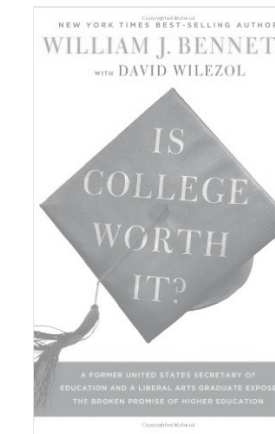
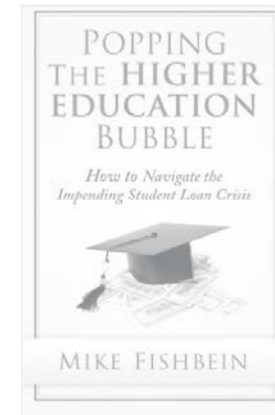
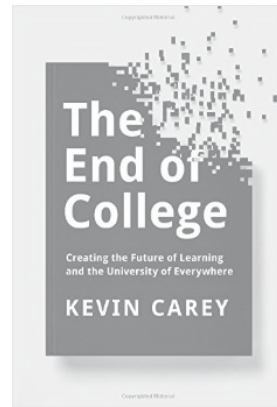


The Enrollment Landscape: Trends Affecting Higher Education

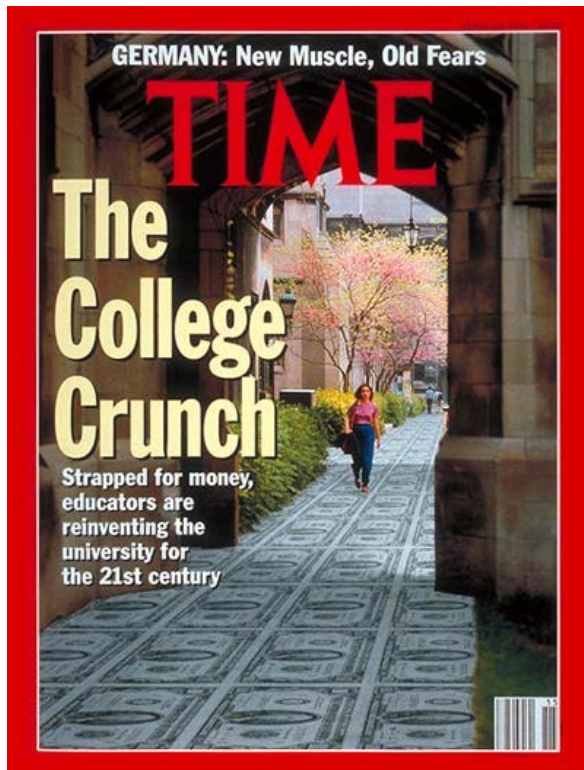
Peter Farrell
Senior Enrollment Management Consultant
Royall & Company

Is There a Bubble in Higher Education?

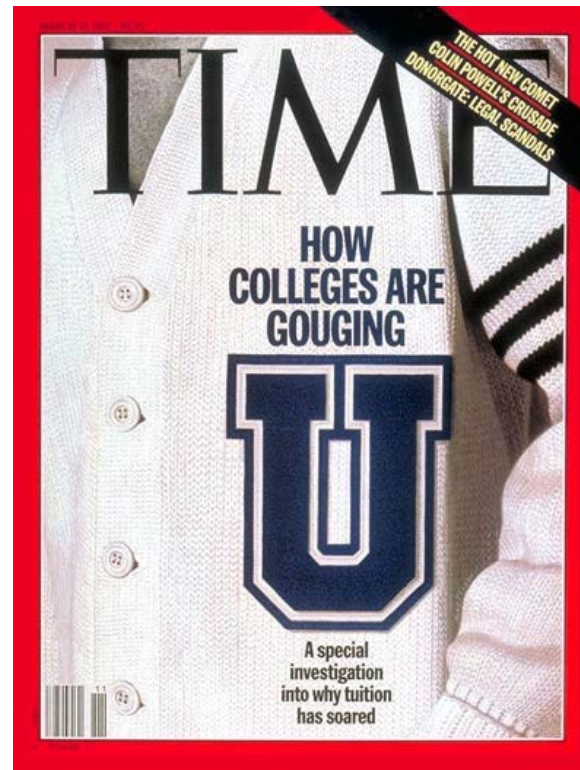


Not the First Time We've Made the Cover

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?

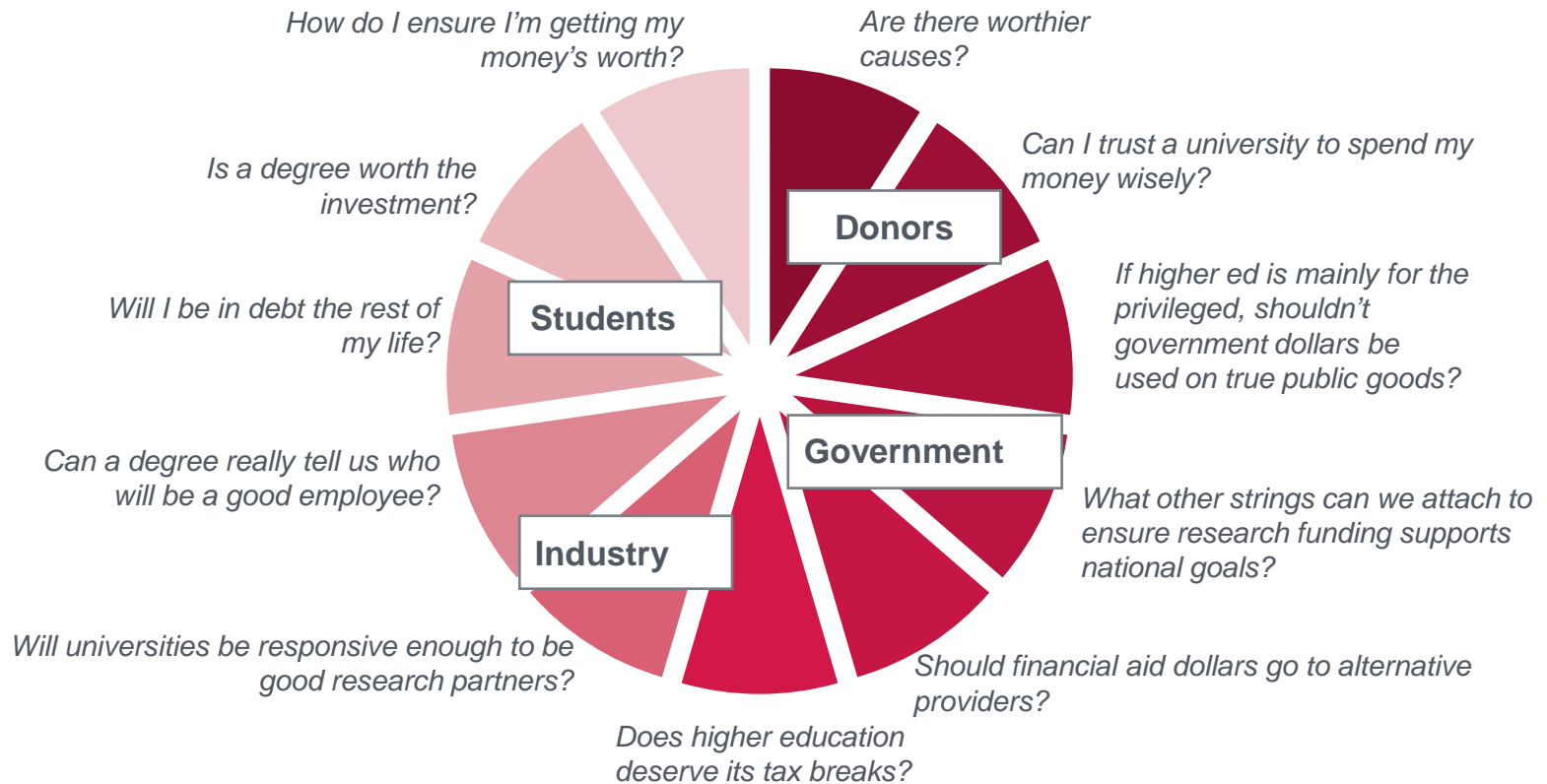
What Your Board Member Read on Her Last Flight



“The Degree Is Doomed” (Jan. 2014)



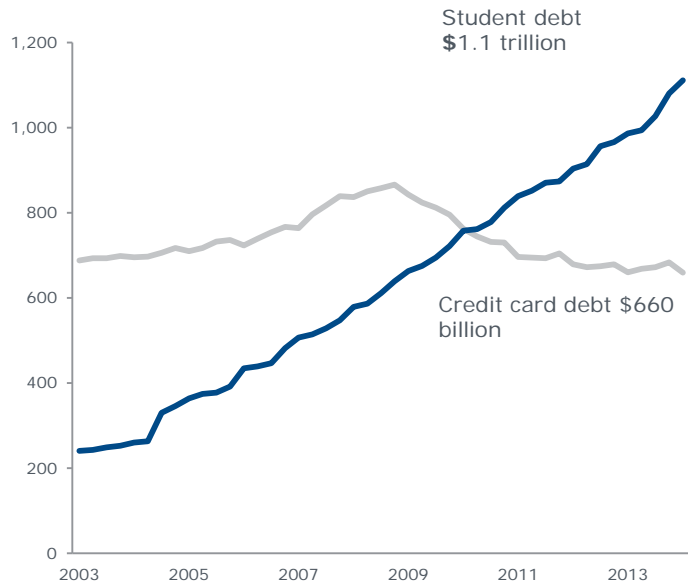
All Stakeholders Questioning Value



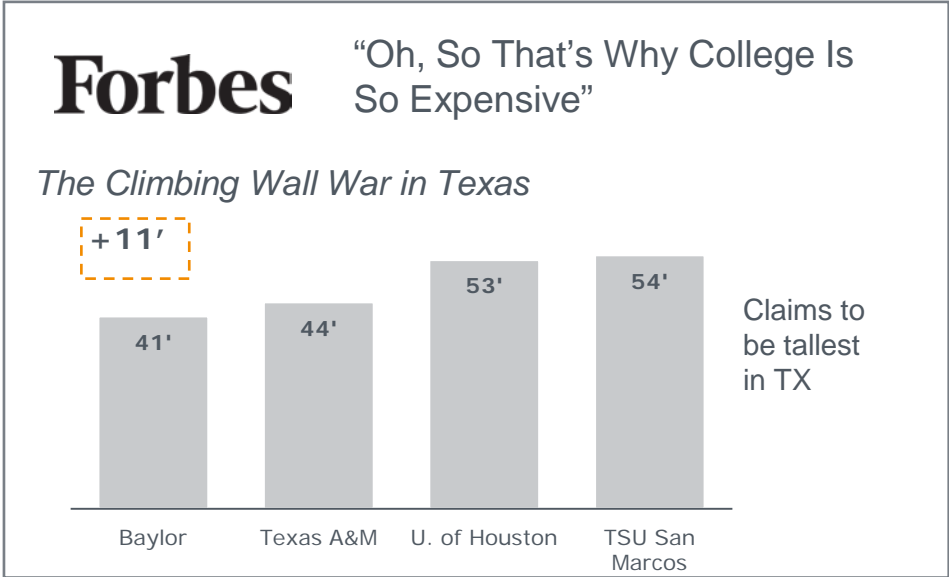
False Claims about College Costs

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”)

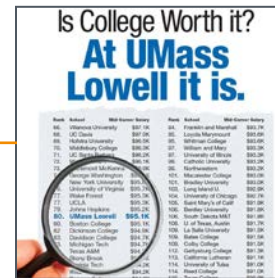


Pre-Paid Savings

Pre-Paid Tuition
Newborns to 11th-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)

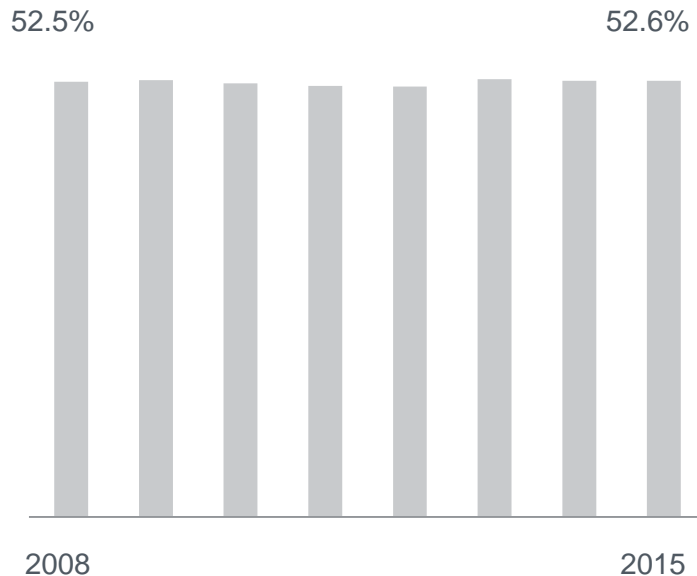
- Highlights students who transferred to UMass Lowell due to cost + published salary estimates
- Decisions influenced by high debt of friends



Slow National Progress on Student Success

Despite Investments, Key Success Indicators Still Lag

5-Year Graduation Rates



Investments in Student Success

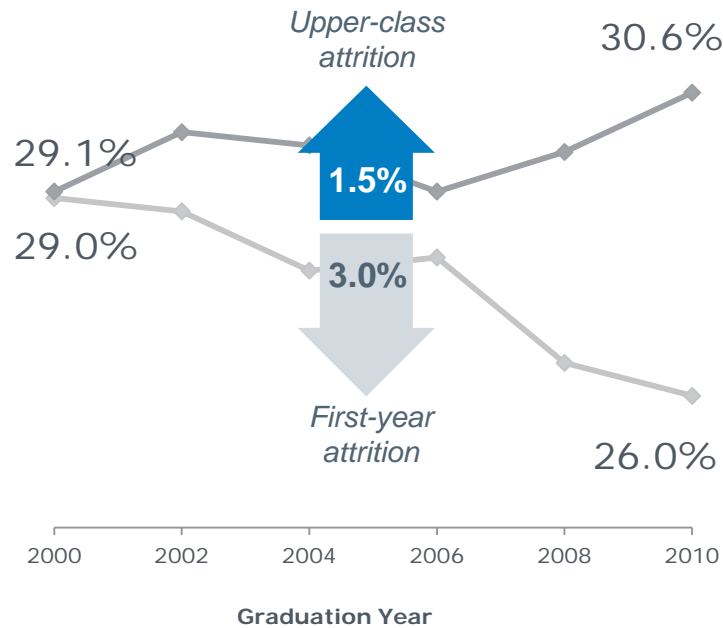
- Early alert systems
- Attendance tracking
- Financial aid labs
- Emergency fund awards
- Student success centers
- *And many more faculty- and staff-driven efforts*

Solving One Problem, Creating Another

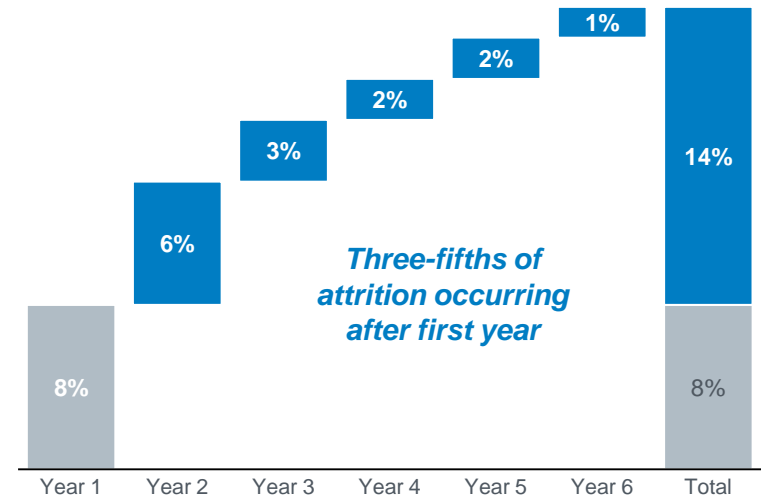
Gains in First-Year Retention, but Upper-Division Attrition Increasing

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

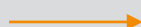
Reality

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



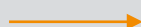
Access has never been higher and net tuition for low-income students is low; lost wages are biggest barrier

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



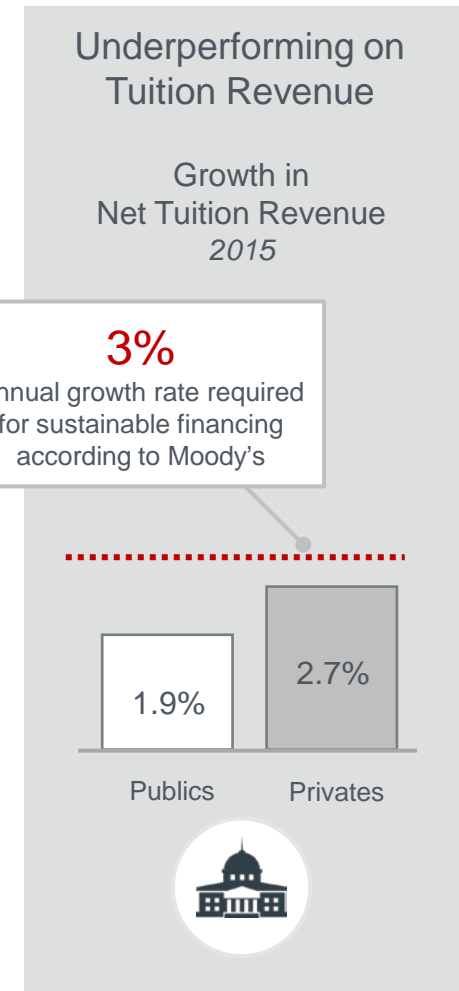
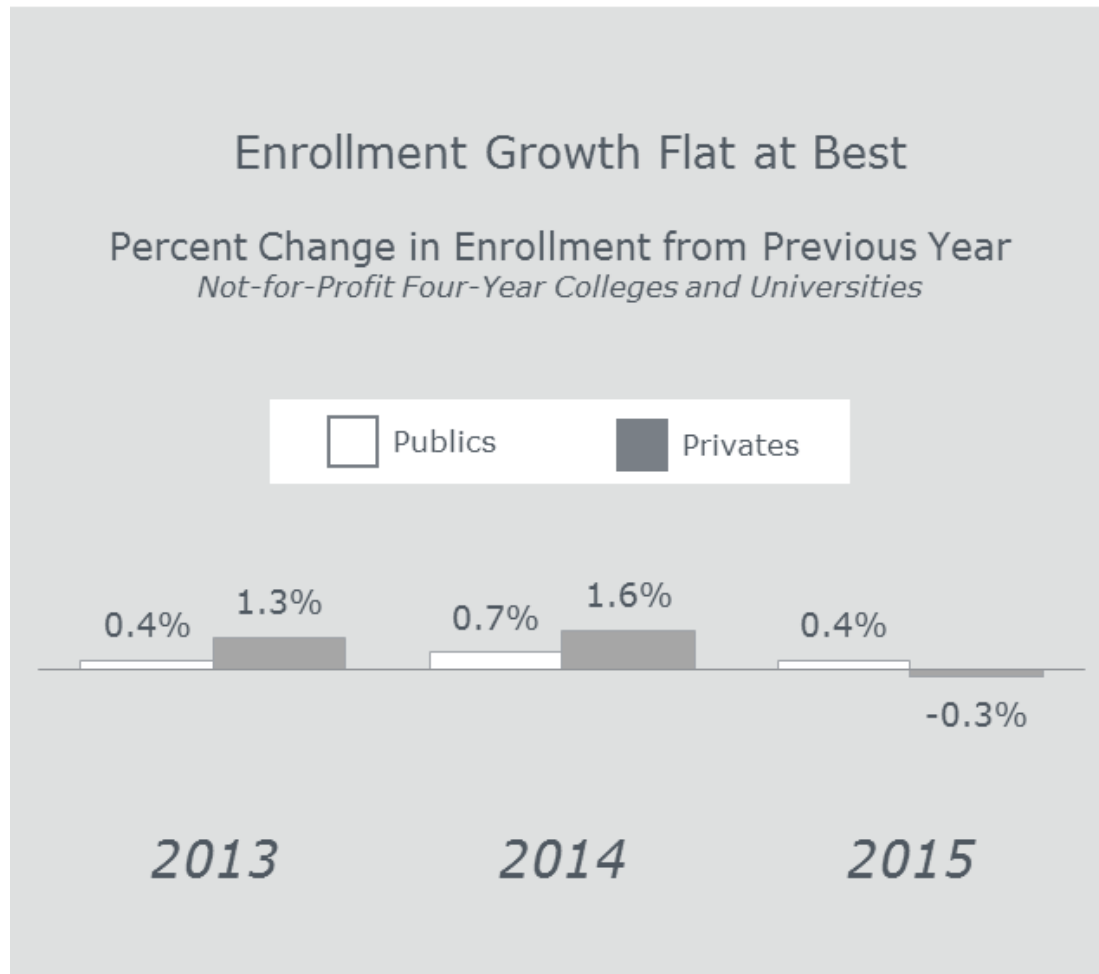
Costs



- 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

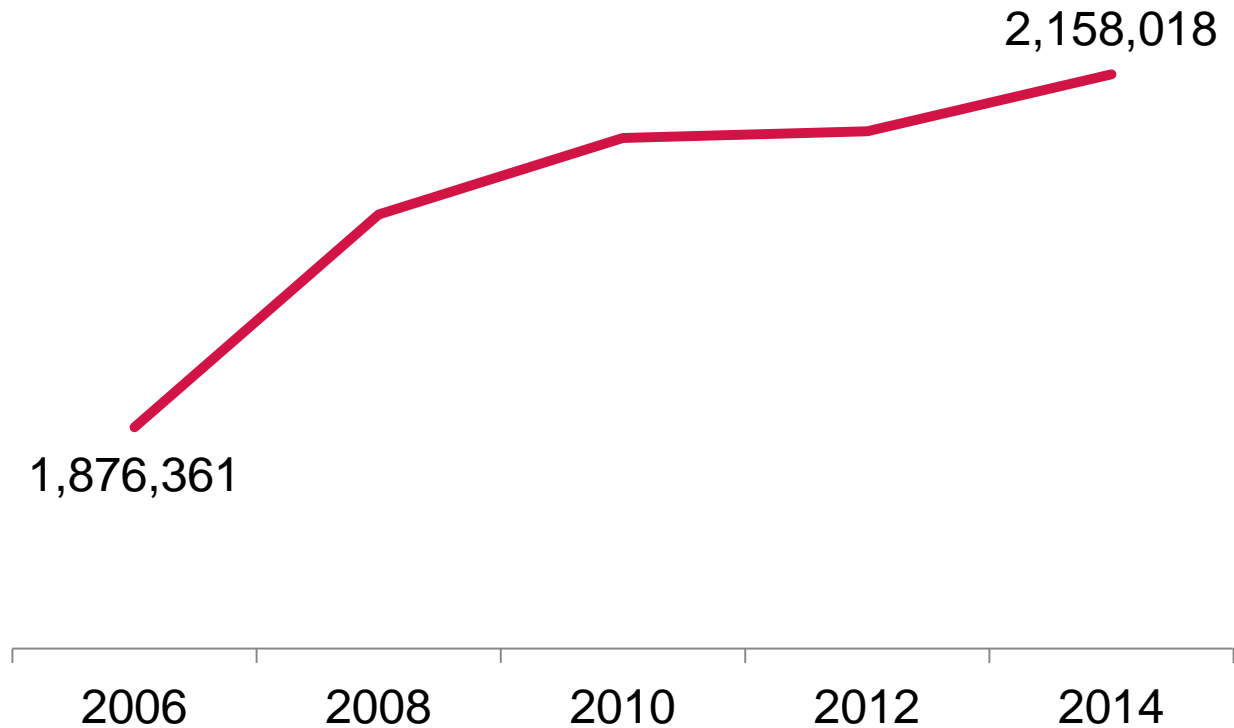




Is a Supply Problem?

The raw numbers would suggest not

Freshman Enrollments Nationally

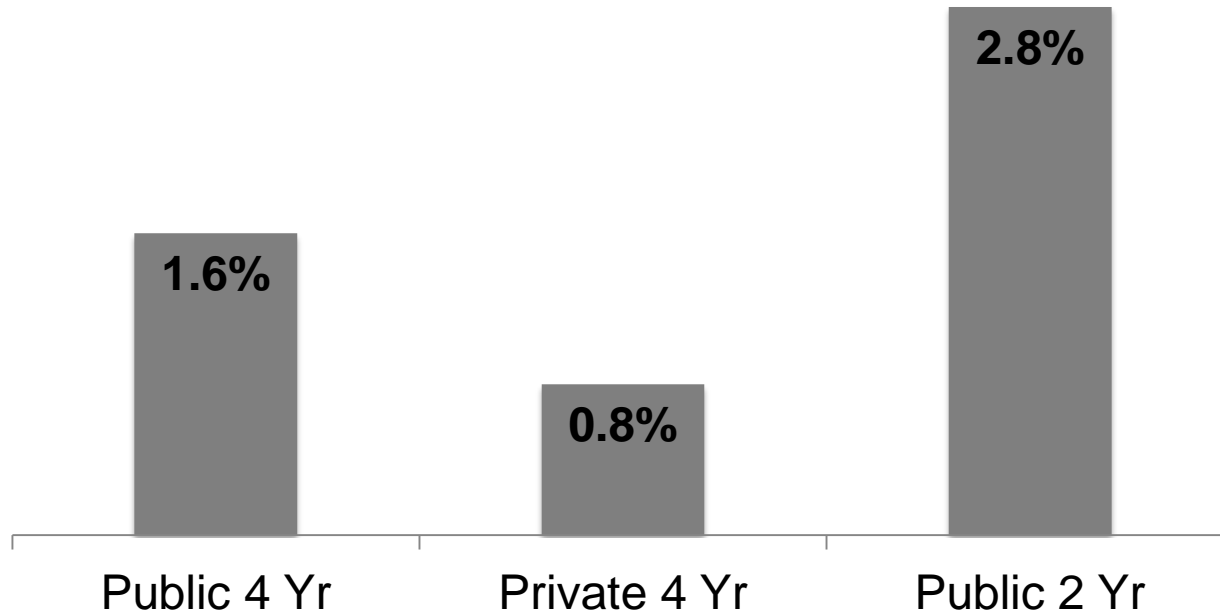




Uneven Growth in Enrollment by Sector

Public sector has seen the most reliable growth

Compound Annual Growth FTFT Freshman 2006-2014



What about these guys?!



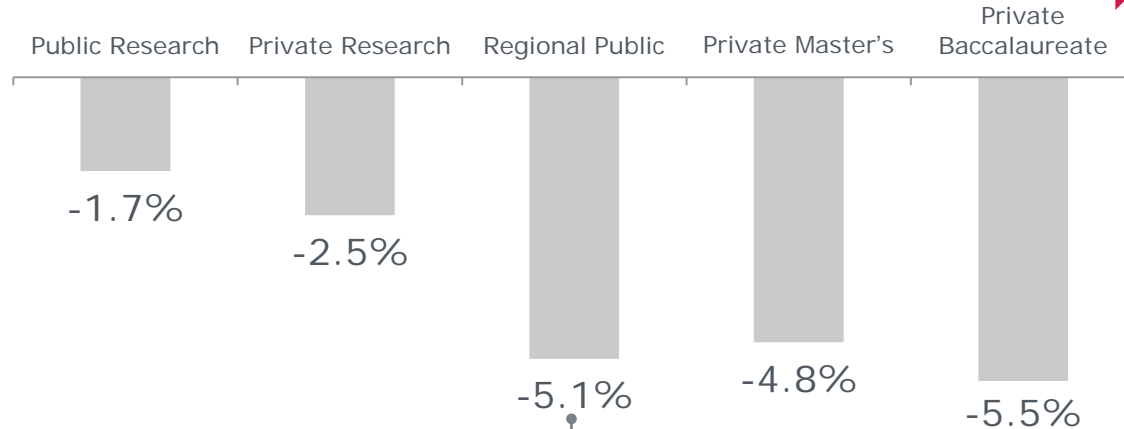
Is Education Headed for a Shakeout?

Unequal Pressure across Segments

Level of Tuition Dependence

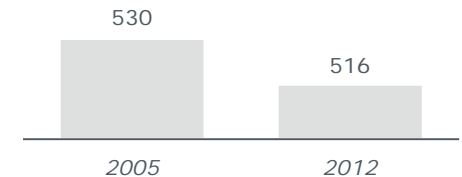


Change in Net Tuition Growth Rate, Pre- and Post- "Great Recession"



Regional Publics Losing Best Students

Change in SAT Scores (75th Percentile)





Not the Solution They Used to Be

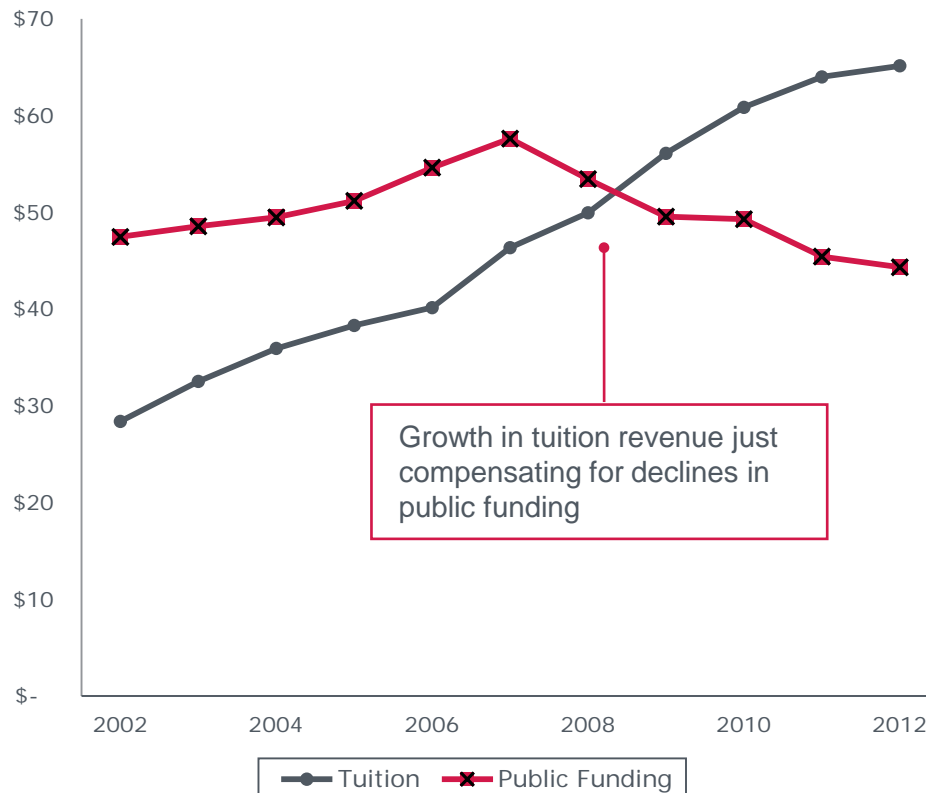
OTHER REVENUE STREAMS

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

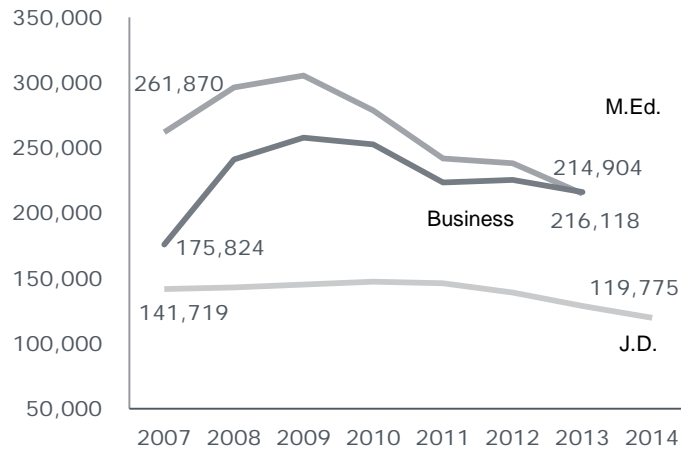
- Mandated increases in workload
- Reduced funding for liberal arts

Master's Market Facing Questions

Potential Oversupply in Graduate Programs

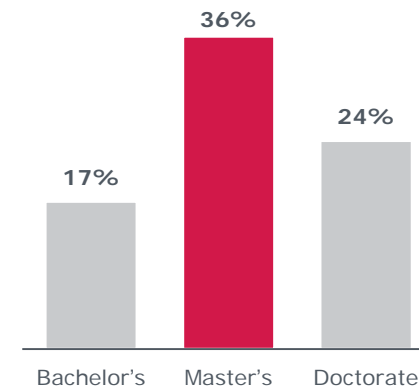
Master's Programs No Longer a Guaranteed Cash Cow

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

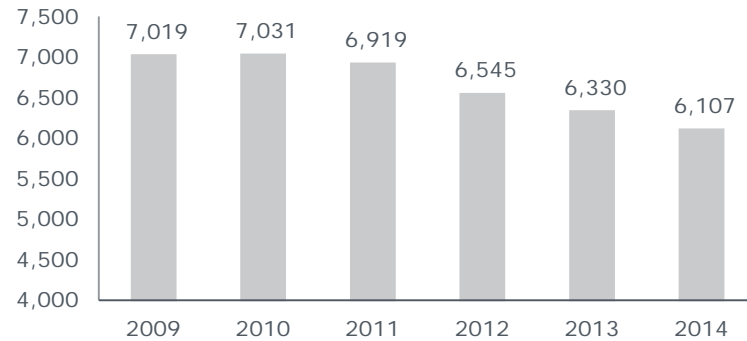
Supplementing face-to-face classroom instruction

Transfer Market Under Stress

Community Colleges Facing Challenges

Declining Enrollments on All Fronts

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

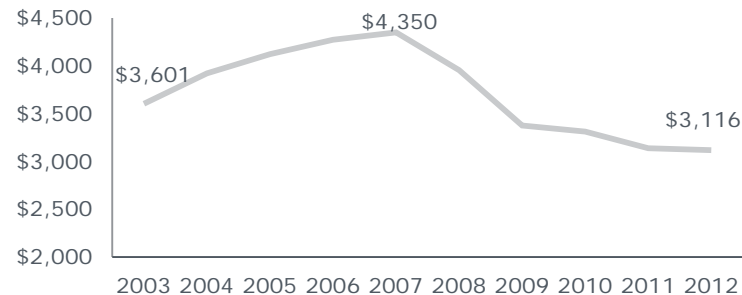


-12.5%

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

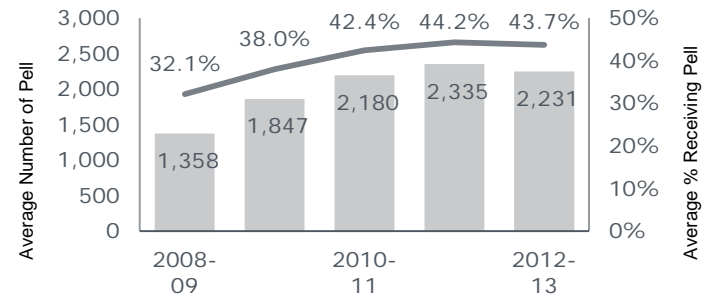
States Pull Back Support

State Appropriations per Public Community College FTE, 2004-2012¹



Students Grow More Financially Distressed

Growing Share of Community College Students Receiving Pell



Source: National Center for Education Statistics

1. Constant 2012 dollars

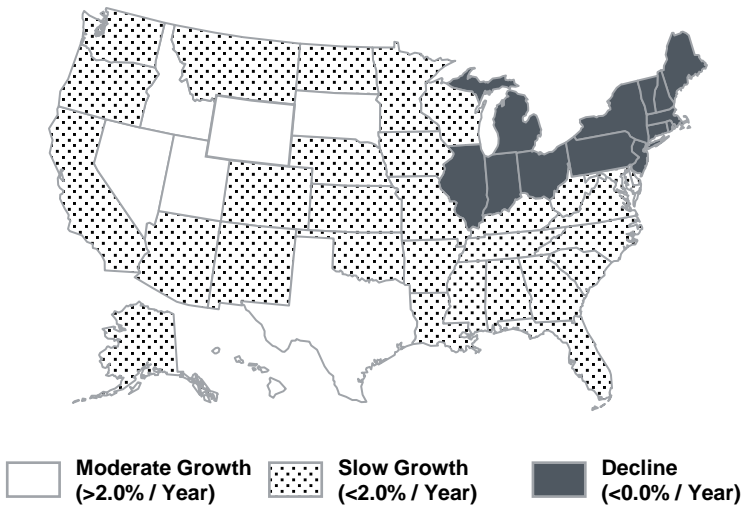


ENROLLMENT HEADWINDS

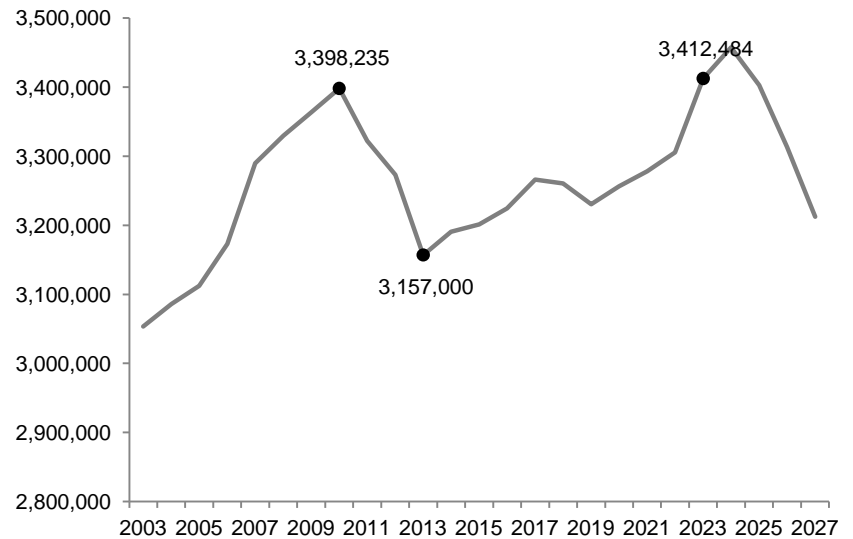
Regional Demographics Driving Challenges

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%

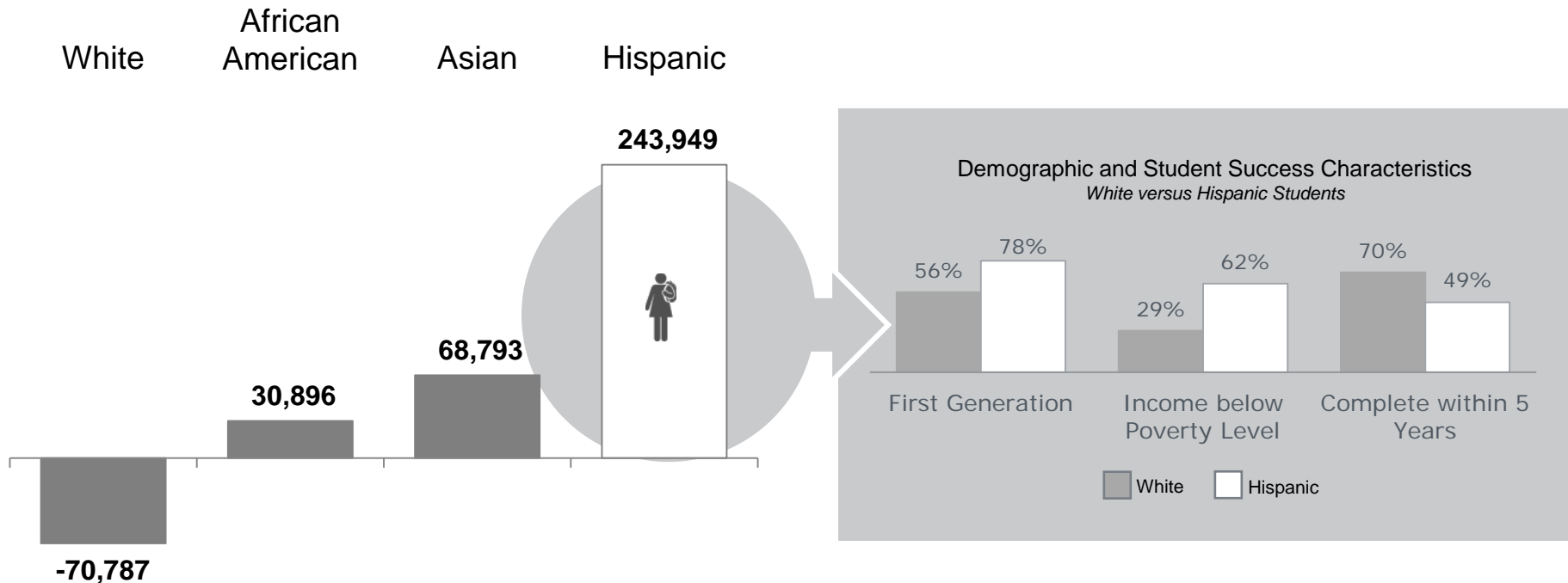
High School graduates hailing from states with little or no growth

74%

Share of undergraduates enrolled in their home state

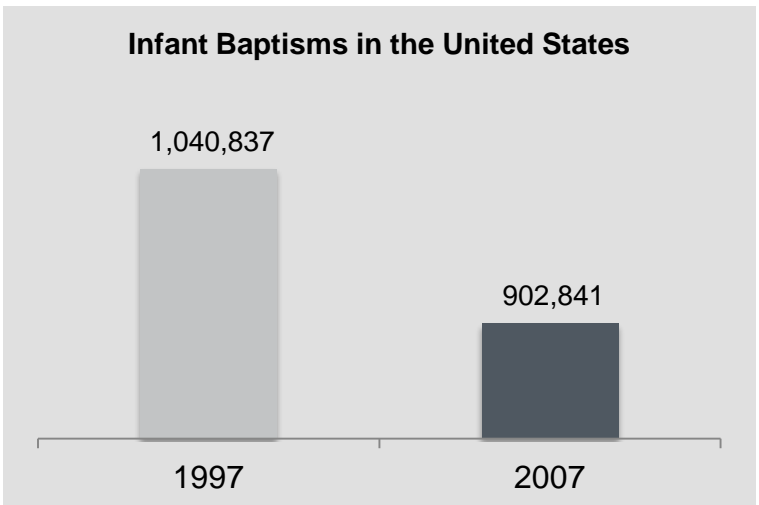
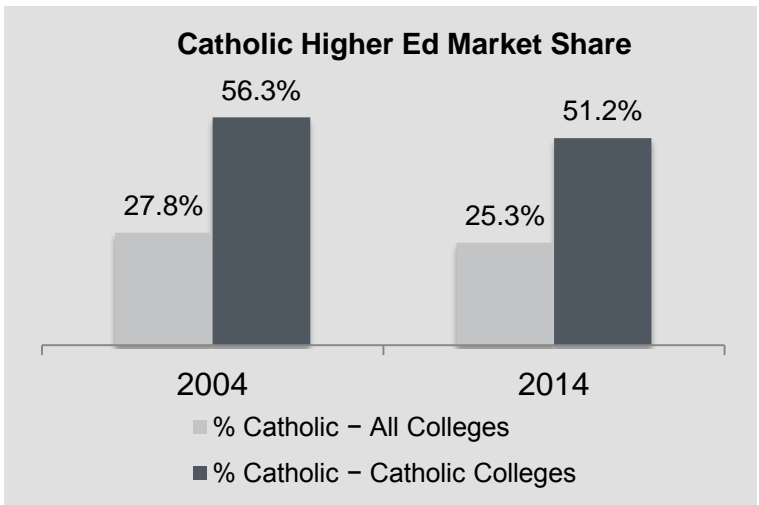
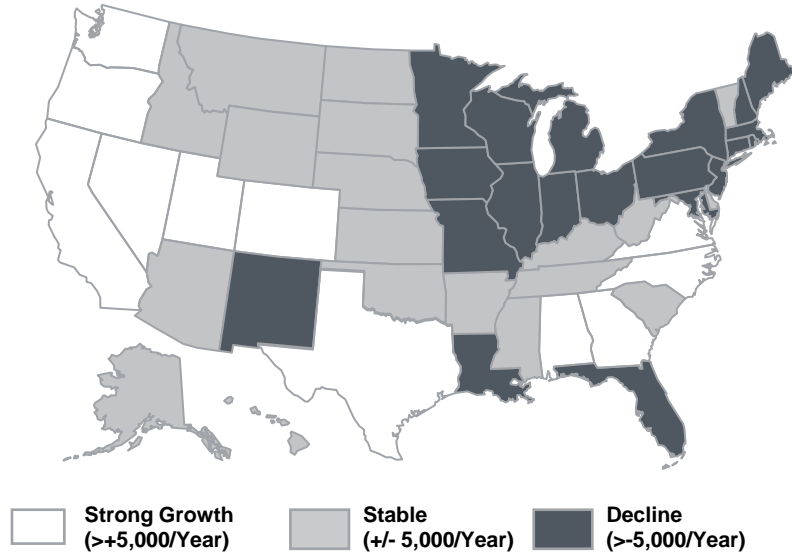
Changes in High School Graduates by Ethnicity

National 2013-2023



Challenging Times for Catholic College Leaders

Change in Catholic Population, 2000 to 2010



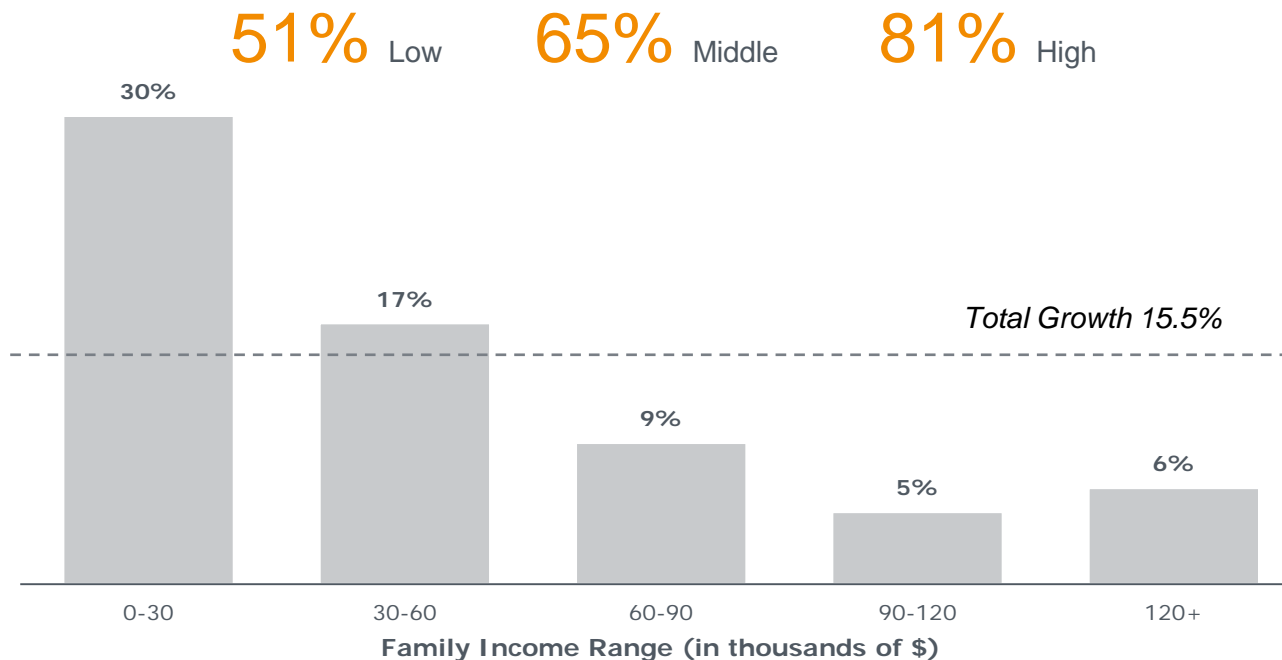
Concentration of Growth in Low-Income Segment

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



“Student Affluence Test”

-262 pts.

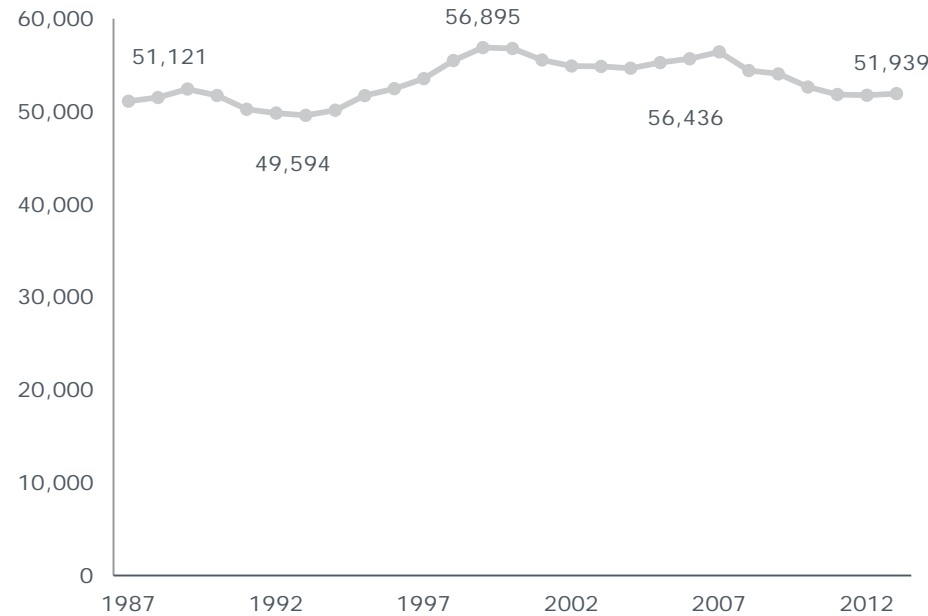
Difference in average SAT score between students from lowest- and highest-income families, 2014

More Pressure on the Middle

Stagnating Median Incomes, Loan Burdens Inhibit Willingness to Pay

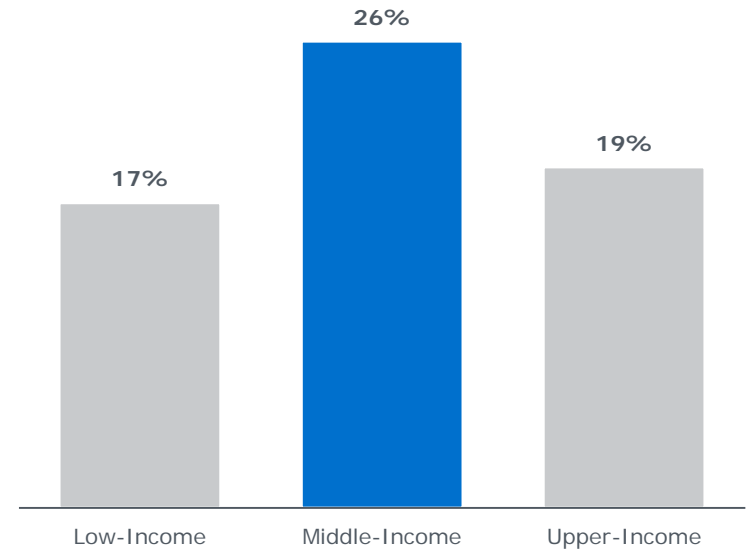
Stagnating Median Incomes

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



Middle-Income Students Particularly Reliant on Loans

Share of List Price Accounted for by Loans by Income¹
(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

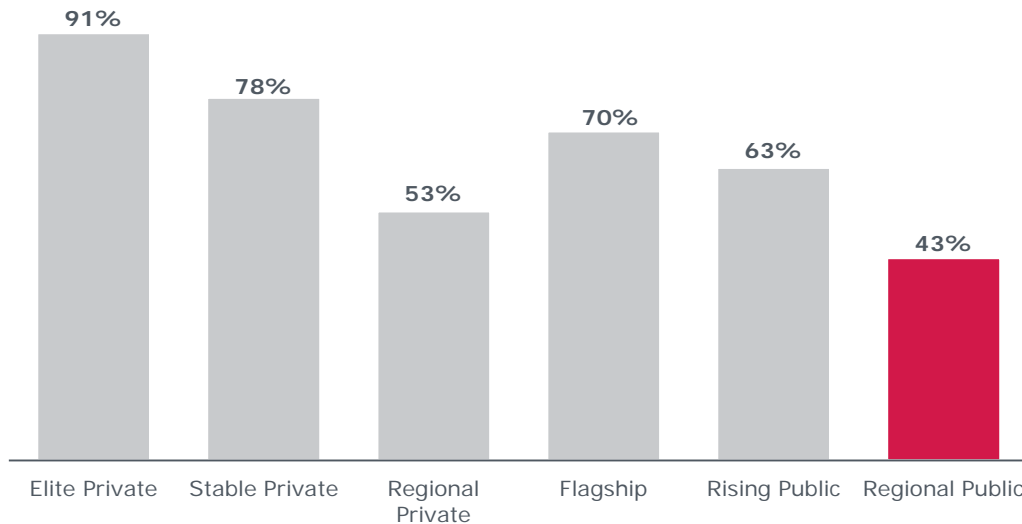
Pell-Eligible and Nonresident Student Head Count Growth (2007-2012)

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

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)

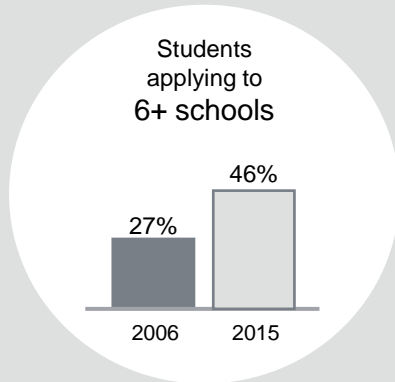


Student success improvements critical to revenue growth but difficult given changing demographics

Students Becoming More Consumer-Oriented

Coming to Terms with a Buyer's Market

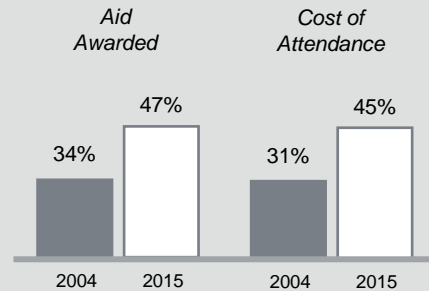
Applying to More Schools



Increasingly Price-Sensitive



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



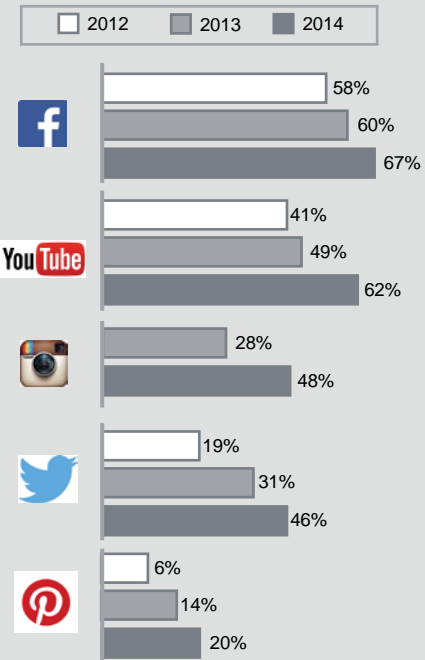
Before, when families got a scholarship offer, they said, "Thank you!" Now they say, "Is this your best offer?"

Director of Admissions
Private Master's College in the Midwest

Harder to Reach



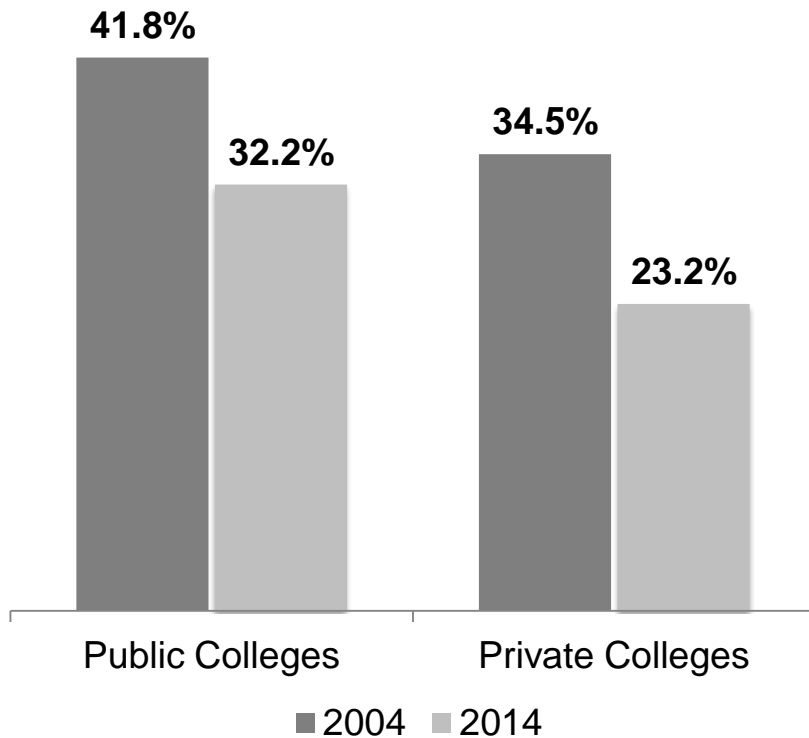
% of Teens Using Social Media



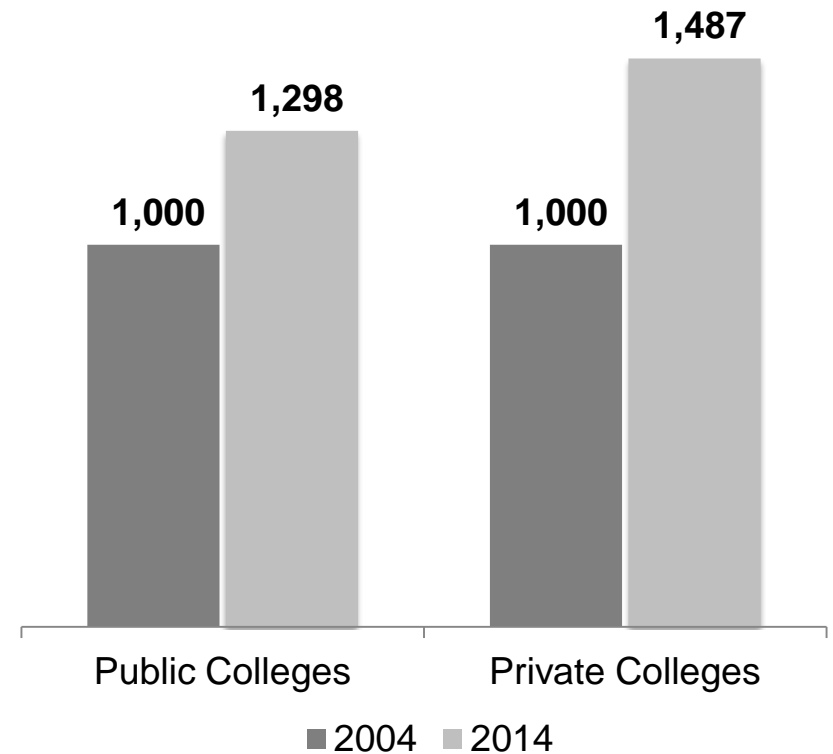
As Pressures Mount, Yield Continues to Erode

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

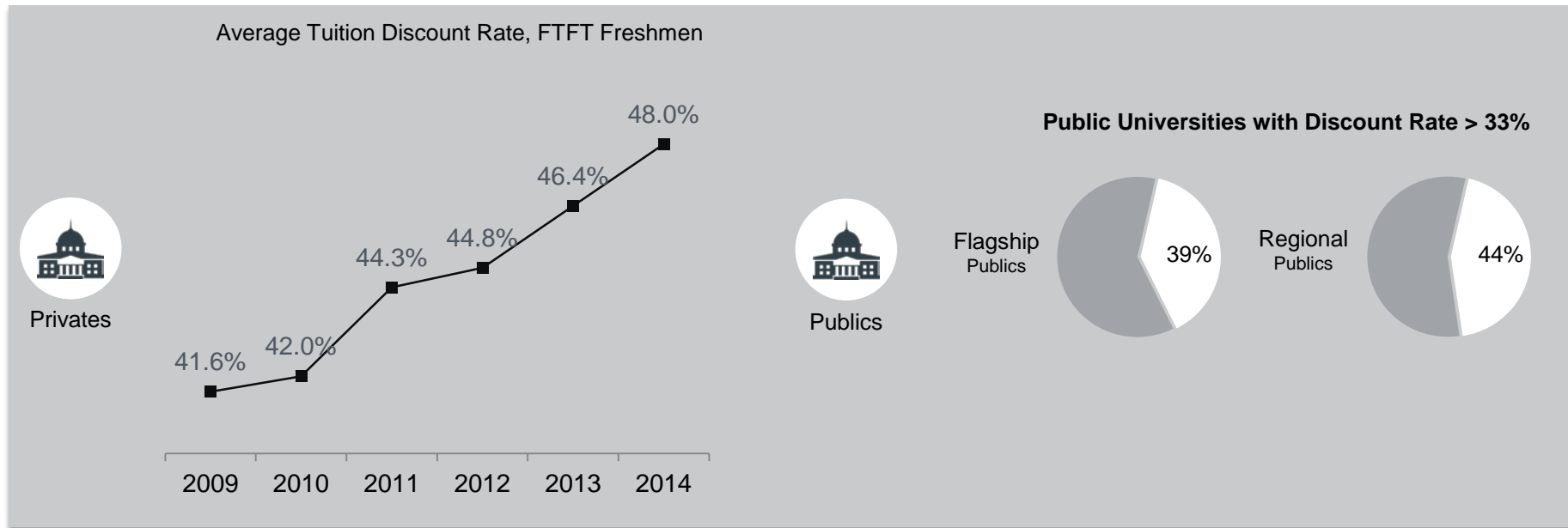
Average Yield by Segment



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

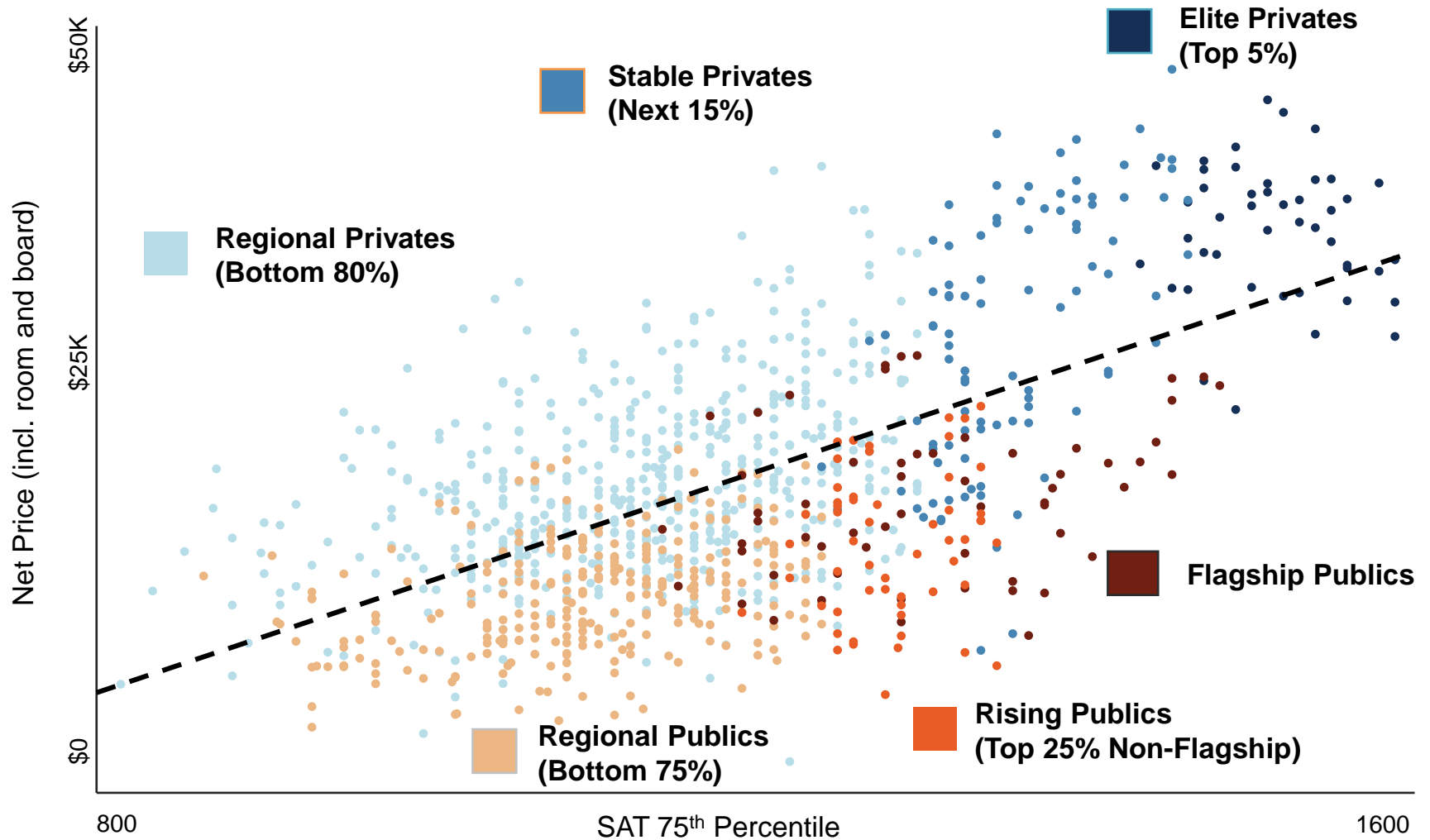
Regional Publics

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

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

Making Sense of the Market

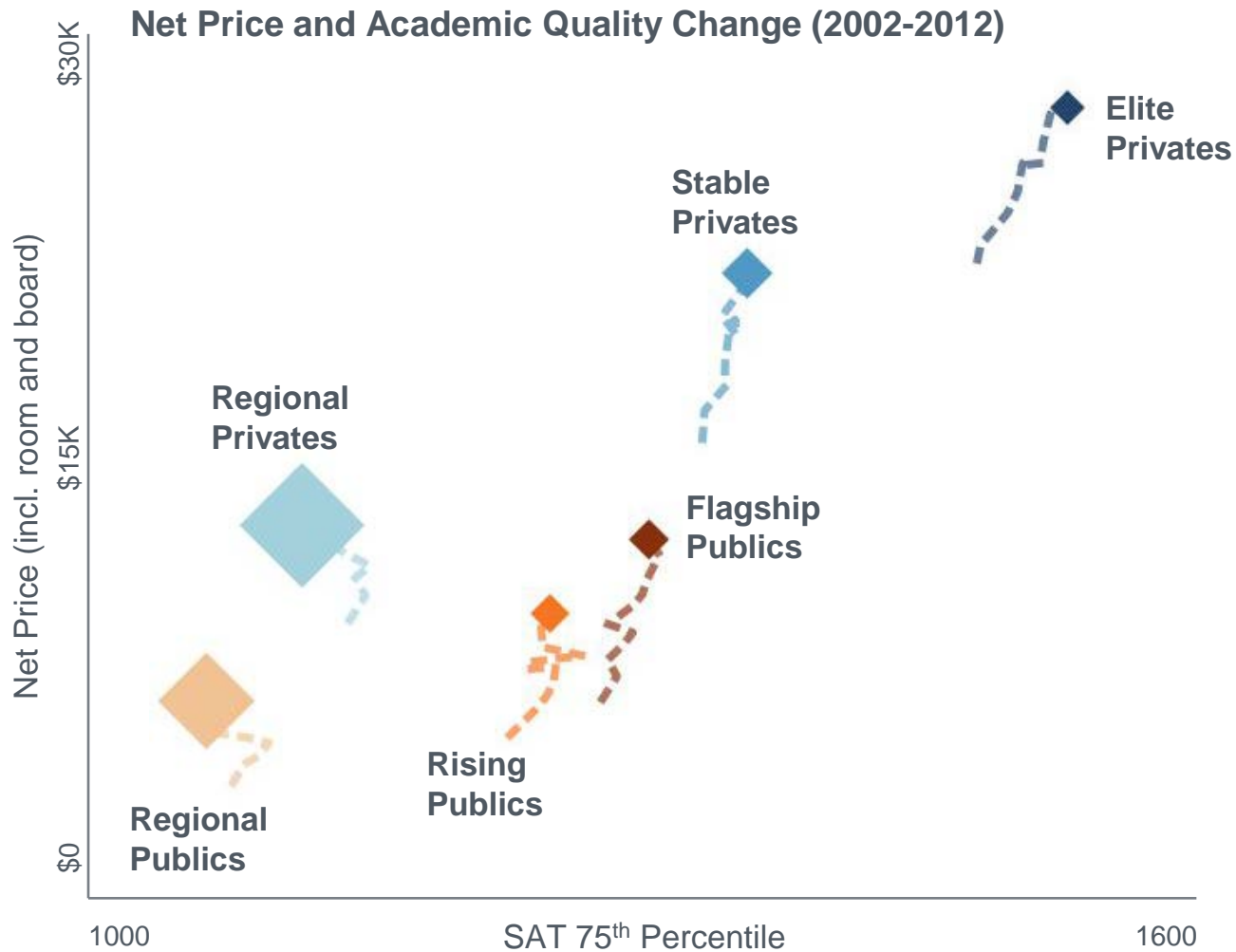
A Strong Relationship between Net Price and Student Quality





The Rich Get Richer

Increasing Differentiation at the Ends of the Market

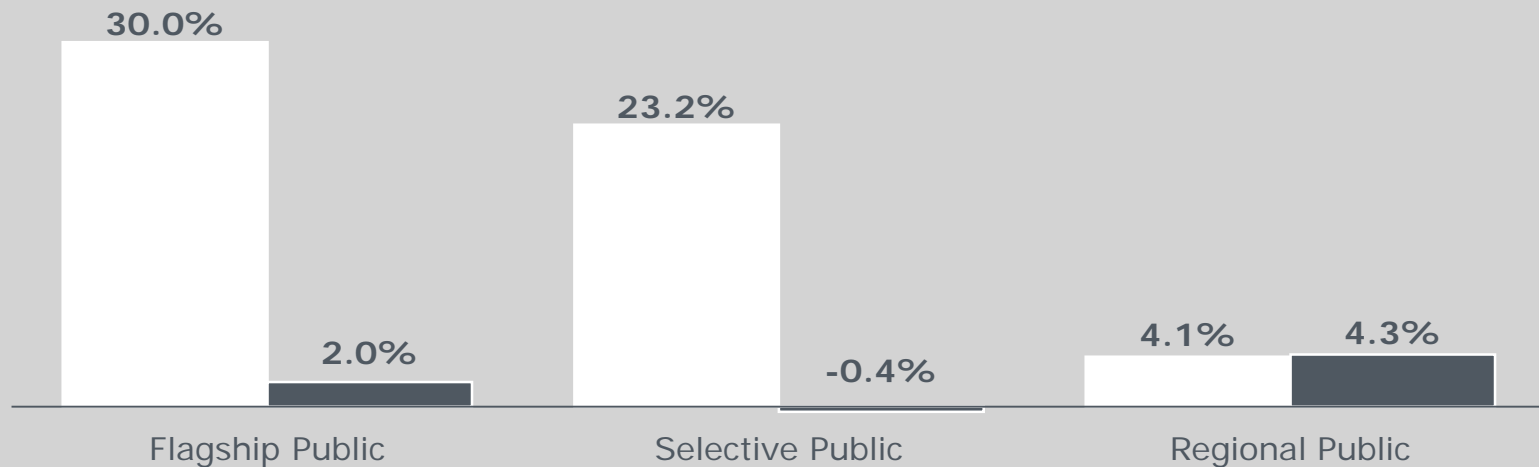


Undermined by Market Forces

Looking Further Afield for Students and Doing More to Attract Them

Growth in FT/FT Students, 2007-2012

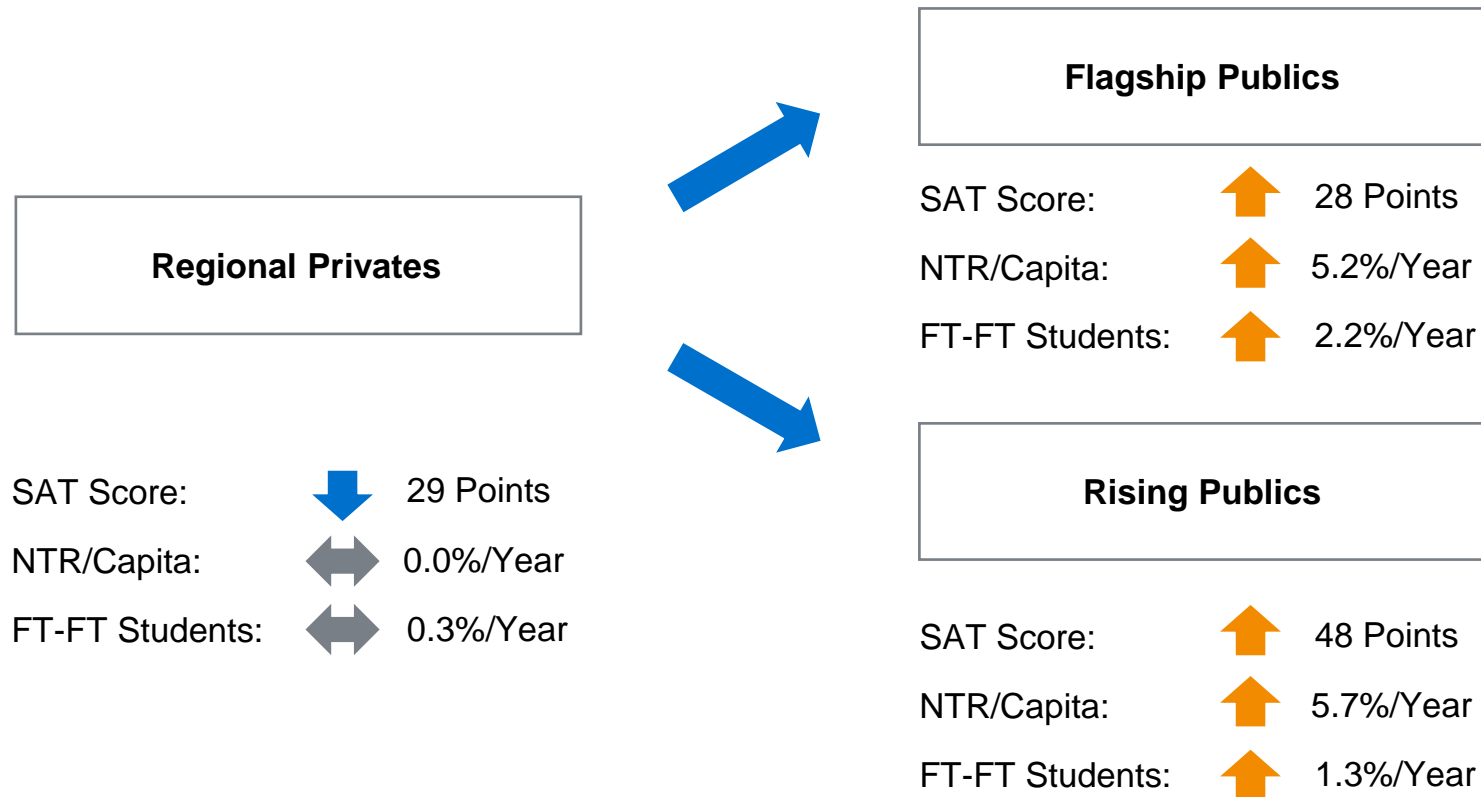
■ Non-Resident ■ In-State



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

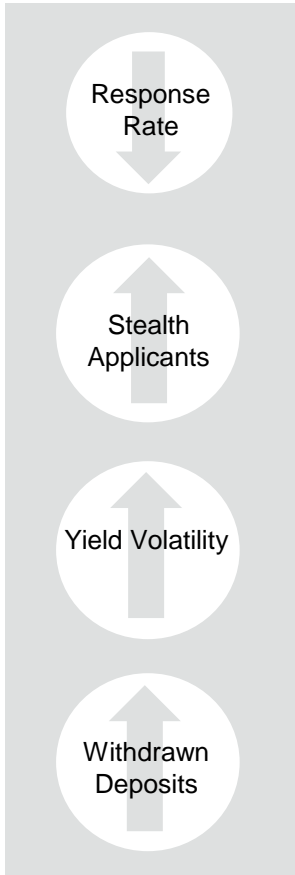
Intersegment Competition Is Contributing to Price and Volume Challenges

Segment	Price	Volume
Elite Privates	Expectation to meet full need	Expand undergraduate cohorts?
Stable Privates	Growing threat from publics Aggressive discounting by schools facing greater difficulty filling classes	Highest-quality students trading up Breaking into the transfer market
Regional Privates	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
Flagship Publics	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
Rising Publics	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
Regional Publics	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

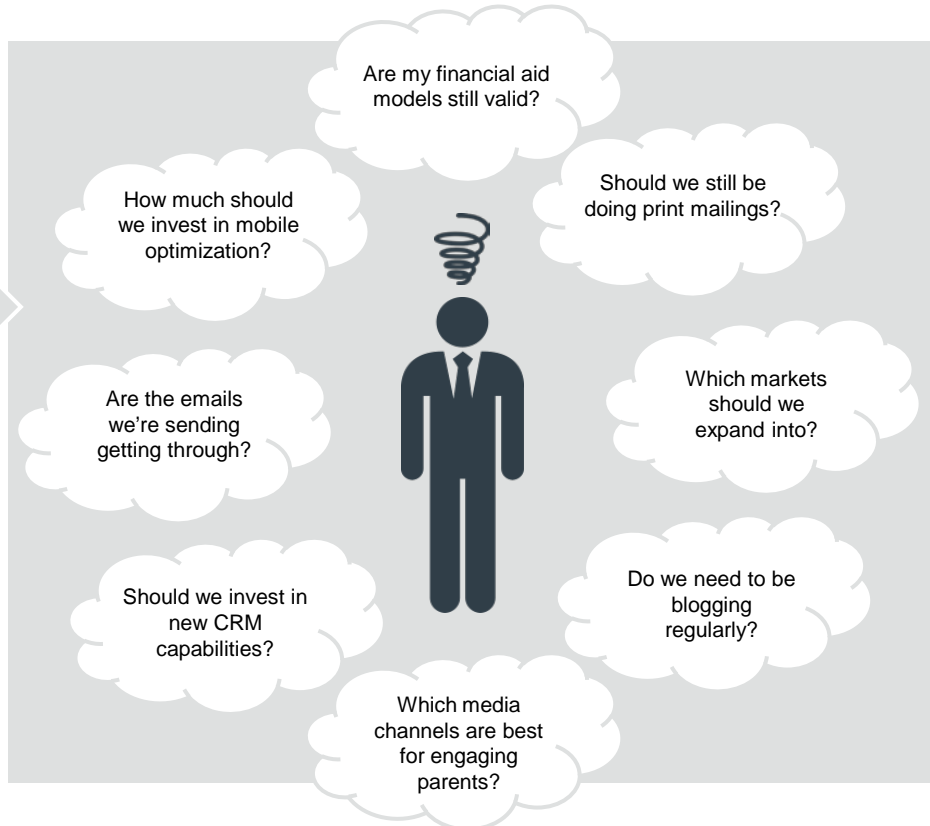
Outstripping EM Departments' Capacity for Adaptation

An Increasingly Unpredictable Endeavor



EMs Facing a Thousand Difficult Questions

"How do I know what works anymore?"



Default Responses Not Working

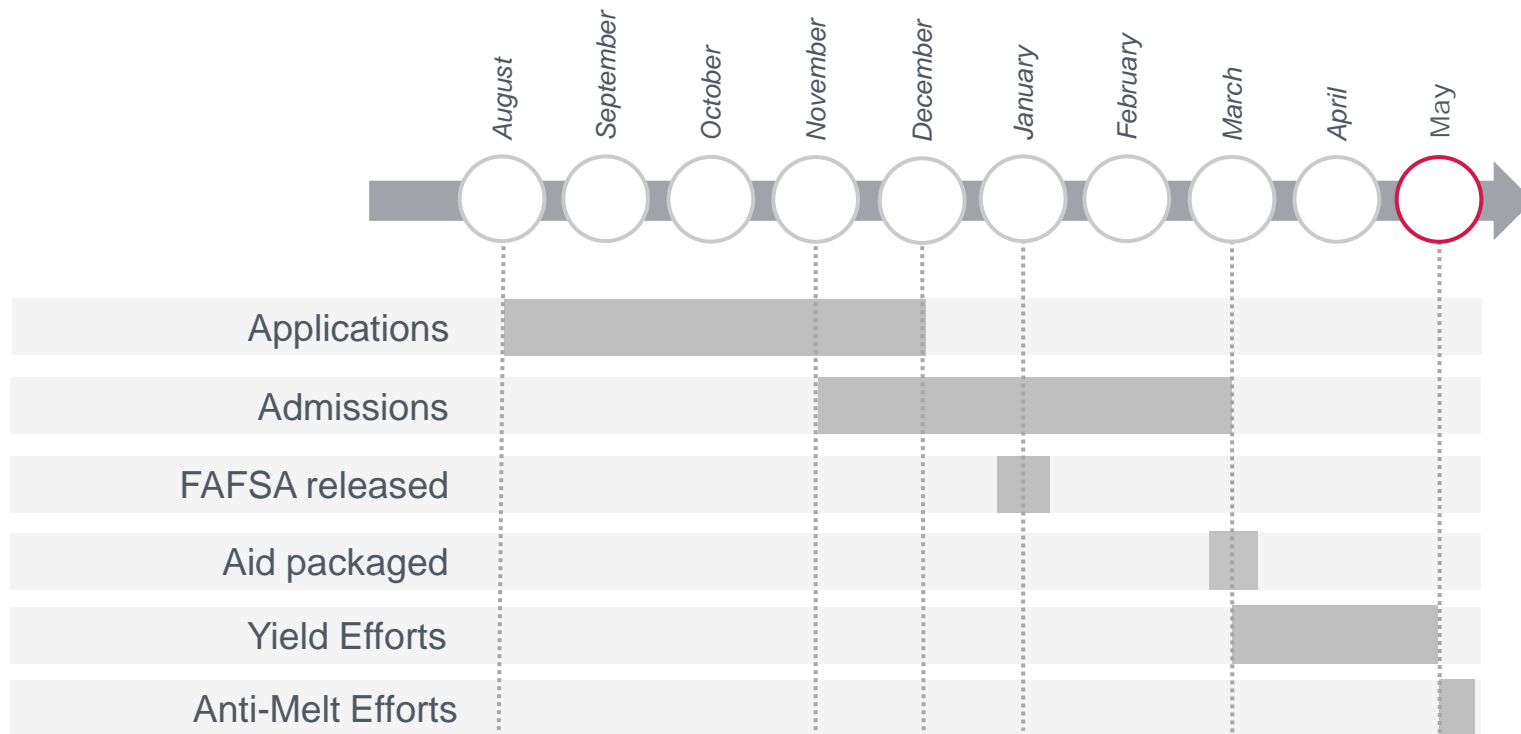




Logistical Headaches on the Horizon

Formerly Sequential Processes Suddenly Simultaneous

Enrollment Calendar 2015

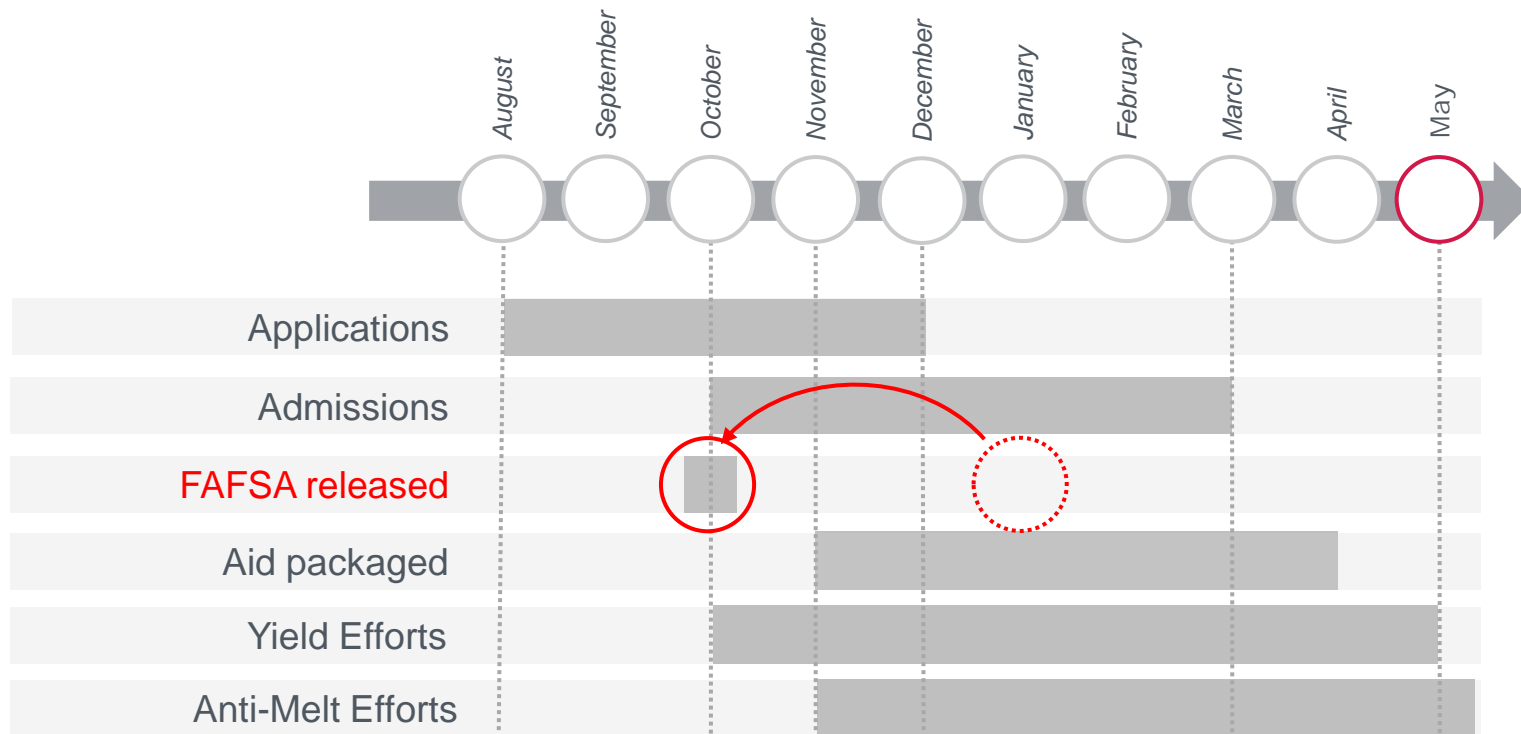




Logistical Headaches on the Horizon

Formerly Sequential Processes Suddenly Simultaneous

Enrollment Calendar 2016



EFC available as early as October 15th

Questions?

Peter Farrell

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