

Demographic Challenges Facing Colleges and Universities

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Demographic Trends

- Millennials (23-38) now outnumber Baby Boomers (55-75), but Generation Z (7-22) is coming up fast.
- Millennials have more income than older Americans had at the same age but have less wealth, due in part to student loan debt.
- Nearly half of Generation Zers (48%) are racial or ethnic minorities.
- Hispanics are projected to become the largest minority group in the electorate in 2020 at 13.3% (32 million).
- The U.S. unauthorized immigrant population in 2016 was 10.7 million, its lowest level in 12 years.



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Social and Family Trends

- One in five Americans lives in a multigenerational household, up from 12 percent in 1980.
- One in four U.S. parents is unmarried, up from 7% 50 years ago. 50% of U.S. adults over 18 are married today, versus 72% in 1960.
- Women are now obtaining more bachelor's degrees than men.
- The educational gap in marital status continues to grow. In 2015, 65% of adults with 4-year degrees were married, versus just 50% for those with no education beyond high school.



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Economic Trends

- Household incomes are at a record, but income inequality has grown among the general population and is more pronounced within racial and ethnic groups.
- Student loan burdens and the lagged effect of the Great Recession have been key factors in the following developments:
 - Compared with previous generations, Millennials are delaying or foregoing marriage and have been slower in forming their own households and having children.
 - In 1968, a typical American woman and man married at 21 and 23, respectively. 50 years later, these figures have increased to 28 and 30.
 - In 2018, 15 percent of Millennials over 25 still lived at home, versus 8 percent of Baby Boomers at the same age.



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Looking for Future Students

Demographic and immigration trends raise the risk of a shortage of U.S. college students within the next 10 to 15 years.

- By 2016, 48 percent of Millennial women were mothers, down 9 percentage points from Gen Xers at a similar age.
- The U.S. birth count fell to less than 3.8 million in 2018, a two percent drop from 2017, to the lowest number of births in 32 years.
- In comparison, the U.S. birth count peaked at 4.3 million babies born in 2007. Thus, in 11 years the annual domestic birth rate has declined by more than 12 percent.



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Is the Boom in Foreign Students Ending?

- Foreign student enrollment at U.S. colleges and universities doubled between 2008 and 2016, from 179,000 to 364,000.
- Students from China, India, and South Korea accounted for 54% of all new foreign students pursuing college degrees in 2016.
- Overall college immigration from El Salvador, Guatemala, and Honduras increased 25% from 2007 to 2015.
- However, U.S. government policies have started to limit the influx of foreign students, just ahead of the time when colleges may need them the most.



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A Student Population Shortfall: Nathan Grawe

- College-age population is expected to drop five percent in the Northeast and Midwest by the mid-2020s.
- Grawe projects a second drop of close to 10 percent from 2026 to 2031, fueled by the peaking of domestic births in 2007 and the shift towards a greater minority population. The Northeast and Midwest will be hit hard.
- The importation of foreign students has counterbalanced demographic trends in the last decade, but that may soon end.
- The higher level of education among Millennial parents and an increase in the Asian-American population may produce a partially offsetting greater yield to post-high school education.



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Meeting the Demographic Challenges

The Chronicle of Higher Education reported that 52 percent of private colleges and 44 percent of public colleges did not meet their enrollment goals for 2017-18.

The situation may get worse over the next 10+ years.

- Expand your educational pool to include young adult and senior programs.
- Make the educational process flexible: include on-line, part-time, distance, and certificate programs. Focus on learning for life, not just over four years.
- Market effectively and go South. In 2000, the Southern states represented one-third of high school graduates; in 2025 it could be close to 50 percent.
- Set realistic budgets, establish strategic educational relationships, define your specialty, and right-size your institution.



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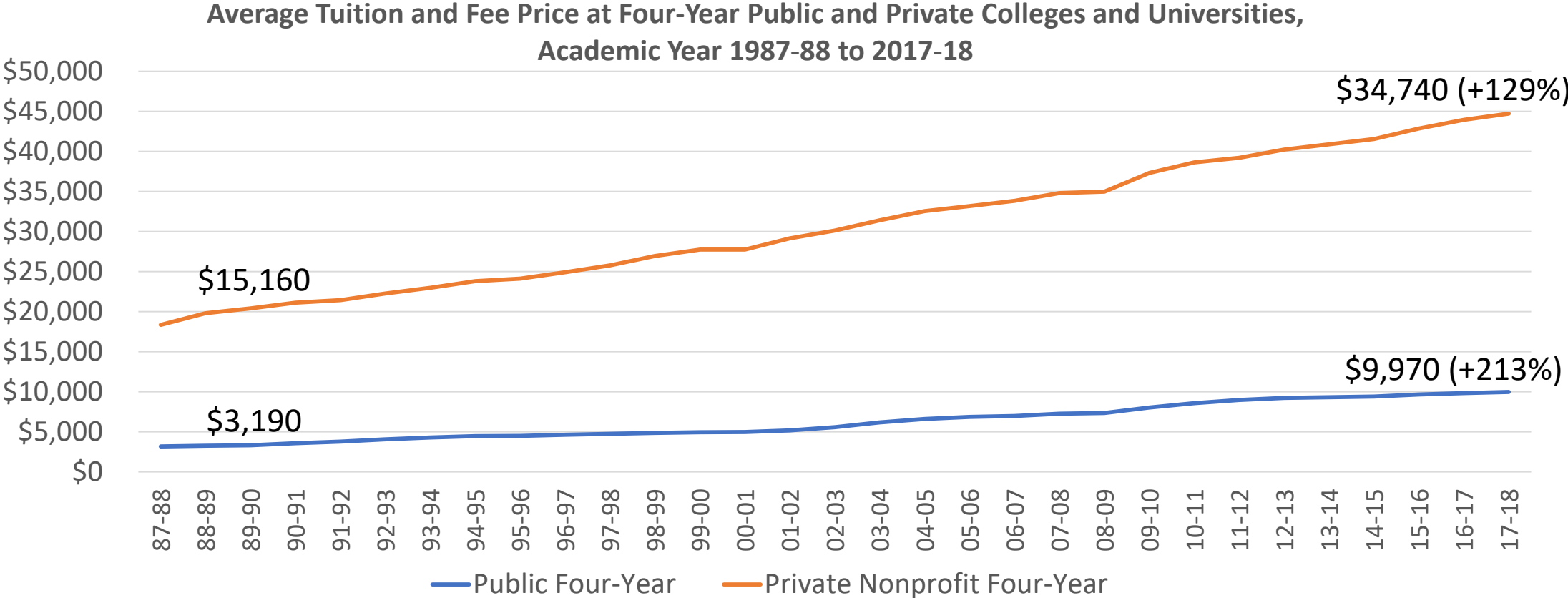
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Meeting the Demographic Challenges (cont.)

In addition to these demographic changes, colleges have also faced these financial challenges:

- Rising costs of attendance and falling enrollment
- Increasing tuition discount rates and costs of institution-based financial aid
- Challenges to existing business models—need to change pricing, enrollment, and revenue sources

College List Prices Continue to Rise



Source: The College Board, *Trends in College Prices, 2017*. Tuition and fee prices are in constant 2016 dollars.



Many schools have increased their spending on institutional grant aid to attract more students

Total Undergraduate Grant Aid (in billions), by Aid Source, Academic Year 2003-04 to 2017-18

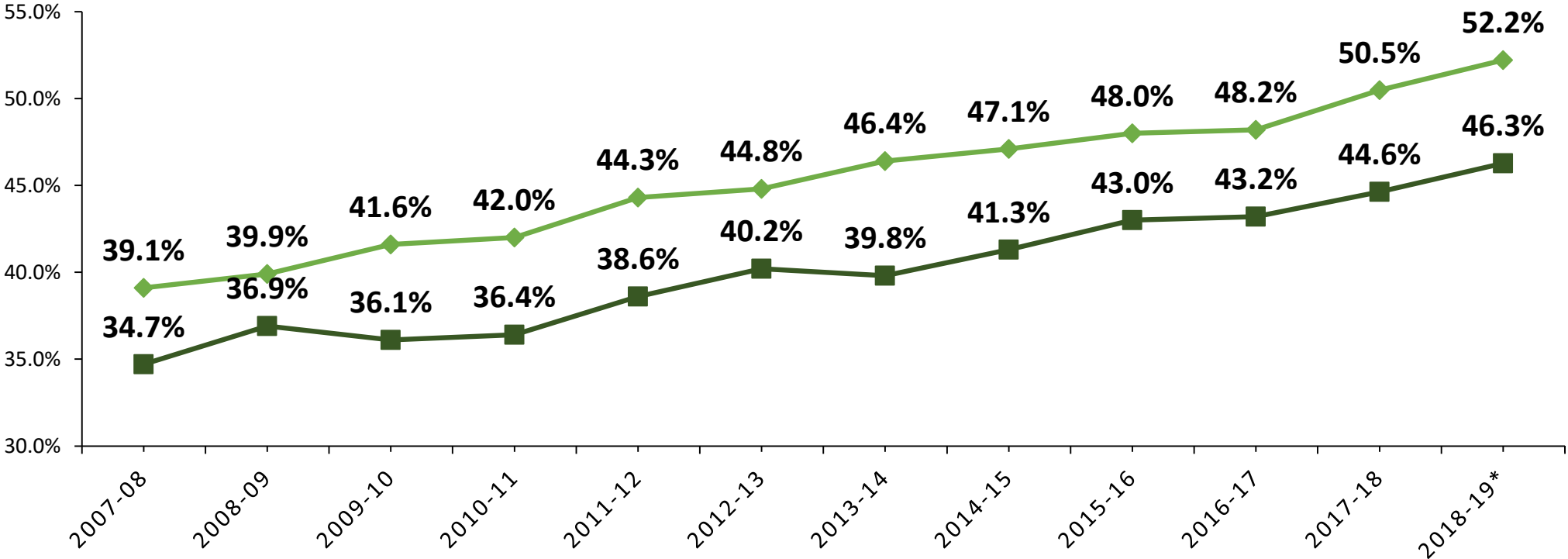
	2003-04	2008-09	2017-18	Pct. Change
Federal Pell Grants	\$17	\$20	\$28	+64.7%
State Grants	\$8	\$9	\$11	37.5%
Institutional Grants	\$21	\$26	\$49	+133.3%
Federal Loans (subsidized & unsubsidized)	\$45	\$51	\$59	+31.1%

Source: The College Board, *Trends in Student Aid 2018*. Dollars not adjusted for inflation.



Increases in financial aid spending have led to higher and higher institutional tuition discount rates

Average Institutional Tuition Discount Rate—Total Undergraduate Institutional Grant Spending as a Percentage of Gross Tuition and Fee Revenue— at Private Colleges and Universities, 2007-08 to 2018-19*



Source: NACUBO Tuition Discounting Study, 2007 to 2018; data are as of the fall of each academic year.
*Preliminary estimate.

Many small private colleges have seen even larger increases in institutional discount rates

NACUBO Constituent Group	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19*
Comprehensive	34.1%	37.1%	36.3%	36.0%	38.8%	39.2%	43.8%	42.9%	43.3%	44.2%	46.5%	47.2%
Research	33.8%	37.4%	38.9%	38.8%	40.9%	43.0%	43.1%	43.2%	42.4%	43.3%	45.8%	47.0%
Small Institutions	40.5%	40.6%	42.8%	43.3%	45.6%	46.0%	47.2%	48.5%	49.5%	49.9%	51.7%	53.7%
All Institutions	39.1%	39.9%	41.6%	42.0%	44.3%	44.8%	46.4%	47.1%	48.0%	48.2%	50.5%	52.2%

Source: NACUBO Tuition Discounting Study, 2007 to 2018; data are as of the fall of each academic year.

*Preliminary estimate.



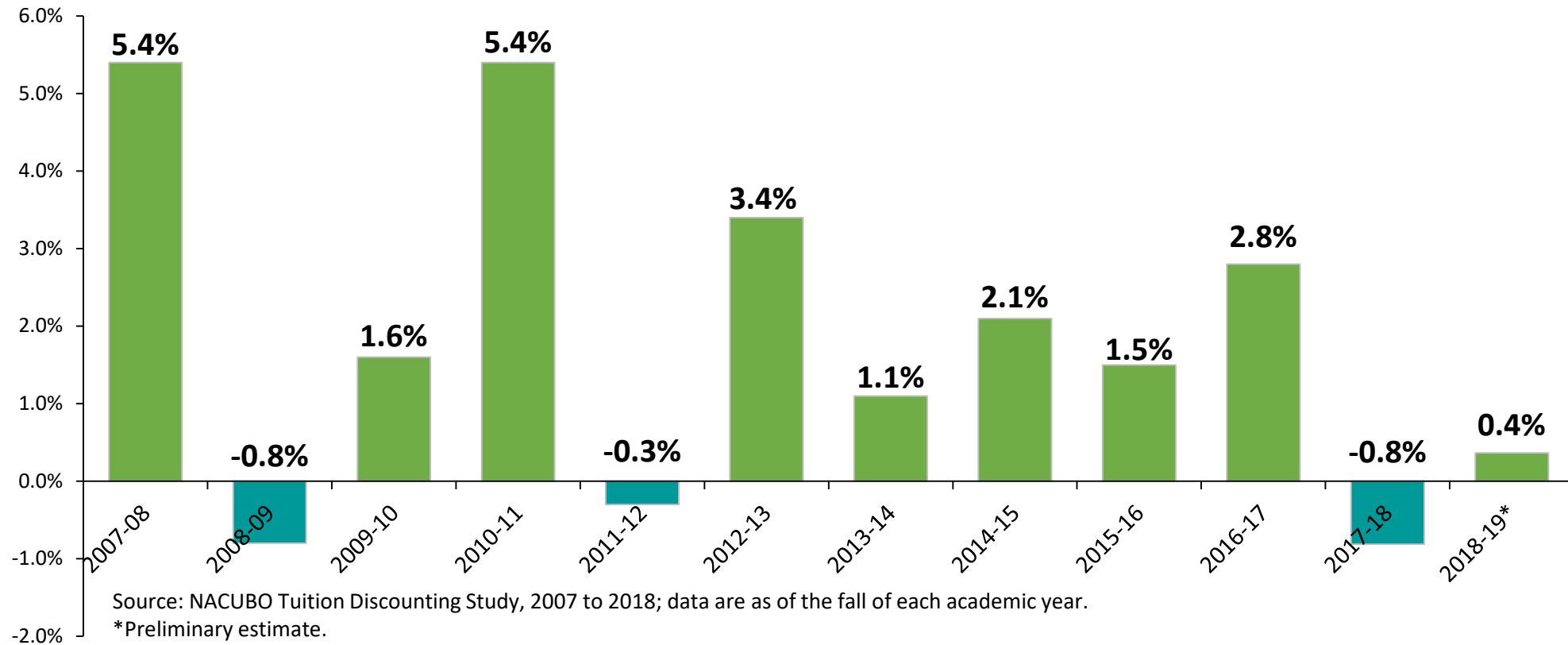
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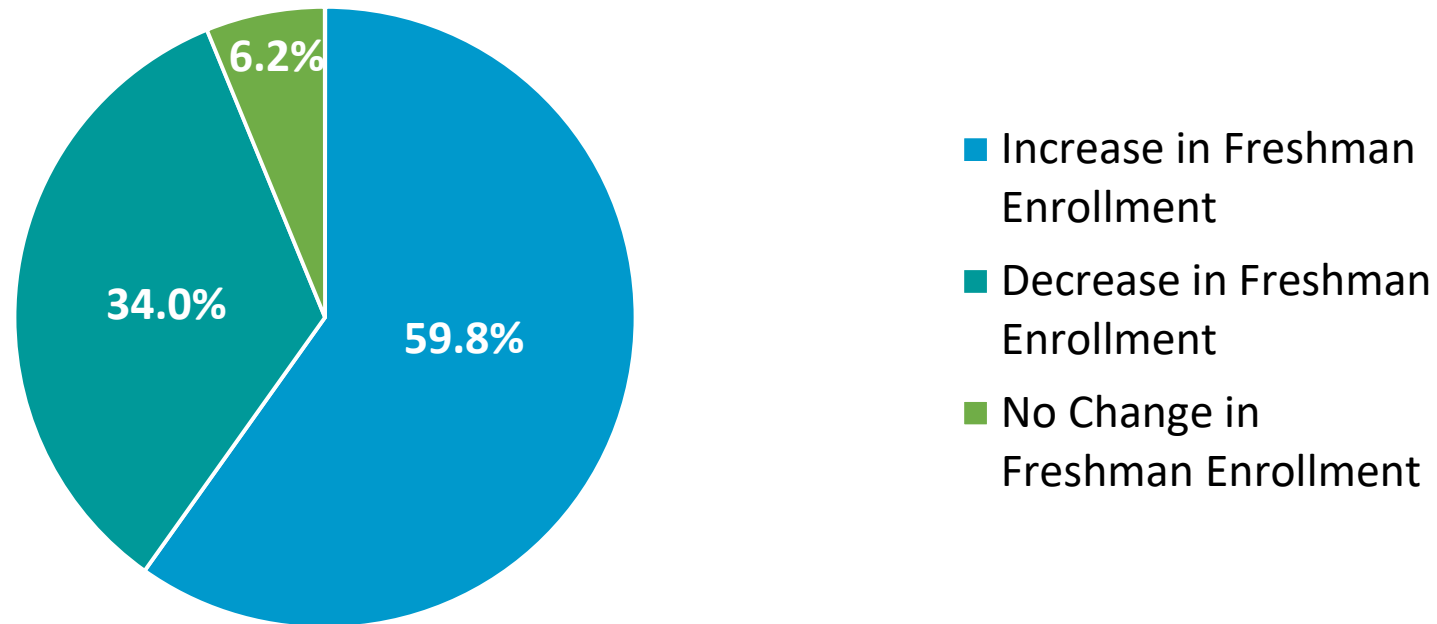
Higher discount rates have led to much slower growth in tuition revenue

Average Annual Percentage Change in
Net Tuition Revenue per Full-Time Freshman in Current Dollars, 2007-08 to 2018-19*

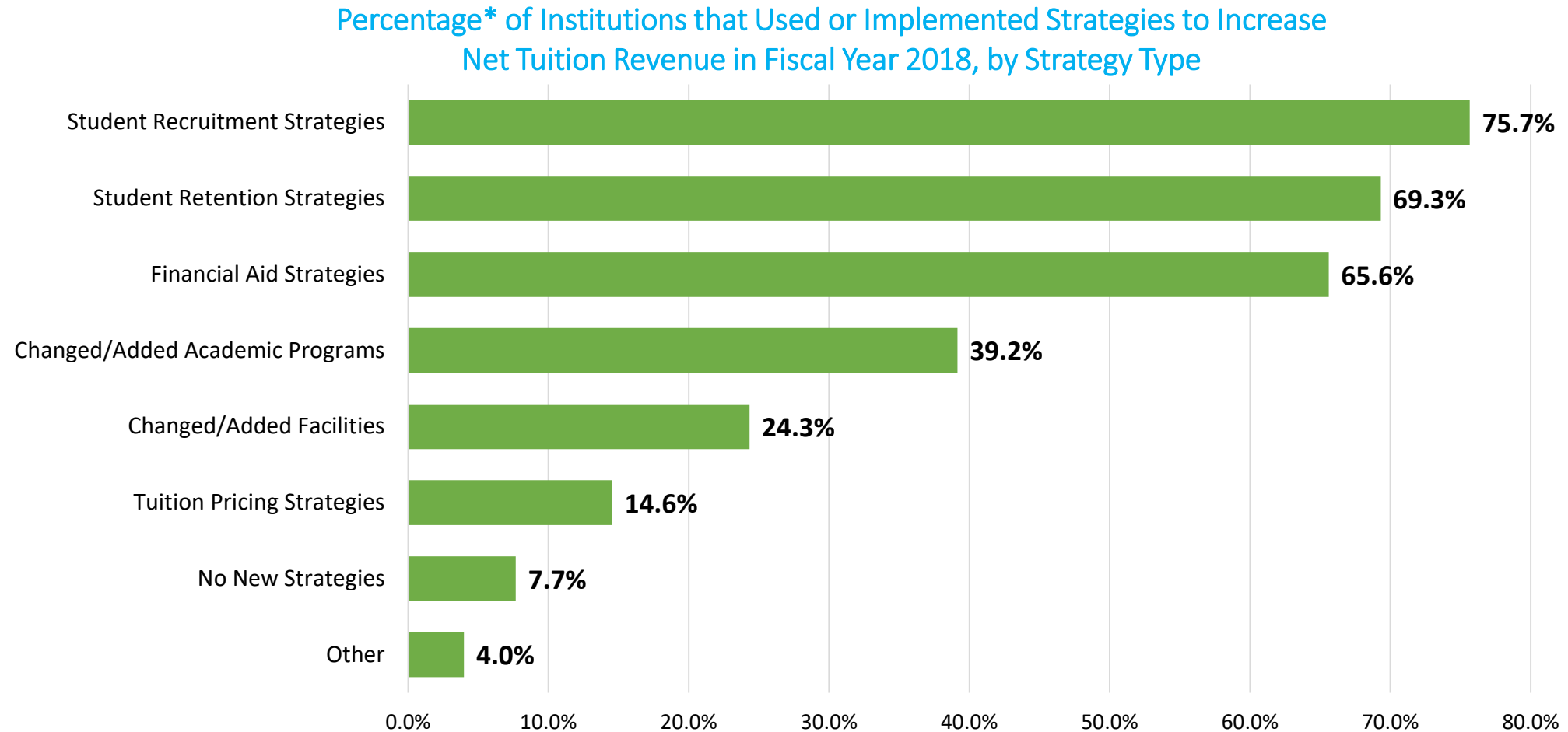


Additionally, many private colleges have seen declines in enrollments, despite rising discount rate

Percentage of Participating Institutions that Experienced Freshmen Enrollment Changes between 2015-16 and 2018-19



Because of these trends, many institutions have turned to new strategies to help improve their finances and increase enrollment



Source: 2018 NACUBO Tuition Discounting Study

*Total does not equal 100% because institutions may have implemented multiple types of strategies.

Other recent strategies for addressing changes in demographics & revenue

- New university consortia (e.g., Universities at Shady Grove)
- Campus mergers/consolidations (e.g., University System of Georgia)
- University collaborations/shared services (e.g., Carleton College & St. Olaf College)
- Adoption/expansion of academic programs in nursing, health sciences, and other high-demand fields (e.g., Cedar Crest College)
- Public/private partnerships (P3s) for facilities and academic programs
- Tuition resets and other pricing strategies (e.g., Muskingum College, Utica College)

Source: [NACUBO Economic Models Project](#)



Questions & Answers

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Appendix



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Sources

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- Knocking at the College Door—Western Commission for Higher Education (2016). www.wiche.edu/knocking
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- Chronicle of Higher Education
- HEPI
- Statista.com
- NACUBO Economic Models Project <https://www.nacubo.org/leadership-initiatives/economic-models-project>
- NACUBO Tuition Discounting Study <https://www.nacubo.org/research/2018/nacubo-tuition-discounting-study>

