Ten Tips for Managing Your Enrollment in a Down Economy

By Kevin Crockett, President and CEO, Noel-Levitz

Just as most colleges and universities welcomed their new and returning students to campus this fall, world financial markets were on the verge of a historic crisis. While students settled into their residence halls, making new acquaintances and renewing old friendships, many parents were learning to cope with an empty nest for the first time. But in the midst of this annual rite of passage, the world around them was changing rapidly. By the middle of September, Fannie Mae and Freddie Mac, the giant government sponsored mortgage companies, were in receivership; Lehman Brothers had declared bankruptcy; Bank of America had purchased Merrill Lynch at pennies on the dollar; and the Federal Reserve had provided an $85 billion rescue package to AIG, the nation’s largest insurer.

We are all painfully aware of what transpired since this erosion in the world financial markets. The S&P 500 plummeted, unemployment surged above six percent, and Gross Domestic Product actually shrank during the third quarter, recording the largest drop since the 2001 recession. As the value of housing and 401Ks fell, few families escaped a decline in personal worth. There is little doubt we are in a recession; the only remaining question is its depth and duration.

Meanwhile, colleges and universities are beginning to respond to this financial turmoil. Construction projects are being delayed, lay-offs announced, and operational budgets trimmed. Even the president of the world’s richest university recently said, “…Harvard is not invulnerable to the seismic financial shocks in the larger world.” Indeed, it’s hard to peruse the popular press or leading industry publications without finding a daily story about the ways colleges and universities are reacting to this financial mess.

In the midst of this economic storm, two things are certain. First, most colleges and universities are seeking ways to maintain the quantity and quality of students they serve today. Second, there is considerable uncertainty about their ability to accomplish this important objective.
The following ten tips offer initial insights and strategies for executive teams wrestling with the question, “How do we manage our enrollment in a down economy?” While these suggestions are by no means exhaustive, I hope they provide food for thought on your campus.

1) Formulate an economic outlook to guide your planning

Both state appropriations and endowment returns will probably remain under considerable pressure for the foreseeable future. While most economic forecasts are still calling for a recovery sometime in the second half of 2009, there are a growing number of observers who believe the recovery will be far slower than what we experienced following previous economic contractions. The economic conditions in your region should also be considered. For example, if you are located in an area hit hard by the housing crisis, the impact on both state revenues and the families you serve is probably different from those regions that participated to a lesser extent in the housing bubble.

Ultimately, you need to make some assumptions about the length and severity of the current financial crisis and the likely impact on operating revenues. Endowment/foundation returns should be re-forecast for the next three years (FY09, FY10, and FY11) as should changes in state appropriations. Since most institutions are dependent on enrollment-related revenue for a majority of their operating incomes, the hard reality is that you are likely to become more tuition dependent as other revenue streams shrink. The only exceptions are state-supported institutions that receive a disproportionate amount of their funding from state governments. For example, in response to several actual and proposed budget cuts, the California State University System recently announced that it may reduce enrollment by turning away qualified applicants for the first time in its history.

2) Identify potential shifts in student participation patterns

On a macro level, one would expect a recessionary economy to drive additional students to lower-cost institutions such as community colleges and regional four-year public universities. This could potentially impact private college enrollments and, to a lesser extent, enrollments at public flagship universities. Out-of-state enrollments are likely to soften across sectors as students seek to avoid out-of-state tuition at public universities and mitigate travel costs. Adult undergraduate enrollment will probably increase as displaced workers use a weak job market to upgrade their skills. Graduate programs could also see enrollment increases from people who have lost their jobs and recent college graduates who delay their entry into the workforce.

Of course, the trends on your campus may be quite different based on the mix of programs you offer and the types of students you serve (not to mention economic conditions in your region). It will be important to re-examine your institution’s competitors and estimate your potential losses to lower-cost educational alternatives. I suggest you start your planning with a potential ten percent loss to your largest low-cost competitors, while realizing corresponding gains from your high-cost competitors. You should also consider expanding programs that serve workers in transition. For example, there may be opportunities to partner with local companies that are experiencing workforce reductions and are looking for educational outplacement opportunities for their employees. In short, once you have forecasted the likely shifts in student participation patterns, you need to devote resources to those programs with the greatest growth prospects in a weak economy.
3) Quantify the financial exposure of your students and their families

One of the most striking shifts in higher education financing over the past decade is the dramatic increase in student and family borrowing. According to the College Board (Trends in Student Aid, 2008), between 1997-98 and 2007-08, total federal loans on an inflation-adjusted basis increased 70 percent from $39.3 billion to $66.8 billion. This total includes a 101 percent increase in unsubsidized Stafford Loans and a 205 percent increase in PLUS loans. Furthermore, on an inflation-adjusted basis, non-federal private sector loans increased 536 percent from $3.0 billion to $19.1 billion during the period. And none of these figures includes families that used home equity lines of credit as a primary college financing vehicle. The big question is: Will families be willing and able to sustain these levels of borrowing to finance higher education in a down economy?

As an initial step, it is important to quantify the level of student borrowing on your campus in three broad categories: federal subsidized and unsubsidized student loans, PLUS loans, and non-federal private sector loans. Clearly students and families that are heavily leveraged probably represent the greatest vulnerability to your total enrollment and require differential intervention in terms of financial counseling and advising. Some schools may also shift their strategies for distributing institutional gift aid to provide further support to segments of their student population who are borrowing heavily to finance the cost of college.

Ability to borrow is also an issue. If you have not already done so, ask your largest loan providers to quantify the percentage of your families that have qualified for PLUS and private loans in the past that may not qualify under tighter credit requirements. Once you have these data, you will be in a position to develop response strategies.

In addition, assemble good baseline data on student enrollment behavior according to levels of unmet need and total loan burden so that you can monitor enrollment patterns for students who appear to be at the greatest financial risk. Likewise, you should compile data on your admitted and currently enrolled students according to financial need and academic performance. These data will allow you to monitor any changes in your yield on admitted students and your retention of currently enrolled students by population segment.

4) Devise new financing strategies to help your students initially attend and remain enrolled at your school

I firmly believe that institutions that proactively help families manage cost of attendance in this environment will flourish, while those that take a business-as-usual attitude will experience significant challenges. Unfortunately, American institutions do not have the best track records for helping families develop financing strategies to pay for college. Too many colleges and universities still behave as if the process begins and ends with the issuance of a financial aid award. This ignores the important step of helping families manage their out-of-pocket obligations. Worse, we often wait until the financial aid process begins to help students quantify their cost of attendance.

The current financial environment provides you with a strategic opportunity to revisit innovative financing alternatives that may have been discussed in the past but were dismissed as unnecessary or too risky during better times. The following seven strategies have been adopted by a number of colleges in the United States to help families understand and manage college costs.

- **Level tuition programs.** Families pay a slightly higher price during the first year but lock in their tuition for four years. This provides a level of predictability for families and it’s a wonderful retention tool as well. Niagara University in New York is one campus that has used this strategy successfully.
• **Four-year graduation guarantees.** The cost of an additional year of college is expensive and doesn’t even include the lost wages from forgoing entry into the workforce. Juniata College in Huntingdon, Pennsylvania, and Carroll College in Helena, Montana, are among the institutions that offer four-year graduation guarantees to their students.

• **Loan elimination or loan cap programs.** A number of Ivy League schools have recently announced that they would eliminate or cap total student borrowing based on a family’s financial circumstances. And the Carolina Covenant at UNC Chapel Hill eliminates loans for students whose families are at 200 percent of the federal poverty level as long as they work 10-12 hours per week.

• **Institutional loan programs.** Most institutions offer some sort of institutional loan program but they tend to be small in scale and often serve as a funding source of last resort. As private creditors tighten their eligibility requirements or stop making loans altogether, I believe more institutions will be forced to redirect unrestricted foundation or endowment funds to increase the number of institutional loans.

• **Subsidized PLUS Loans.** Wisconsin Lutheran College in Milwaukee illustrates how this strategy alleviates some of the financial burden on families. The campus offers a WLC PLUS Partner Program in which the college buys down the cost of a parent loan by subsidizing interest payments. For example, if a family borrows $24,000 over four years ($6,000 per year) the college subsidizes $3,000 in interest for the family.

• **12-Month Payment Plans.** I am constantly struck by the number of institutions that do not enable a family to spread their balance due over 12 months, thereby allowing families to make college costs a part of their monthly budget. If you do not offer an interest-free monthly payment plan, I urge you to add one.

• **Online tuition and scholarship calculators.** A quick Google search will reveal dozens of examples of tuition and scholarship calculators designed to help families quantify the net cost of college before a student even applies for admission. There’s a reason for this. According to our national E-Expectations research, this is the number one piece of functionality that students seek on a college Web site. If you are among the first to demonstrate affordability to your prospective students, it will give you an early advantage in a competitive and cost-conscious market.

5) **Moderate your tuition increases**

According to the College Board (Trends in College Pricing 2008), the average two-year public institution increased its tuition 4.7 percent this year, four-year publics increased 6.4 percent for in-state students and 5.2 percent for out-of-state students, and privates increased tuition 5.9 percent (inflation is currently running just under five percent). It goes without saying that families are unlikely to accept tuition increases of this magnitude during a period of economic uncertainty.

As students weigh their educational investment choices, institutions that deploy a tuition increase of four-to-six percent for the 2009-10 academic year will make a very different statement to the marketplace than institutions that announce no more than a “cost of living increase” in an attempt to demonstrate a commitment to affordability in a down economy.
6) Plan on more applications and lower yield rates in 2009

It is no secret that students are applying to more colleges. This is partially a function of technology and the ease with which students can apply to multiple institutions via the Web. It also results from students shopping for the best possible scholarship and financial aid award. If your institution serves high-ability students, research shows that they may be applying to as many as seven to ten schools on average. As academic preparedness declines, so do the number of applications a student submits. While you can probably expect a larger applicant pool for fall 2009, don’t let that lull you into a false sense of security.

As application volumes have swelled, the percentage of acceptances has declined, largely because students are only completing their files at their top choice schools. According to our most recent admissions funnel report, over a five-year period, the average acceptance rate in the four-year public sector has declined from 72 percent to 66 percent and from 76 percent to 71 percent in the four-year private sector. These figures suggest that, in measuring student demand, you should focus on the number of completed applications and acceptances you are generating rather than total applications.

Lower yields on offers of admission are another byproduct of increased applications. Again, our most recent admissions funnel report shows the yield rate (from admission to enrollment) over the last five years declining from 49 percent to 38 percent in the four-year public sector and from 36 percent to 31 percent in the four-year private sector. What does this mean for fall 2009? Under normal circumstances we would expect about a one-percentage-point erosion in yield rates next fall. If you are a high cost provider, I would plan on at least a two-percentage-point decline in your yield rate. If you are a low cost provider, you may actually see a modest increase in your yield rate.

Finally, it is very important that you monitor any shifts in your competitor set. By measuring changes in cross-application behavior you may gain insights into what will happen to your yield rate. For example, if you are private college and you are seeing more of your applicants applying to public institutions than in previous years, you could be in for a long summer.

7) Invest in student retention and aggressively manage your stop-outs

Now is the time to be even more diligent about minimizing student attrition. The institution that commits itself to improving student persistence will have a detailed plan to understand student needs, monitor student progress, and pinpoint resources where they will have the largest impact.

If economic realities require groups of currently enrolled students to take time off from their studies, have you formulated strategies to keep them connected to your campus so they can re-enroll in the future? One of our consultants was recently on a campus that is looking at ways to offer online courses to students that may need to stop out for a semester or two. This serves the dual purpose of keeping those students connected to the institution while enabling them to continue progressing towards a degree, albeit at a slower pace.

Likewise, you should strengthen your academic advising to stop-outs so the interim courses they might take at a low-cost provider keep them on track to graduate from your institution in the future. In other words, once you identify students who are forced to withdraw from your school for purely economic reasons, you need to develop a collaborative strategy to help them re-enroll in the future. Having your academic advisors continue to work with students on course selection at lower-cost providers will demonstrate your commitment to the student and your desire for them to complete their degrees at your institution.

Lastly, I recommend that you take this opportunity to review your communication strategy for students who withdraw from your school. Are you remaining in touch with the student and their...
parents and providing timely information about ways they can re-enroll? Unfortunately too many schools fail to maintain any regular contact with previously enrolled students.

8) Strengthen messaging around your most valuable benefits

The truth of the matter is, few students will completely discontinue their studies as a result of a weak economy. In fact, when the labor market is tight it actually makes sense to remain in school (or return to school). The more likely scenario is that students will seek lower-cost providers or elect to slow down their studies so that they can work more.

Along that line, parents will continue to want the very best for their sons and daughters and will make considerable sacrifices to keep them enrolled at an institution that gives them the best possible opportunities for success in the future. This illustrates why you need to consciously remind your students and their parents about why they selected your institution in the first place.

As much as we hate to admit it, our research suggests most parents and students view higher education as a means to an end. They understand that quality academic programs lead to both improved employment opportunities and admission to stronger graduate and professional programs, and they tend to focus on that element of education. This is a wonderful time to remind both your current and prospective students about the strength of your academic programs and the success of your recent graduates.

9) If you must cut costs, don’t cut equally

I am continually surprised by the way colleges and universities respond to financial crises. The academy’s egalitarian tendencies lead to “hiring freezes” and “across the board budget cuts” that ultimately weaken all parts of the institution, even those sectors that have the greatest potential to help the institution weather a financial storm. Moreover, these responses are rarely executed as announced. Since it is impractical to leave critical positions vacant or cut funding to revenue-generating programs, these plans unravel pretty quickly as cooler heads prevail. For example, when was the last time an institutional hiring freeze led to a presidential vacancy that went unfilled? While you may think this is an extreme example, it underscores the point that across-the-board approaches to reducing expenses don’t work.

While business and industry are not always the best models to follow, they do tend to utilize periods of financial distress to rethink their core values, assumptions about the market, and their organizations’ places in it. In his book Good to Great, Jim Collins writes about budgeting and financial choices:

“In a Good- to-Great transformation, budgeting is a discipline to decide which arenas should be fully funded and which should not be funded at all. In other words, the budget process is not about figuring out how much each activity gets, but about determining which activities best support the Hedgehog Concept and should be fully strengthened and which should be eliminated entirely.”

Said another way, I encourage you to view the current environment as an opportunity to engage in long-range strategic enrollment planning, revisit your academic strategy, consider your pricing approach, and make fundamental changes to your institution that will strengthen your market position in the years ahead. To borrow from the Hedgehog Concept above, what drives your economic engine? What are you deeply passionate about? What can you be the best in the world at (or at least the best in your market at)? If you use these questions as filters to make economic choices during a down economy, you are likely to emerge a stronger and more attractive institution.
10) Don’t forget the human cost of economic troubles

When discussing how today’s economic difficulties pose fiscal and operational challenges for your campus, it’s easy to overlook the human cost of these issues. These problems place a great deal of stress on everyone. Parents can face great emotional difficulty coping with lost income, lost employment, mortgage challenges, and other personal financial difficulties. Campus staff, faculty, and administrators often have to deal with the stressful situation of doing more with less as their campuses cut back on budgets. Students get squeezed in both directions, feeling the brunt of personal financial stress and the cutbacks of campus spending.

Preparing students, staff, and parents for these stresses can go a long way toward easing tension and helping everyone breathe a little easier. Educating students and parents on the financial literacy of college costs—maximizing gift aid, borrowing responsibly, and managing the expenditures that come with attending college—will help them avoid financial situations that can add to their stress levels. Training your staff to improve their teamwork and their service to students can also help improve efficiency and diffuse tensions between departments and when dealing with stressed out students. Managing these emotions can have a very positive economic impact, in addition to keeping a high level of campus spirit during a turbulent time.

Conclusion: Making higher education lemonade out of economic lemons

If the current economic crisis is longer and deeper than previous recessions, higher education may face one of the most challenging environments in our lifetime. The good news is we work in a resilient industry that is inexorably linked to the economic future of our country. Indeed, demand for post-secondary education is likely to expand, not contract; and those colleges that proactively manage their enrollments in this down economy are likely to emerge stronger than before.

In fact, while these economic times provide great challenges for higher education and its constituents, they also provide opportunity and incentive for evaluation, analysis, and change. In good times, colleges and universities have much more flexibility in their strategies, which has the negative effect of masking inefficiencies and ineffectual strategies. It’s during these kinds of tough times when campuses have to take a hard look at what they are doing to enroll and retain students and how they could make those efforts more efficient and effective. These ten strategies will certainly not solve all of your challenges, but they can help you get started and generate momentum for change.

References


Noel-Levitz, 2008 Admissions Funnel Report, p. 2

Noel-Levitz, NRCCUA, and James Tower, Engaging the Social Networking Generation: How to Talk to Today’s College-Bound Juniors and Seniors, p. 1
About Noel-Levitz

Noel-Levitz is a nationally recognized higher education consulting firm that specializes in strategic planning for enrollment and student success. Each year, campus executives from throughout the U.S. meet regularly with Noel-Levitz to accomplish their goals for student recruitment, marketing, student retention, and strategic enrollment management.

Since 1973, Noel-Levitz has partnered with nearly 2,000 colleges and universities throughout North America. The firm offers executive consulting, custom research and benchmark data, innovative tools and technologies, side-by-side plan development and execution, and resources for professional development. Noel-Levitz has several offices across the U.S.

For more information, visit www.noellevitz.com.