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U.S. NEWS

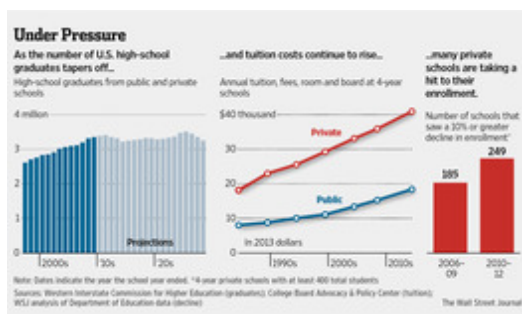
# U.S. Private Colleges Face Enrollment Decline

*Schools Respond With Cutbacks, Mergers and New Recruitment Strategies.*

By DOUGLAS BELKIN

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Spring Hill College in Mobile, Ala., was founded in 1830. It has graduated governors and admirals. Martin Luther King Jr. praised it for its early efforts at integration in his "Letter from Birmingham Jail."



None of that august history protected it from plummeting enrollment last year. So, to induce prospective students to consider its \$170,000 sticker price for a four-year education, Spring Hill began offering \$1,000 scholarships for taking a campus tour.

"We're at a time when enrollment is the No. 1 driver," said Bob Stewart, the school's vice president for admissions and financial aid. "We needed to have some game changers to bring in new students."

Spring Hill was caught in the same tailspin that many U.S. private colleges are facing as they endure plummeting enrollment among price-conscious students.

From 2010 through 2012, freshman enrollment at more than a quarter of U.S. private four-year schools declined 10% or more, according to federal data The Wall Street Journal analyzed. From 2006 through 2009, fewer than one in five experienced a similar decline.

The trajectory reflects demographic and technological changes, along with questions about a college degree's value that are challenging centuries-old business models. The impact is uneven: Some wealthy, selective private colleges are flourishing, while many others suffer.

Schools on the losing end are responding with closures, layoffs, cutbacks, mergers and new recruitment strategies. Many see these as the first signs of a shakeout that will reorder the industry.

"I think it's fair to say 30% of these private schools won't exist in a decade," said Jonathan Henry, vice president for enrollment at Husson University, a private school in Bangor, Maine, whose 2013 first-year enrollment was 17% lower than in 2009. "A lot of these schools will have to learn to live with less." Husson has built graduate programs to offset the declines, he said.



Prospective students are given a tour of Spring Hill College in Mobile, Ala. *Wes Frazer for the Wall Street Journal*

The Journal studied first-year enrollments at all U.S. private universities and colleges with over 100 freshmen, using data provided by the Education Department. Direct comparisons to previous enrollment changes weren't available with the department's online data, which start in 2006.

Private-school enrollment has generally risen in good times and fallen when household incomes were pinched.

But more-worrisome long-term trends are buffeting these schools, including a national decline in the number of graduating high-school seniors, a swarm of technologies driving down costs and profit margins, rising student debt, a

soft job market for college graduates and stagnant household incomes. Meanwhile, college costs have climbed at more than triple the inflation rate.

With the exception of the most selective colleges, these dynamics have pinched most public and private schools. But private colleges considered "mid-tier" that have low endowments and high tuitions appear most vulnerable.

A report by Moody's Investors Service found that revenue at 35% of private schools it rated rose in the fiscal year ended June 2012 by less than the Federal Reserve's target inflation rate of 2%. In the year ended June 2009, the figure was 11%.

At Mitchell College in New London, Conn., 2012 freshman enrollment was down a third from 2010. Last year, it bought a list of 50,000 names of prospective freshmen to use for marketing, up from 5,000 in earlier years, said Sue Bibeau, vice president of enrollment. The 75-year-old college is also cultivating adult-education programs.

"The recession took a heavy toll on us," she said. "We have to let more people know we are here."

Enrollment pressures reflect many factors. Prospective students are more likely to take refuge on campuses during recessions, when jobs are scarce, federal data show. Drops tend to occur early after recoveries. Demographics determine the number of potential freshmen.

Between 1966 and 2010, college-student numbers doubled as baby boomers, and then their children, enrolled. The number of high-school graduates peaked in 2011 and is projected to fall or flatten until 2024.

That stagnation coincides with new lower-cost online alternatives. The number of college students taking at least one online course nearly doubled to 45% between 2008 and 2013, according to a survey by Crux Research, a market-research firm.

The squeeze has prompted a hunt for efficiencies. Schools are joining teaching consortia to share costs and are outsourcing noncore services. More are consolidating: Between 2010 and October 2013, 45 schools merged, compared with 16 from 2006 through 2009, according to Higher Education Publications, which tracks the category.

In the Buffalo area, St. Bonaventure University and Hilbert College recently announced they are considering

merging. Hilbert's enrollment fell 27% between 2010 and 2012.

"We know the status quo is not sustainable," said Hilbert College President Cynthia Zane. "Of the 4,000 universities in this country, maybe 500 have economic immunity because their endowments are so high...everybody else is going to be profoundly impacted by the swings in the U.S. economy."

Some colleges have raised prices, hoping to get more revenue from those who can afford it while offering deeper discounts for others. That strategy means per-student net revenue is flat or dropping at most schools.

At St. John's College in Annapolis, Md., freshman enrollment fell 17% from 2011 to 2013. More than 30% of the budget is covered with gifts, up from 18% in 2008, President Chris Nelson said. "We've had to change our business model," he said.

Some are abandoning features that have been part of their identities. Historically black colleges are recruiting Latinos and Asians. Single-sex schools are going coed.

Georgian Court University in New Jersey, single-sex since 1908, decided to go coed after the 2012 class shrank a third. "In 2011 you couldn't even utter the word coed without offending someone," said John McAuliffe, vice president of enrollment.

Mr. Henry at Husson University is cultivating prospects early: This month, he will speak to two busloads of fifth-graders.

Zach Messitte, president of Ripon College of Ripon, Wis., just returned from a recruiting trip to São Paulo high schools. One of the Brazilian schools "said they've already had 100 colleges there this year," Mr. Messitte said. "Schools see wealthy, full-pay kids who want a U.S. education," he said, "and get stars in their eyes."

At Spring Hill, the \$1,000 campus tour was a hit. Mr. Stewart said the 2013 class size rebounded with the help of 315 tour scholarships.

Enrollment managers agree students and families have become more savvy shoppers. As inducements grow, so do expectations.

Meredith Sammon, a 17-year-old high-school senior from Carrollton, Ga., visited Spring Hill recently and said she was impressed by the \$1,000 scholarship.

But she wasn't sold: "It's a great incentive," she said. "But it's not a deal-closer."

—Scott Thurm contributed to this article.

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