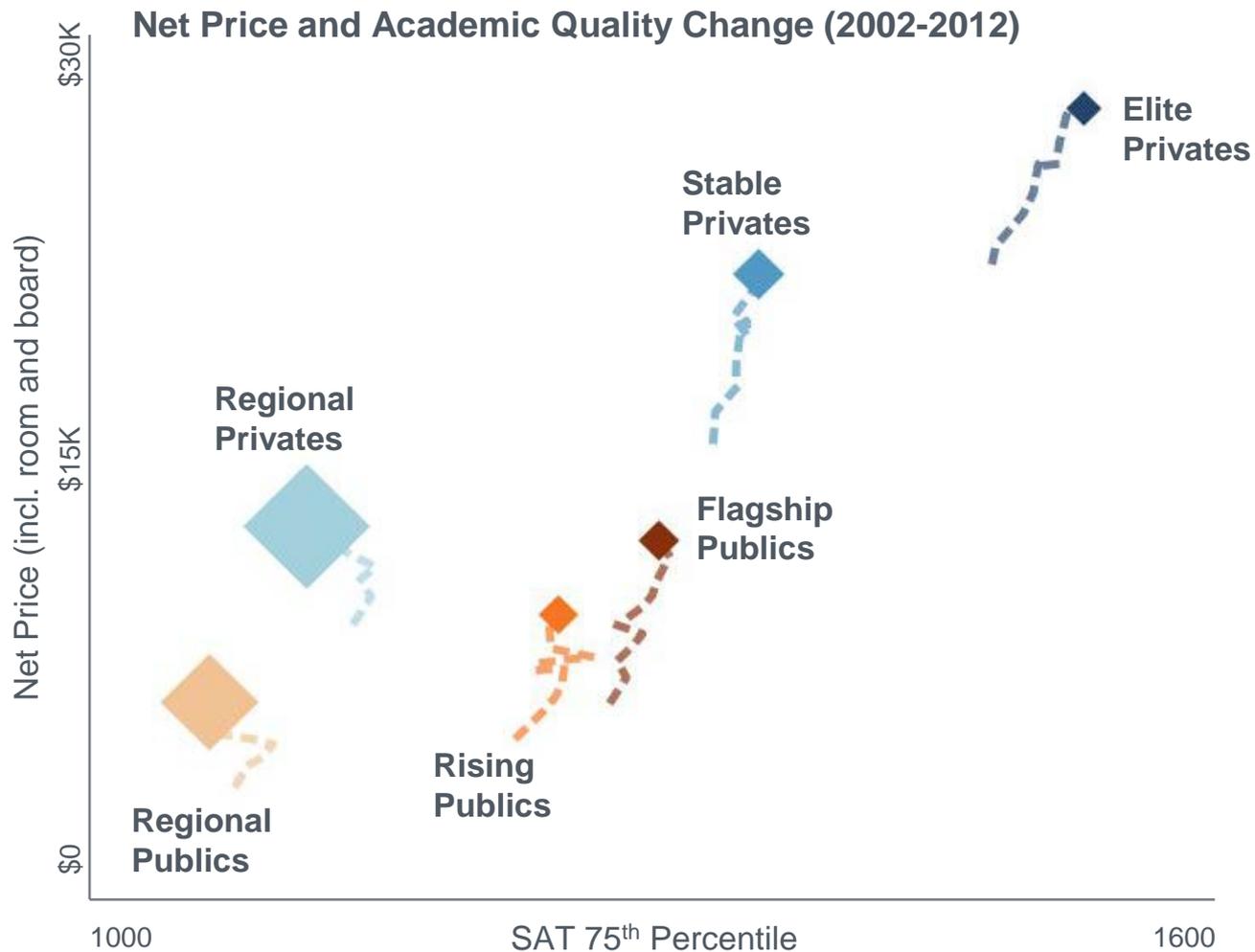
A Strong Relationship between Net Price and Student Quality





# The Rich Get Richer

Increasing Differentiation at the Ends of the Market

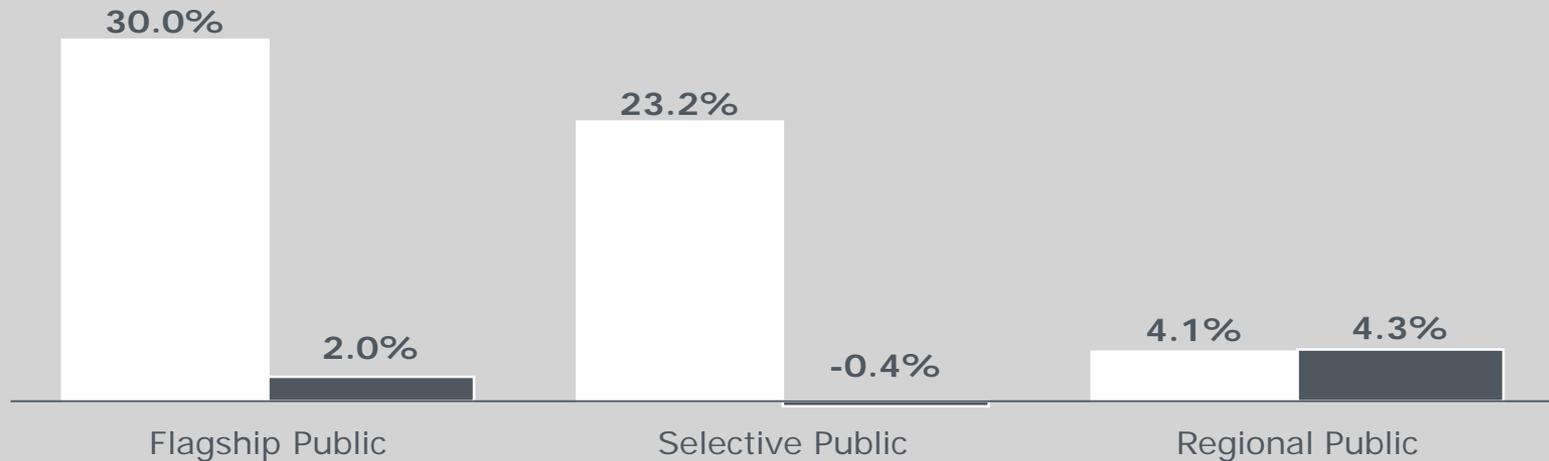


# Undermined by Market Forces

*Looking Further Afield for Students and Doing More to Attract Them*

Growth in FT/FT Students, 2007-2012

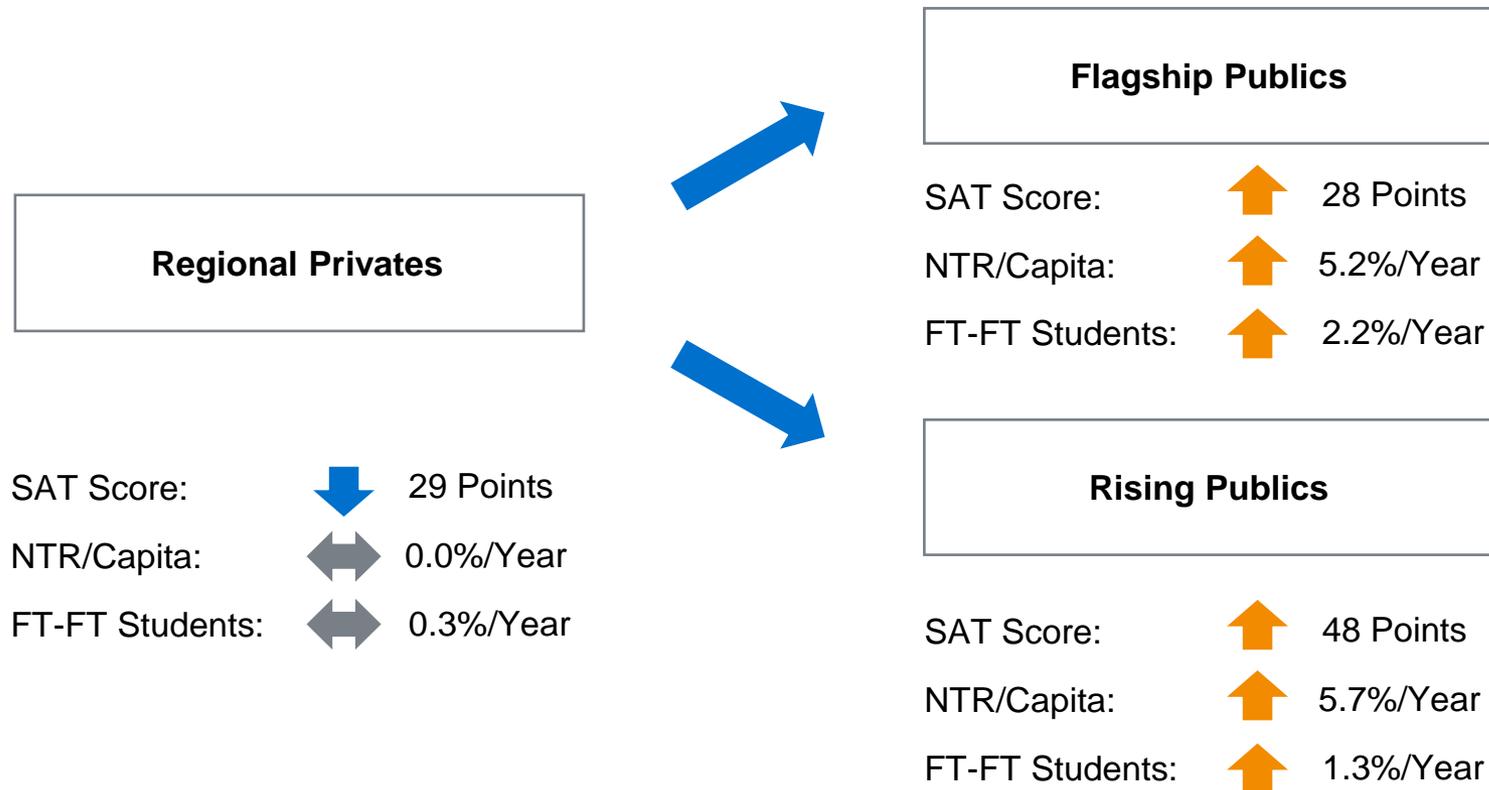
■ Non-Resident ■ In-State



# Migration to Value

Cost-Conscious Students Migrate to Equivalent Quality at Lower Price

## Flagship and Rising Publics Capitalize on the Migration to Value



SAT Score = Change (2002-2012); NTR/Capita = CAGR (2007-2012); FT-FT Students = CAGR (2009-2013)

Source: EAB analysis of IPEDS data

# Barriers to Growth for Every Segment

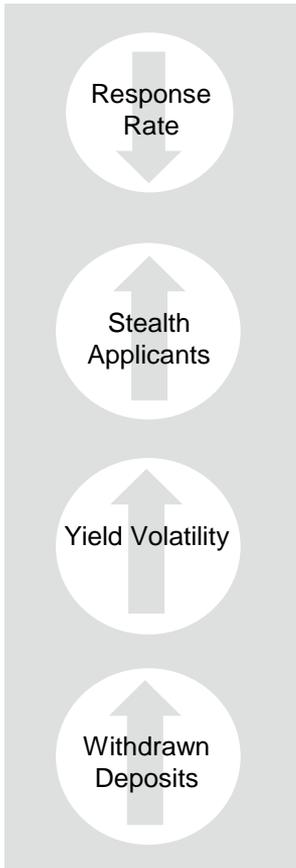
*Intersegment Competition Is Contributing to Price and Volume Challenges*

Segment	Price	Volume
<b>Elite Privates</b>	Expectation to meet full need	Expand undergraduate cohorts?
<b>Stable Privates</b>	Growing threat from publics Aggressive discounting by schools facing greater difficulty filling classes	Highest-quality students trading up Breaking into the transfer market
<b>Regional Privates</b>	Discounting heavily to achieve enrollment targets Losing students to more affordable publics of greater or equal quality	Incoming cohort sizes declining Declining academic quality as other segments poach best students
<b>Flagship Publics</b>	Lightning rod for activist legislation Sustaining growth after maximizing nonresident enrollment	Few easy retention wins remaining Filling unused capacity in upper-divisions and year-round
<b>Rising Publics</b>	Avoiding pressure to overdiscount to capture “quality” from other segments Sustaining growth after maximizing nonresident enrollment	Rising unmet need of middle class poses student success threat Lowering credit articulation barriers
<b>Regional Publics</b>	Federal and state legislation does not support price growth Necessity to remain low-cost to maintain access mission	Growing unmet need and academic underpreparedness from low-income segment Competition from community colleges?

# Fast-Changing Markets Upending Tried-and-True Practices and Models

Outstripping EM Departments' Capacity for Adaptation

An Increasingly Unpredictable Endeavor



EMs Facing a Thousand Difficult Questions

*"How do I know what works anymore?"*



Default Responses Not Working

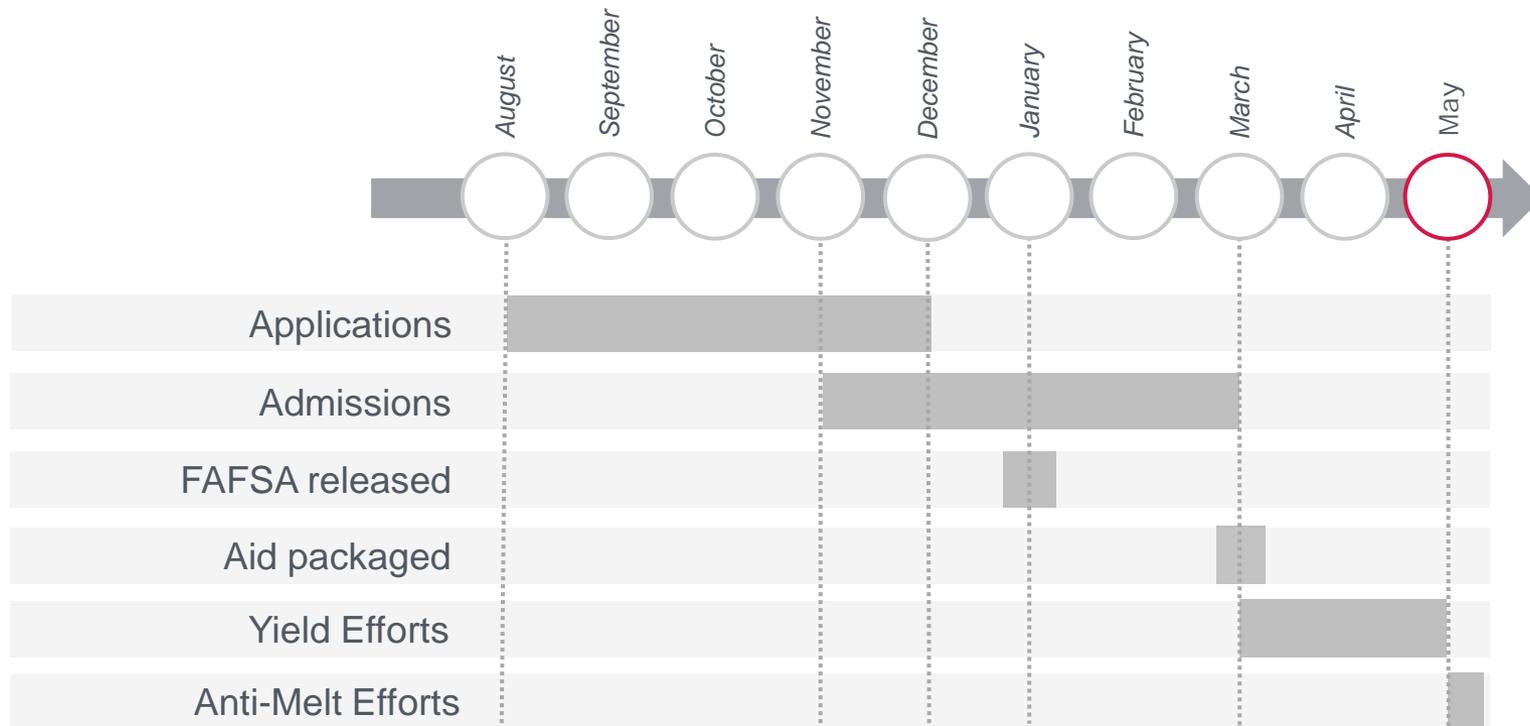




# Logistical Headaches on the Horizon

Formerly Sequential Processes Suddenly Simultaneous

## Enrollment Calendar 2015

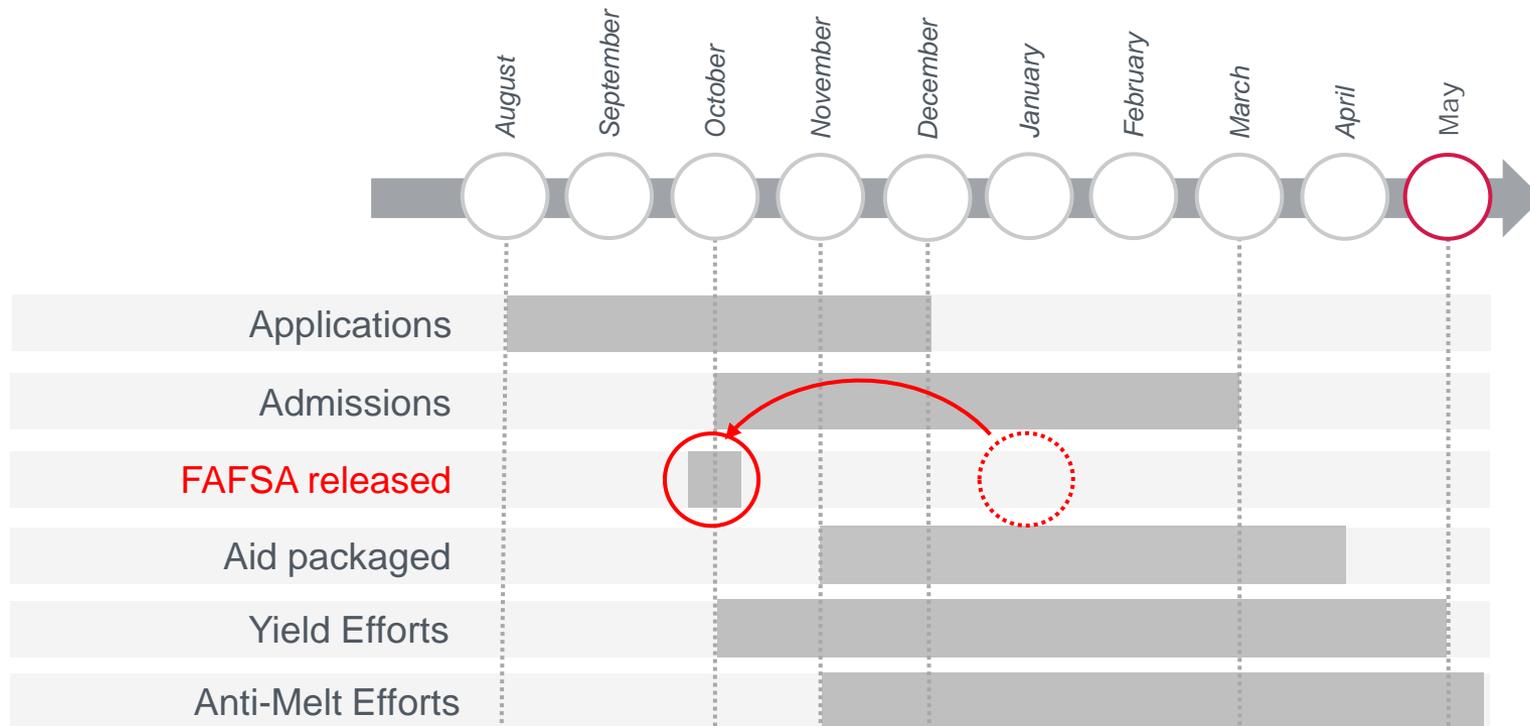




# Logistical Headaches on the Horizon

Formerly Sequential Processes Suddenly Simultaneous

## Enrollment Calendar 2016



EFC available as early as October 15th

# Questions?

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