

# Des Moines Register

## Merge or die? Some private Iowa colleges face tough choices as enrollment continues to tumble



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### Key Points

After Iowa Wesleyan University's closure and Upper Iowa University's cuts this year, experts say more closures loom over the next several years.

The share of U.S. high school graduates enrolling in colleges has dropped from 70% in 2009 to 62% last year.

Tuition revenue increased by 35% at U.S. private, nonprofit colleges from 2011 to 2021. In Iowa, tuition revenue increased by just 10%.

While total college enrollment dropped by 2% in the U.S. from 2011-21, college enrollment in Iowa dropped by 14%.

Half of Iowa private, nonprofit colleges saw tuition revenue decline from 2011 to 2021.

At this time last year, administrators at Clarke University and Loras College were deep into discussions about merging their eastern Iowa schools.

The small, private Catholic institutions predate Iowa's formation as a state. But they sit just a mile from each other in Dubuque — Clarke on Clarke Drive, Loras on Loras Boulevard.

And, like many other private colleges nationally and in Iowa, the schools have struggled with declining enrollment.

Last fall, 970 students attended Clarke, a 19% drop from a decade earlier. About 1,300 students attended Loras, a 15% decline.

"From 30,000 feet, it looks like a good idea," Clarke Interim President Fletcher Lamkin said of the proposal.

Lamkin said his predecessor, Thom Chesney, began meeting with Loras President Jim Collins last spring to discuss a merger. But by late December, Lamkin said, leaders at the two schools decided to break off negotiations.

"When we looked at the financial realities, it wasn't feasible," said Lamkin, who became interim president Jan. 3.

Collins and Lamkin both contend their schools have playbooks to remain viable, with plans that include raising tens of millions of dollars from donors.

Outside experts say negotiations like the one that unfolded between Clarke and Loras are happening across the country as small private schools try to remain viable. They are struggling with shrinking enrollment as families raise fewer children and the costs of a college degree mount.

Mergers are the answer to many colleges' problems, some experts say, affording merged schools higher enrollment, fewer administrators per student and more leverage to negotiate contracts with suppliers.

According to EY Parthenon, a global strategy consulting arm of Ernst & Young, about 34 college mergers occurred every year from 2018 to 2022, up from four annually the prior 18 years.

Such deals may be particularly apt in Iowa, where college enrollment has fallen at a rate seven times faster than the national average since 2011. Half of the state's private nonprofit colleges have seen annual tuition revenue shrink over the last decade, jeopardizing those with lower donor bases.

But mergers are hard. College presidents answer to passionate donors and alumni. The culture in some small towns is wrapped up in the schools, and locals don't welcome a deal that gives outsiders power. The job cuts that accompany mergers sting.

And sometimes, time runs out.

College presidents "wait so long that they have no real resources," said Ricardo Azziz, principal at SPH Consulting Group, who served as president during a 2013 merger that created Augusta University in Georgia. "They don't have any enrollment. Their brand name is gone."

"At that point, they're not going to be a successful merger partner."

## **Clarke and Loras presidents say they can turn around school finances**

At Loras, administrators had borrowed 40% of the school's \$53.5 million endowment to fund operations and capital spending as of February, prompting its auditors to write that "substantial doubt about the ability for the college to continue as a going concern could exist."

But Collins, the school's president, said in an email that several changes will improve the school's finances, including new majors and a women's wrestling team. Loras is also targeting potential students in growing states like Arizona and Florida.

The college will also launch a "major, nine-figure capital campaign," Collins said.

Clarke leaders are trying something similar. Lamkin said the school wants to raise \$40 million, spending about \$25 million on renovated dorms and a new student success center to reverse the school's retention problems.

Just two-thirds of Clarke freshmen returned for their sophomore years as of fall 2021, down from 80% in 2011. No other Iowa private college experienced such a steep drop.

Lamkin also hired a new vice president of enrollment, and the school is trying to make financial aid offers to applicants more quickly, hoping to win over prospective students before their competition. The school will start marketing to high school sophomores, rather than just juniors and seniors.

Both colleges rely heavily on sports teams to lure students, which a merger would hurt by eliminating available spots on teams. Lamkin estimated that one-third of Clarke's student athletes would transfer from the merged school.

"I've got a number of things that we're working on to improve our situation here," Lamkin said. "Those are not affecting people's lives and putting them out of work. That's a terrible situation when you start doing that. I would say you avoid it at all costs."

Administrators at the two schools have dealt with these questions before. The two sides also agreed to a merger in 1988.

Monsignor James Barta, Loras' president at the time, recently told the Register a merged institution would have thrived by marketing both schools' strengths — fine arts, computer science and health science from Clarke; business and psychology from Loras.

Leaders at the schools toyed with naming the merged institution "Loras & Clarke," a play on the famous 19th-century explorers.

"The two of us together would have been stronger than the two of us alone," Barta said.

But both schools' boards rejected the deal, trying to hold on to their distinct identities. Barta doubts institutions like Clarke and Loras will manage to work past these hurdles.

"We're going to see a number of closures," Barta said. "Probably more closures than mergers."

## **Sagging public opinion about student debt sinks country's small colleges**

Colleges' current financial problems can largely be blamed on poor public relations, experts say.

As the price of tuition and fees increased faster than most household purchases, student debt became a larger burden on Americans, tripling since 2004.

In turn, some Americans soured on higher education.

A Wall Street Journal-NORC poll in March found that only 42% of respondents thought college was worth the cost, down from 53% in 2013. The finding came despite the fact that, as of 2022, a U.S. worker with a bachelor's degree earned about \$27,000 more annually than one with a high school diploma.

Colleges also began to face more competition. Participation in apprenticeships doubled over the last decade, and some of the programs have stretched into white-collar industries such as insurance and banking.

Computer coding boot camps have become more popular, as have credential programs from companies like Google and Amazon.

During the pandemic, the labor market became tighter. More teenagers began to work. Wages in industries that traditionally don't require college degrees — leisure and hospitality, warehousing and construction — have grown faster than most parts of the economy.

“If you finish college, it pays off,” said Robert Kelchen, a higher education finance professor at the University of Tennessee. “But it doesn’t pay off for everyone. If you don’t finish, it doesn’t pay off.”

The college enrollment rate for recent high school graduates has steadily dropped, from 70% in 2009 to 62% last year. Iowa's rate has experienced a similar phenomenon, according to the Iowa College Aid Commission.

From 2011-21, national college enrollment dropped 2%. Iowa college enrollment dropped 14%, with private colleges dropping 13%.

As the pool of students dropped, schools have found themselves competing in a tighter market.

The National Association of College and University Business Officers’ annual survey of private, nonprofit colleges found that schools offered students an average 51% discount on tuition prices during the 2022-23 academic year, compared with a 40% discount in 2013-14.

About 200 colleges have closed in the last decade, up from about 50 colleges in the previous 10 years — including Iowa Wesleyan University, which shuttered in May.

Upper Iowa University, meanwhile, cut 35 jobs at its Fayette campus in May as school officials work to reorganize after a decade of enrollment declines.

Some experts predict a larger wave of closures over the next decade as birth rates fall.

Robert Zemsky, a University of Pennsylvania professor and author of the "College Stress Test," predicts that name-brand intuitions will be fine. But the least-known schools that have accepted the lowest-performing high school students will struggle, he said.

Since 2011, the colleges in the bottom 20th percentile in six-year graduation rates — a proxy for the quality of a school — have seen enrollment declines. The rest of U.S. colleges have seen enrollments improve.

“The rich are getting richer, the big are getting bigger and geography matters,” Zemsky wrote in his 2020 book. “Everyone else is scrambling. ... The market is squeezing them; they may well have done nothing wrong.”

In Iowa, 21 of 35 private colleges saw enrollment drops from 2011 to 2019. The picture has not improved since the start of the COVID-19 pandemic.

Azziz, the former Augusta University president, said any school that has lost 5% of its population over the last decade should hunt for merger partners.

“It’s not different than people who are dating,” Azziz said. “Everybody has to put on their best clothes and their best attitude. Everybody has something they can highlight.”

But Kelchen, the University of Tennessee professor, doubts schools will explore mergers before their enrollment shrinks too far. And even those schools open to mergers may not be attractive in areas like rural Iowa.

“Is there another college that’s going to want a physical campus in a small town with a declining local population?” Kelchen said.

## **Iowa Wesleyan discussed a merger. The deal died before the college did.**

Five years before announcing its closure amid \$26 million in debt, Iowa Wesleyan University officials tried to turn around the school by raising money from donors and finding a partner. They settled on St. Leo University, a private Catholic college in Florida.

But after eight months of negotiations, talks broke down. Iowa Wesleyan instead brokered a partnership with Southeastern Community College in Burlington.

As part of that deal, announced in 2021, Iowa Wesleyan offered scholarships to the community college’s students, billing the partnership as a means to a four-year degree from a private college for the same price as a University of Iowa education.

Southeastern Community College President Michael Ash said about 40 students planned to transfer from his school to Iowa Wesleyan this fall, up from about five students a year before the partnership.

Despite some planned positions falling through, Ash believes such partnerships are crucial to help schools survive.

“Support is not as strong as it needs to be from governments,” he said. “We have to find other ways to be able to support students.”

## **Other Iowa colleges say mergers aren't in the works**

No school in the state has suffered more from a drop in students than Upper Iowa, where enrollment declined 47% from 2011 to 2021, according to the U.S. Department of Education.

With small campuses around the country, Upper Iowa was an early adopter of online education and distance learning for working adults. But school spokesperson Andrew Wenthe said Upper Iowa has lost online students to institutions like Arizona State and Purdue University Global.

“Larger schools with larger budgets — out-of-state schools — are competing for the same students we are,” Wenthe said.

Upper Iowa announced in March and May that it would close locations in Connecticut, Illinois, Mississippi and Wisconsin. The school also declared “financial exigency,” cutting 35 jobs in Fayette — including tenured professors — and ended its sociology, information technology, information services, intensive English and master's in sports administration programs.

Still, Wenthe said school leaders are not contemplating a merger. They believe the school can improve financially with its recent cuts and by focusing on its most popular programs, including teacher education, biology and conservation management.

"We need to preserve our ability to offer a high-quality, affordable, accessible degree and not rely on enrollment growth," Wenthe said.

## **William Penn touts diversity, disdains merger**

Other private college leaders around Iowa say they are betting on campus improvements and new programs to improve their finances, rather than exploring mergers.

At William Penn in Oskaloosa, where enrollment dropped 35% from 2011 to 2021, President John Ottosson said the school will continue to play up its diversity, a value derived from its Quaker roots. He said the school of about 1,400 boasts students from 42 states and 25 countries.

Merger is off the table because school officials want to “keep our traditions going,” he said.

In February, William Penn joined three colleges that each requested about \$12 million in COVID-19 relief money from Gov. Kim Reynolds. Ottosson said the governor's office has not responded to William Penn's request, but school officials want to use the money to renovate a chapel and some dorms and expand a building for science labs.

William Penn operates on thin margins, with a low level of expendable assets — a key metric for college financial health, according to the State Higher Education Executive Officers Association.

As of 2021, according to the Department of Education, William Penn reported \$1.7 million in expendable assets and \$42 million in building-related debt. The college's viability ratio — 0.04 — was in the bottom 10% of all U.S. private colleges.

Ottosson said William Penn's financial position is better than the ratio indicates because some donors have provided restricted trusts valued at \$8 million as of 2022. William Penn can use only the income produced from the trusts.

## **Luther College banks on more majors, partnerships**

At Luther College in Decorah, annual tuition revenue declined 37% from 2011 to 2021 — the third-steepest drop among Iowa private colleges during that period.

Andrew Bailey, the school's vice president of finance and administration, said school administrators will launch new programs to attract more high school students. Luther College will offer an engineering sciences major beginning this fall.

"We have more coming, more in the pipeline," Bailey said.

The school will also try to bolster its partnership with Rochester, Minnesota, where Luther sends students to intern at the Mayo Clinic and other employers. Luther officials want to recruit more of the city's students to the college.



Luther also announced a partnership with the University of Iowa in April. Luther students interested in receiving a master's degree in public health will start taking University of Iowa online courses during their senior years at Luther.

They will then take classes at the university for one year to complete their master's degrees on accelerated paths.

## **Grand View adds new programs to stem enrollment drop**

In Des Moines, Grand View University has lost about 18% of its students over the last decade, with most of the drop occurring before the pandemic.

As with other Iowa schools, President Rachelle Keck said Grand View will try to grow with new programs.

The university added a clinical mental health counseling master's program two years ago and a social work master's program in the most recent academic year. Grand View will offer a master's in school counseling this fall.

The school received \$3 million from the state this year to launch a health care apprenticeship program for entry-level jobs such as transcriptionists and nursing assistants.

Keck said Grand View also plans to offer certificates for adult learners who want to advance their careers. The school will launch a Global Fluency program this fall, a program that will include a week of classes in France.

"We are not having merger conversations," she said. "Nor do we need to at this point — and hopefully never.

"Our goal is to never have to be in that situation."

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