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U.S. colleges hit by drop in fees and enrollment

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In the latest sign of financial turmoil in higher education, an annual survey of U.S. colleges and universities has found that a growing number of schools face declining enrollment and less revenue from tuition.

The survey, by the credit reporting agency Moody's, found that nearly half of colleges and universities that responded to the survey expected enrollment declines for full-time students, and that a third of the schools expected tuition revenue to decline or to grow at less than the rate of inflation.

Analysts at Moody's say the problems are particularly acute at smaller, tuition-dependent schools and lower-rated universities, which have less ability to raise prices or attract students.

"The cumulative effects of years of depressed family income and net worth, as well as uncertain job prospects for many recent graduates, are combining to soften student market demand at current tuition prices," said Emily Schwarz, a Moody's analyst and lead author of the report, in prepared remarks.

The growing financial challenges for colleges and universities come at a time when students have collectively amassed more than $1 trillion in debt,

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and many of them are struggling to pay their bills. Nearly one in six people with an outstanding student loan balance is in default, the U.S. government says.

Before the financial crisis, colleges and universities routinely increased tuition fees and saw little impact on the number of applications. Indeed, some private colleges said that raising their price actually increased the number of applicants, apparently because families equated higher prices with quality.

That attitude has changed, in part because family incomes have declined. But Ms. Schwarz also noted, "Tougher governmental scrutiny of higher education costs and disclosure practices is adding regulatory and political pressure" to tuition fees and revenue.

In addition, she noted that budget negotiations in Congress could lead to cuts in student aid programs, even as the share of students that depend on government help continued to rise.

At public universities, U.S. government loans pay for a median of 40 percent of student charges; at private schools, the median is 21 percent.

Over all, for the government 2013 fiscal year, 18 percent of private universities and 15 percent of public schools that responded to the survey projected a decline in net tuition revenue. A much larger share, a third, said net tuition revenue would decline or grow less than 2 percent.

"Such weak revenue growth often means a college cannot afford salary increases or new program investments unless it cuts spending on staff and existing programs," a Moody's report on its survey findings said.

By comparison, in fiscal 2008, only 11 percent of private schools and 9 percent of public ones failed to increase tuition revenue 2 percent or more.

Growing awareness of student debt has focused more attention on the value and cost of higher education, which has increased faster than inflation for decades.

The reasons for the cost increase include greater spending on administrators, financial aid and debt for new buildings, as well as growing costs for items like health care that have affected all businesses.

The Moody's survey included 165 nonprofit private universities and 127 responses from four-year public universities.


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