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Higher Education – US

Shifts in student migration would benefit some universities and harm others

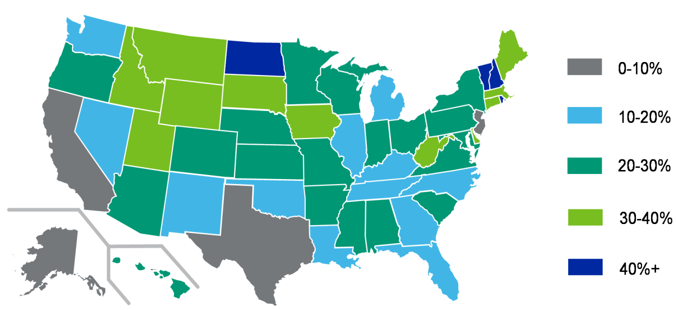
The coronavirus pandemic is likely to drive shifts in student behavior, with more students choosing to enroll closer to home for health and safety reasons as well as in a search for affordable alternatives. Universities and colleges in states with a higher reliance on nonresident students will face reduced enrollment in the fall if students decide to remain near home. In contrast, universities in states that have typically exported a larger share of students could increase enrollment. Newly released migration data from the National Center for Education Statistics (NCES) fall enrollment survey highlights the states where universities have the most to gain or lose. Economic conditions point to public universities and community colleges garnering greater market share.

States with large percentage of out-of-state students are vulnerable to shifts in student migration

A high percentage students coming from out-of-state indicates the success of colleges and universities in recruiting from other states but makes them vulnerable to shifts in migration patterns. These states are at greater risk of declining enrollment if student preferences shift to staying closer to home. North Dakota, Rhode Island, Vermont, and New Hampshire each have more than a 40% reliance on out-of-state students, as shown in Exhibit 1.

Some states are better protected against such shifts. Alaska, Texas, New Jersey and California each have less than a 10% reliance on nonresident students, making them less vulnerable. Overall, 70% of states rely on more than 20% of their students coming from out of state, highlighting how shifting enrollment patterns could result in greater uncertainty and volatility for the fall 2020 entering class.

Exhibit 1
Reliance on out-of-state students varies across the country



Source: National Center for Education Statistics; Moody's Investors Service

If students decide to stay in their home state, some states have the potential to make significant enrollment gains. In New Jersey, Hawaii, Connecticut, New Hampshire, and Vermont more than 35% of first-time students left their home state in fall 2018 to seek higher education options elsewhere. These states can improve enrollment gains if students stay in-state.

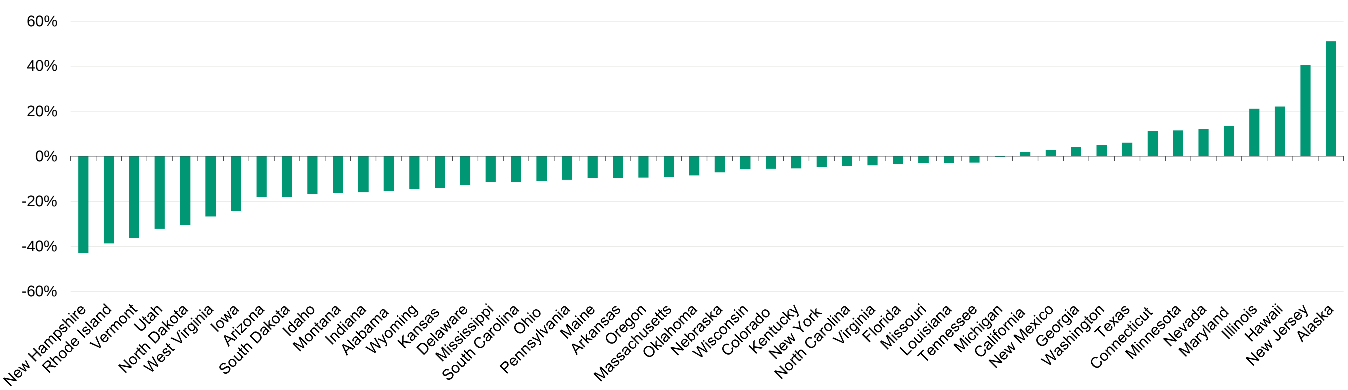
New Jersey (A3 negative) had already started pushing for students to remain local before the coronavirus outbreak. Now the state is calling students to "come home," offering a transfer path for students enrolled in out-of-state universities, as well as financial aid and scholarship program opportunities to students who choose to transfer into one of the 10 public four-year universities participating in the program. With the very high number of coronavirus cases in New Jersey, the duration of containment efforts may exceed the US average, leading to a deeper and longer economic contraction than currently forecast. In the circumstances, resident fall enrollment in New Jersey could increase significantly.

Exhibit 2 highlights the net impact on first-year enrollment if a state retained all the students it previously exported but lost all students it previously imported. For example, if fall 2018 first-time New Jersey students who left the state had decided to stay in New Jersey, and all those that enrolled from outside the state chose to remain in their own home state, New Jersey's first-time student enrollment would have increased by 41%.

Exhibit 2

More than 70% of states will see first-time enrollment decreases in their state if they keep students in their home state, but lose students who come from out-of-state

Fall 2018 net impact of first-time fall enrollment in each state if they retained students that out-migrated but lost all in-migration



Source: National Center for Education Statistics; Moody's Investors Service

Affordability concerns likely to boost enrollment at public and community colleges

As economic uncertainty persists amid the coronavirus pandemic, public universities in each state are more likely to increase enrollment than their in-state private university counterparts. Students, who will be finalizing their fall enrollment decisions in the coming weeks, will likely seek greater affordability because of the weakened financial conditions. Moody's has revised down US growth projections, now forecasting a 5.7% contraction in real GDP this year. Labor markets have been extremely hard hit.

Community colleges are also likely to enjoy an uptick in fall enrollment for affordability reasons. Students who traditionally might have gone straight into a four-year university might enroll in a community college if they have concerns about not receiving the traditional on-campus experience. Declines in household income will drive more students to seek lower-cost options, contributing to the revenue decline and shift in market share among colleges and universities. Even if enrollment grows, net tuition and other student revenue will fall.

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- Higher education - US: Outlook shifts to negative as coronavirus outbreak increases downside risks, March 18, 2020
- Community colleges - US: Outlook stays stable as diversified revenue, operating model soften coronavirus impact, May 20, 2020

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- Higher education - US - Federal aid provides modest support for universities coping with coronavirus, April 7, 2020
- Higher education - Global - Coronavirus will lower student demand and increase costs for universities, April 7, 2020

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- Higher education - US - Largest debt issuers are well positioned to weather coronavirus shocks, May 12, 2020

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