

Uncertain futures for private colleges

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Although we hear a lot about problems at public colleges and universities – budget cuts, enrollment issues, political interference – private colleges also have their share of concerns.

Of the more than 4,600 institutions of higher education in this country, a little more than 3,000 (almost two-thirds of the total) are private. Although there are a few exceptions, they tend to be small, at around 2,000 students or fewer. Yet they represent a significant number of the overall number colleges and universities. Obviously not all are created equal. Some of them have large endowments and can afford to be very selective in admissions due to the large number of applications they receive. Those schools do not face any immediate financial issues. But what about the others?

From time to time we read in the press about small private colleges that either close down or are absorbed by larger ones in the same geographical area, and one wonders what is the future for those institutions. Let's analyze some of the unique prob-

lems that they face.

The first one is demographics. Each year the U.S. is seeing a decline in the number of high school graduates. Since these private colleges depend substantially on tuition dollars to cover their costs of operation, fewer students mean less economic certainty. And since these colleges attract mostly students from their geographic regions, those located in the Northeast and the Midwest, where there is a steady decrease in high school graduates, are the ones suffering the most.

This problem is compounded by the fact that in the past they tried to remedy these shortfalls by attracting more international students, but with the new xenophobic rules imposed by the Trump administration we are seeing a decline in the number of international students applying to colleges and universities in the U.S.

Another problem is that now they are facing more and more competition from public colleges and universities. Because of state budget cuts, public institutions have had to

become more competitive in their recruitment efforts. They also, with few exceptions, cost significantly less to attend. Public institutions have become a serious threat to the recruitment efforts of private ones. Add to that the efforts made in some states, like New York, to offer free college tuition to its residents under certain conditions, and it becomes clear that many private institutions face economic peril.

Although many private colleges have tried to compete by reducing what they charge students by charging a fraction of the actual cost – called the discount rate – the problem is that this is not a zero-sum game. At some point the discount rate becomes unsustainable and the college starts losing money.

Religious-affiliated colleges that try to stick to certain faith-related traditions are particularly vulnerable. According to a recent study by the Pew Research Foundation, fewer and fewer Americans identify as belonging to any particular organized religion. Those private colleges that require their students to be the followers of a particular faith have an even harder time

recruiting.

This issue also faces highly specialized colleges like those in the arts. The competition they face by larger (mostly public) institutions is such that unless they offer something really unique they cannot contend with the choices offered by larger, more scholarly diverse ones. To put it simply, they don't have room to maneuver.

And it is not that private colleges are unaware of these problems. In a report published last week by Insider Higher ED, a survey of college and university business officers showed that only 44 percent of chief financial officers at four-year baccalaureate colleges say they are confident their colleges will be financially stable over the next 10 years, down from 52 percent a year ago and 54 percent in 2016.

Twenty-four percent of financial officers at private baccalaureate-level institutions reported that the leaders of their colleges have had serious discussions about merging with other institutions, more than any other sector and almost five times more than answered that way a year ago. A similar proportion (26 percent) said that

their college should merge with another. And 68 percent of financial officers at four-year private colleges now acknowledge that their tuition discount rate is unsustainable, markedly higher than last year's 59 percent.

Are there ways to deal with these issues? There are. The problem is that the leadership of many of these small private colleges is not always capable of taking on the challenges and making the changes that are required to achieve those goals.

One shortcut they sometimes try to take is to increase their institutions' positions in the endless and meaningless rankings that are published every year by popular magazines. The problem with that approach is that it costs a lot of money the scale up in the rankings to meet the artificial standards created by those magazines. If your problem is a lack of money, that is not a viable solution. The other is that those rankings are not what really make a difference when making a decision on which college to attend. Location, cost, and affinity are much more important factors. After all, none of those rankings measure

how well they prepare their students.

These small colleges need to take a different route and develop the two pillars that are fundamental to building a sustainable financial future. One is to be known for something very specific and important, something that gives national prominence. A small institution should not try to be a jack for all trades.

The other strategy is to differentiate yourself from the rest. Most college websites look the same – the same design, the same messages, the same kind of pictures, and all use the word "excellence." Additionally, more and more students try to find out if a particular college is the one for them based on what they read in social media.

Unless they are willing and skillful enough to take on these challenges, they will become dinosaurs and their merging, and in some cases closure, will translate not only in fewer options for students but also loss of jobs in academia.

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