

M&A IN HIGHER EDUCATION – A LOOK AT RECENT NEWS

A report produced by SPH Consulting Group, in collaboration with the Center for Mergers and Acquisitions in Higher Education (CHEMA) at the Foundation for Research and Education Excellence.

2024 has begun eventfully for the M&A space in higher education. Following we summarize a few of the more salient issues we have observed:

- **CONTINUING CLOSURES:** The closures of small institutions continue unabated, consistent with the continuing pressures on the sector. A few examples include Career College of Northern Nevada, Jamestown Business College, The College of Saint Rose, Florida Career College, Pennsylvania Academy of the Fine Arts, and Presentation College.
- **MANY LARGE AND SMALL INSTITUTIONS ARE FACING DEFICITS... AND CUTTING EXPENSES:** A great variety of institutions, both private and public, are attempting to address significant financial shortfalls. These include larger institutions, such as University of Wisconsin (closing branch campuses), University of Arizona (apparently lost track of more than \$240 million), Penn State (plans nearly \$100 million in cuts for FY26 budget), Maryland community colleges (addressing a \$22M budget cut), the University of Connecticut (proposes multi-year reductions to address a \$70M deficit), the University of New Hampshire (addressing a \$14 million deficit), and the California State University System (addressing an expected, but as yet undetermined, reduction in state support).

Medium and small sized institutions, while not yet closing, are also affected. Examples include the University of North Carolina (UNC)-Greensboro (cutting academic offerings), UNC-Asheville (facing a \$6 million deficit), Marietta College (cutting three dozen administrators and faculty), Baldwin Wallace University (financial cuts to all areas), Webster University ('right-sizing' staffing and executive pay, and seeking to 'unrestrict' millions in endowment funds), Loyola Marymount (cutting six athletic programs), Concordia University in Ann Arbor (facing financial problems that will likely lead to cutbacks of staff and programs), Albion College (implementing a 3-year "budget realignment plan), Birmingham-Southern College (still attempting to obtain a \$30 million previously denied loan from the state), and Christian Brothers University (eliminating 28 faculty positions and a dozen programs).

- **STILL TOO FEW MERGERS ARE BEING EXPLORED:** Many of the closures listed above occurred after failed merger talks, usually because they started a bit too late. However, a few mergers or 'strategic partnerships' were announced including that of Notre Dame of Maryland University and Maryland University of Integrative Health, Notre Dame College (IL) and Cleveland State University (although no significant progress has yet been made), American Public Education, Inc. acquisition of Rasmussen University, University of the Redlands acquisition of Woodbury University, Pine Manor College and Boston College institutional agreement, Saint Joseph's University and Pennsylvania College of Health Sciences merger, and the merger of Anglia Ruskin University and Writtle University College. Still others were considering or seeking a merger, including the Pittsburgh Technical College and the Vermont College of Fine Arts. As always, too few mergers are being pursued in a timely fashion.
- **BLOOMBERG ANALYSIS OF SMALL COLLEGES:** Bloomberg News listed 170 small, nonprofit colleges and universities that met three or more of five metrics (i.e., high acceptance rate, a low yield on offers of admission, falling enrollment, rising institutional aid, and persistent operating losses) that the news organization used to identify stressed institutions of higher education through 2021. That number marked the highest in at least 15 years and was more than five times the amount reported a decade earlier, according to Bloomberg's review.

- **A SECOND ENROLLMENT DROP IS PREDICTED:** We knew of the ‘enrollment cliff’ to begin in 2025 (although declines in enrollment have already been felt across the sector), after which the college-going population is expected to shrink by as much as 15% for the following decade or so, rebounding thereafter. However, these projections may have been overly optimistic (if we can call this optimism...). More recently the U.S. Census Bureau has updated its predictions and now projects that instead of rebounding, the number of 18-year-olds (i.e., traditional higher education freshman candidates) will decrease from about 4.2 million in 2033 to around 3.8 million in 2039. And this population is not forecast to exceed 4 million in the remainder of this century! More food for thought for higher education leaders, policymakers, and diverse stakeholders alike, as they consider how to encourage consolidation in the sector.
- **WHERE ARE BOND-HOLDERS IN THE MERGER CONVERSATION?** Like many others (some closing, some not), Lake Erie College is struggling to repay bond debt. And Bradley University is making \$13 million in cuts in order to meet violated bond covenant requirements. As many colleges close and many more become increasingly financially stressed, expect stakeholder bond holders – who have remained relatively quiet so far – to become more vocal in encouraging the institutions they hold debt for to seek major restructuring... sooner than later.
- **VARIOUS GOVERNORS ANNOUNCE INTENTION TO CONSOLIDATE PUBLIC HIGHER EDUCATION IN THE STATES:** In the face of too few mergers being pursued and increasingly dire enrollment trends and forecasts, various state governors have announced the intention to consider consolidating their higher ed institutions, including Gov. Stitt of Oklahoma, Gov. Shapiro of Pennsylvania, and Gov. McMaster of South Carolina. These efforts follow those that occurred in Kansas, Vermont, Georgia, and Connecticut, among others. Opponents were quick to react, with the governing board of Eastern Oklahoma State College rebuffing the Oklahoma governor’s merger proposal, although in Pennsylvania the announcement seemed to fare better, with apparent support of current higher ed institution leaders.
- **STATES AND PRIVATE INDUSTRY REDUCE DEGREE REQUIREMENTS FOR MANY JOBS:** Several states and large employers have announced that they would start doing away with the requirement for a 4-year higher education for a number of select jobs. While much gnashing of teeth concerning the value of a 4-year diploma has ensued, it is unclear how much the announcements will impact candidate application... and, eventually, employee selection. Nonetheless, in my [January column in Higher Ed Dive](#) I noted that many of the jobs that our society needs are hands-on and technical and do not necessarily require a 4-year higher ed degree... although they do require further training and certification. In fact, consistent with this observation, recent data noted that more young men are enrolling in trade schools than college. This trend will put further pressure on traditional 4-year higher education, particularly smaller liberal arts colleges.
- **IDAHO UNIVERSITY’S PURCHASE OF UNIVERSITY OF PHOENIX CONTINUES TO PROCEED FORWARD:** A recent Idaho ruling has helped clear the way for the University of Phoenix acquisition by the University of Idaho. A courageous... and hopefully successful... venture. One that may serve as an example – and learning opportunity – for future initiatives.
- **THE MERGER OF THE UNIVERSITY OF ADELAIDE AND UNIVERSITY OF SOUTH AUSTRALIA CONTINUES IN AN EFFORT TO CREATE THE LARGEST RESEARCH UNIVERSITY IN AUSTRALIA – AND TO BETTER COMPETE GLOBALLY:** The massive merger – the largest ever attempted in Australia – continues with over AU\$450 million in state government support. Leaders have now asked faculty and staff to co-design a “wholly new” curriculum with input from students and industry. While very exciting and potentially ground-breaking, not everybody is happy... notably the faculty. However, this continues to be another important restructuring effort in higher education worthy of following.