

# Analytics Brief

Issue #1

Kent State University at Stark

September 2018

## Demographic Shifts and Enrollment Trends in Higher Education

Like climate change and natural disasters, are demographic shifts increasing the likelihood of higher education calamities and the intensity of those calamities? If so, what can institutions, states, regions, and the nation do to weather the inevitable storms? This *Analytics Brief* finds that storms are already brewing in Ohio and projected changes in demographics will likely increase the prospect and power of higher education storms in Ohio.

### United States

The most recent *Knocking at the College Door*<sup>1</sup> report published by the Western Interstate Commission for Higher Education (WICHE) provides historical and projected data on the number of high school graduates, their demographic composition, and geographic areas of growth, stagnation, and decline in the number of high school graduates. Nationally, after growing for the 15 years prior to the 2013-14 academic year, the number of high school graduates will stagnate and average about 3.4 million graduates annually with a peak at about 3.56 million graduates in 2025-2026. Marked changes in the demographic composition of high school graduates will support the stagnation; the number of white and black high school graduates will decline, which will be counterbalanced to varying degrees by the rising number of Hispanic and Asian/Pacific Islander high school graduates. Regionally, the number of high school students will grow in the South and West and decline in the Midwest and Northeast.

In *Demographics and the Demand for Higher Education*, Nathan D. Grawe stresses that it is not only demographics and geography that affect the demand for higher education, but decline in fertility during the Great Recession, the likelihood of students to attend college based on specific demographic characteristics, and type of institution.<sup>2</sup> For example, elite institutions are expected not only to weather the demographic storm but to continue experiencing growth in demand. However, he warns that even within this subgroup, elite institutions in the northeast and eastern Midwest will need to find new recruitment pools to offset the collapse of markets in those regions. Most staggering is Grawe's estimate of the coming contraction beginning in 2025 when the number of high school graduates, which will have already been declining steadily for about 15 years, contracts more sharply because of

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<sup>1</sup> Bransberger, P. and Michelau, D. (2016). *Knocking at the College Door: Projections of High School Graduates*, 9th Edition. Boulder, CO: Western Interstate Commission for Higher Education.

<sup>2</sup> Grawe, N. (2018). *Demographics and the Demand for Higher Education*, Baltimore, MD: Johns Hopkins University Press.

the drop in fertility during the Great Recession. In time, the demographic trend shows steady declines before it worsens abruptly for several years. The end of the negative demographic shift is not in sight.

## **Midwest - Ohio**

The trend in the number of Ohio high school graduates provides some context for the Midwest decline. Ohio has the 7<sup>th</sup> highest number of high school graduates of states in the U.S. and the 2<sup>nd</sup> highest for Midwest states (IL, OH, MI, WI, IN, MN, MO, IA, KS, and NE) according to the WICHE report. In 2013 Ohio contributed 17.6% of the Midwest's high school graduates, which is predicted to decline to 16.2% of the Midwest's graduates by 2032. The total number of public and private high school graduates in Ohio peaked at about 137,000 in 2011 and will trend downward and decline to 110,000 in 2032, the end of WICHE's projection period, which is a 20% decline in high school graduates in two decades.

Ohio high school graduates are less diverse in demographic composition than the Midwest as a whole or the United States. *Knocking at the College Door* reports that in Ohio, 82% of high school graduates are white, compared to 75% in the Midwest and 70% in the U.S. By 2032, white high school graduates are projected to be 72% of all high school graduates in Ohio. Although the growth in the high school graduate population will occur among the non-white student population, in Ohio it will not offset the decline in the number of white high school graduates as it will in other states and regions of the country because Ohio is less diverse.

Ohio public school enrollment is following the demographic trends of high school graduates projected by *Knocking at the College Door*. In Ohio, total public elementary and secondary school enrollment is trending downward, and has declined 4.4% from 2010 to 2017.<sup>3</sup> Enrollment by black and white students, the two largest student populations by race in Ohio, has declined by 1.2% and 10.1%, respectively. Native American student enrollment, which makes up 0.1% of public school enrollment in Ohio, has also declined by 17.4%. In contrast, enrollment by Asian, multi-racial, and Latino students has increased by 36.5%, 19.4%, and 59.4%, respectively. But the increase in the number of public school students by Asian, multi-racial, and Latino students (63,855) does not offset the decline in the number of black, white, and Native American students (147,335) from 2010 to 2017 in Ohio.

## **Ohio Counties**

Zooming in further to the county level in Ohio, the demographic trends in public elementary, middle, and high school student populations in Stark and nearby counties indicate years of decline in the number of local and regional future high school graduates (See Figures 1a-4c).<sup>4</sup> Enrollment in elementary and secondary public schools in Stark and Summit Counties, counties bordering Stark, and Ohio has been generally declining and continues to decline.

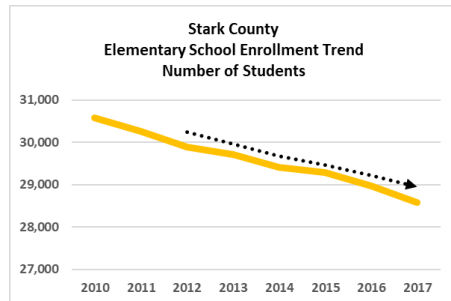
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<sup>3</sup> Ohio Department of Education. (FY 2011 Data to Current Year Data). [Fall Enrollment](#) (Headcount) – October 2010 - October 2017 Public Districts and Buildings.

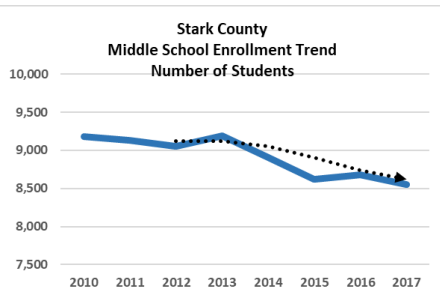
<sup>4</sup> Ohio Department of Education. (FY 2011 Data to Current Year Data).

### Public Elementary, Middle, and High School Enrollment Trends Stark and Summit Counties, Stark Border Counties, and Ohio 2010-2017

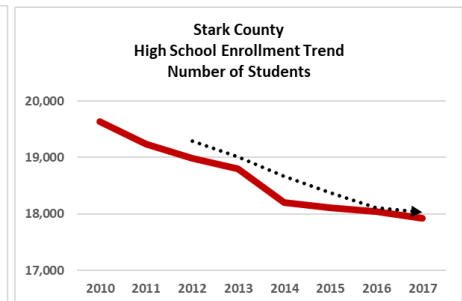
**Figure 1a**



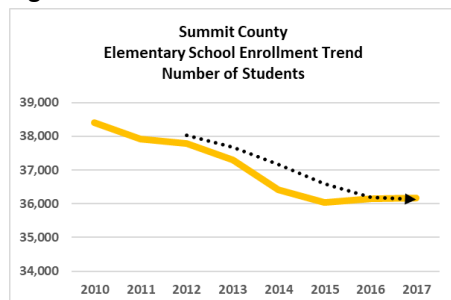
**Figure 1b**



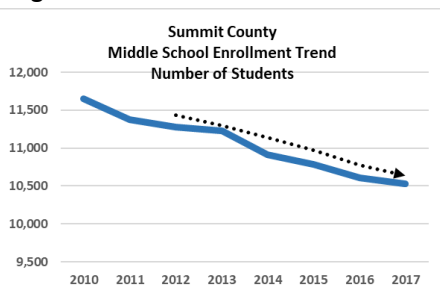
**Figure 1c**



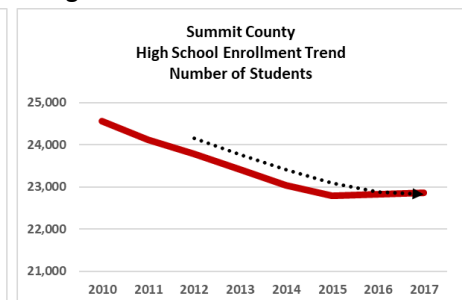
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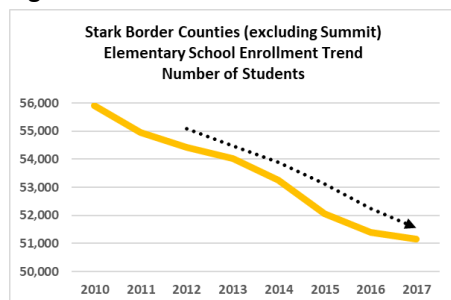
**Figure 2b**



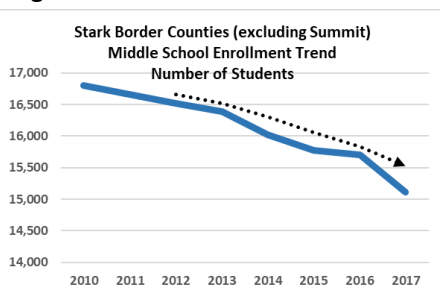
**Figure 2c**



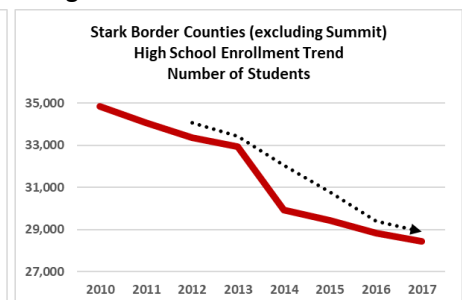
**Figure 3a**



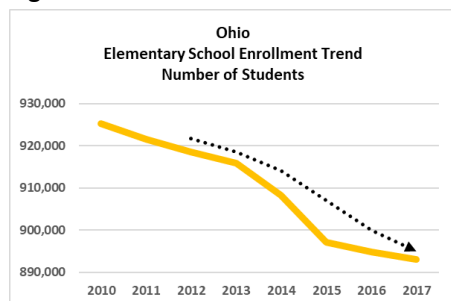
**Figure 3b**



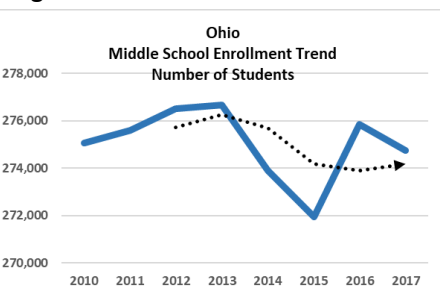
**Figure 3c**



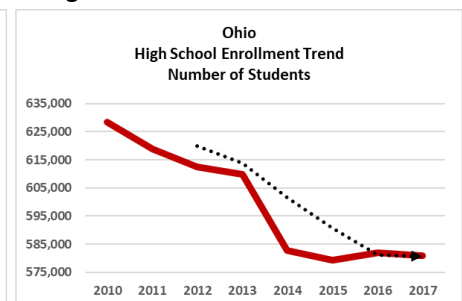
**Figure 4a**



**Figure 4b**



**Figure 4c**



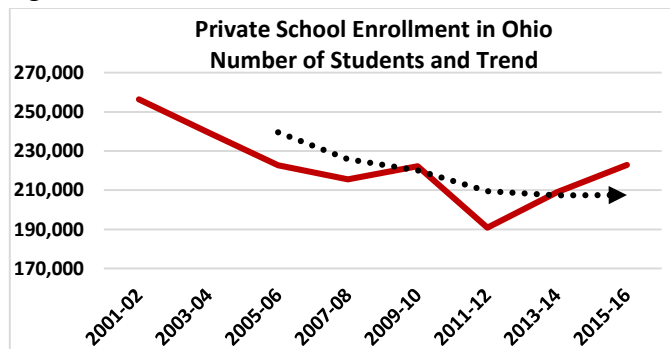
Source: Ohio Department of Education, Fall Enrollment (Headcount) – October 2010 - October 2017 Public Districts and Buildings, FY 2011 Data to Current Year Data. (Trends and aggregation of border counties calculated by T. Ford).

Note: Elementary school enrollment is defined as enrollment in kindergarten through sixth grade. Middle school enrollment is defined as enrollment in seventh and eighth grade. High school enrollment is defined as enrollment in grades 9-12.

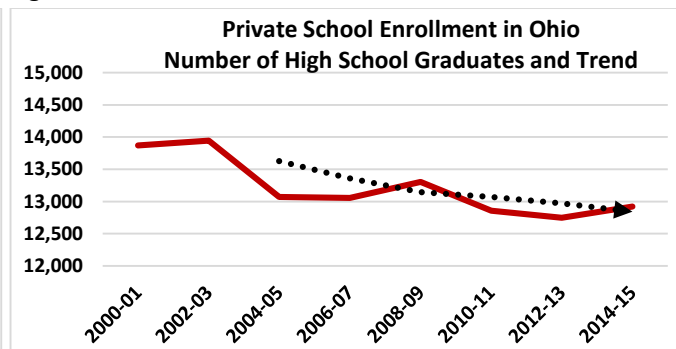
Total enrollment in Summit County public schools has declined 9.4% from 2010 to 2017. However, public elementary and high school enrollment in Summit County has increased slightly since 2015 (Figures 2a and 2c) and the increase is a result of an increase in the enrollment of Asian, black, Native American, multi-racial, and Latino students, with the largest increase in Asian student enrollment. Summit County is home to Akron, which has resettled more than three thousand Bhutanese immigrants since 2008.<sup>5</sup> These immigrants have emigrated from Nepal, but there is also a domestic migration of Bhutanese refugees to Akron from within the U.S. Akron's Bhutanese immigrants may be responsible for shifting Summit County's public school enrollment trends and they continue to make up a relatively high portion of refugee arrivals in the U.S. In Fiscal Year 2018, Bhutanese refugees made up 11.2% of all refugees arriving in the United States, and Ohio became home to 28% of these immigrants.<sup>6</sup>

In Ohio, the rate of decline began to slow for elementary school students in 2015 (Figures 4a-4c). 2015 was also an inflection point for Ohio public middle school students, which showed an increase of 4,000 students from 2015 to 2016 in an otherwise declining trend. This rise may result in an increase in public high school students in Ohio from 2017 to 2018. Ohio's trend in the number of public high school students shows a decline from 2010 to 2014 followed by a slight increase from 2014 to 2017. Enrollment in private schools in Ohio is also trending downward as well as the number of high school graduates from private schools in Ohio (Figures 5 and 6).

**Figure 5**



**Figure 6**



Source: Institute of Education Science (IES), National Center for Education Statistics (NCES), [Private School Universe Survey](#), 2000-01 to 2015-16. (Trend calculations by T. Ford.)

One student population subgroup in Ohio that has grown sharply is the number and share of students who are economically disadvantaged. While total public school enrollment has declined 6% from 2006 to 2017, economically disadvantaged students have increased 37%, or a quarter of a million students, over the same period.<sup>7</sup> In 2017, a majority, or 51%, of Ohio's public school children were economically disadvantaged, compared to 35%

<sup>5</sup> Schultze, M.L. (October 2, 2017 and updated June 4, 2018). [Bhutanese Refugees are Finding Their Place in Ohio](#). *HuffPost*, Retrieved at [www.huffingtonpost.com](http://www.huffingtonpost.com).

<sup>6</sup> U.S. Department of State, Bureau of Population, Refugees, and Migration, Office of Admissions – Refugee Processing Center, (September 5, 2018). ["Refugee Arrivals by Placement state and Nationality, All Nationalities, October 01, 2017 through August 31, 2018."](#)

<sup>7</sup> Thomas B. Fordham Institute. (February 2018). *Ohio Education by the Numbers: 2018 Edition*, pp.7-8.

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were economically disadvantaged. The academic achievement gaps, the difference in proficiency rates on 4<sup>th</sup> and 8<sup>th</sup> grade math and English tests, between economically disadvantaged students and those who are not identified as economically disadvantaged ranged between 29 and 34 percentage points in 2016-17.<sup>8</sup> Students from high-poverty areas require more remedial coursework and enroll in and complete college at lower rates than students who are not from high-poverty areas.<sup>9</sup>

## Ohio Counties - Stark

Stark County is home to the majority of Kent State Stark students, and enrollment in Stark County public elementary and secondary schools has been declining annually since at least 2010 (Figures 1a-1c). While Kent State Stark has increased enrollment slightly from 2010 to 2018 by 0.7% and increased enrollment annually 4 of the 8 years since 2010, the other three Stark County universities have faced enrollment declines over a similar period. The University of Mount Union and Walsh University have had annual fluctuations in enrollment, but overall single-digit declines of 3% from 2010 to 2017 for Mount Union and 8% from 2010 to 2016 for Walsh. Malone University's enrollment has decreased annually from 2010 to 2016, and has plummeted 37% from 2010 to 2016. Together, the three private universities in Stark County have reduced their aggregate undergraduate enrollment from 2010 to 2016 by 1,064 students from 6,582 to 5,518, a 16% decline.

Figures 7 and 8 display undergraduate enrollment from fall 2010 to fall 2016 for Malone and Walsh, from fall 2010 to fall 2017 for Mount Union, and from fall 2010 to fall 2018 for Kent State Stark. The solid lines are actual enrollment numbers and the dotted lines are 3-year moving average trend lines of enrollment, with the three years comprising an average of the current year and the previous two years. Assuming flat or modest increases in enrollment, the trend line for Kent State Stark will likely level off between 2018 and 2020.

Figure 7

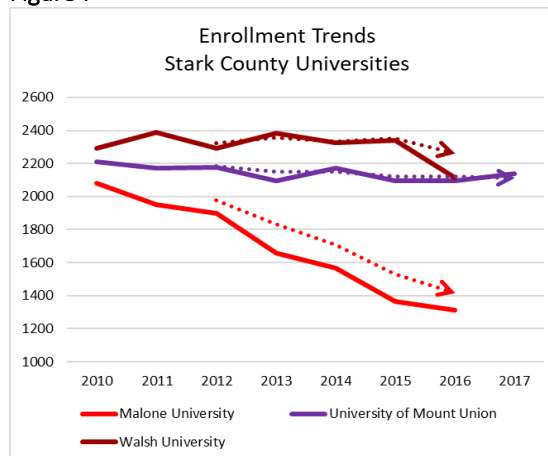
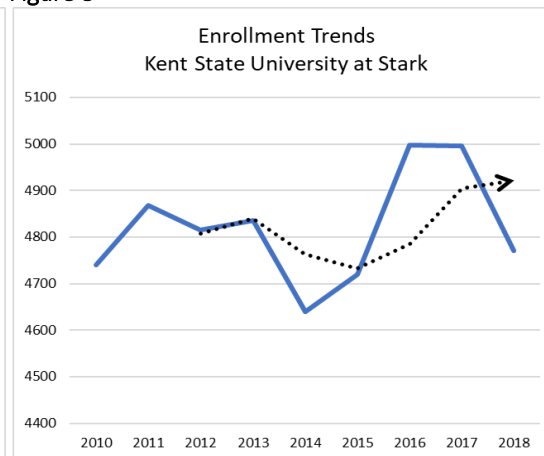


Figure 8



Source: Institute of Education Sciences, National Center for Education Statistics, Integrated Postsecondary Education Data Statistics (IPEDS), Fall Enrollment Total 2010-2016 and Kent State University, Institutional Research, Student Enrollment Data: [15<sup>th</sup> Day Statistics](#), Kent State at Stark, Stark Campus System Fall 2017-2018. (Trend calculations by T. Ford).

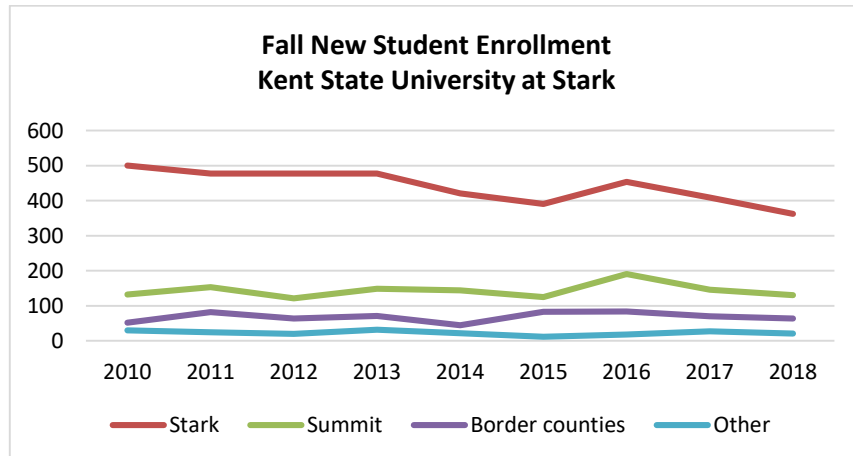
<sup>8</sup> Thomas B. Fordham Institute, pp. 34-35, and 42.

<sup>9</sup> Thomas B. Fordham Institute, pp. 46, and 49-50.

## Enrollment at Kent State Stark

The majority of students who enroll at Kent State Stark are from Stark County (Figure 9). However, the number of new students each fall enrolling at Kent State Stark from Stark County has been declining, from 500 in 2010 to 362 in 2018. The share of total students from Stark County has also declined over this time period from 70% of all students in 2010 to 63% in 2018 (Figures 10 and 11).

Figure 9



Source: Kent State University, Institutional Research, Stark Campus Student Enrollment Data, Fall 2010-2018. (Aggregation of border counties and other by T. Ford).

Summit County is also home to many Kent State Stark students. The number of students from Summit County enrolling at the Stark Campus was 132 in fall 2010 and 130 in fall 2018, but fluctuated from a low of 121 in fall 2012 and a high of 191 in 2016 (Figure 9). The share of students enrolling from Summit County has increased from 18% in 2010 to 22% in 2018 (Figures 10 and 11).

Figure 10

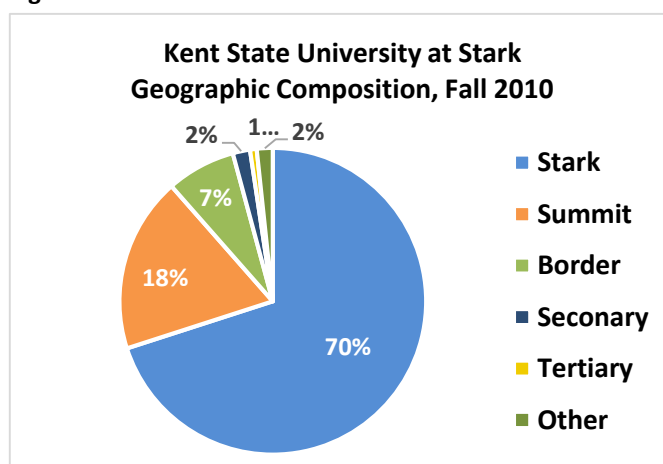
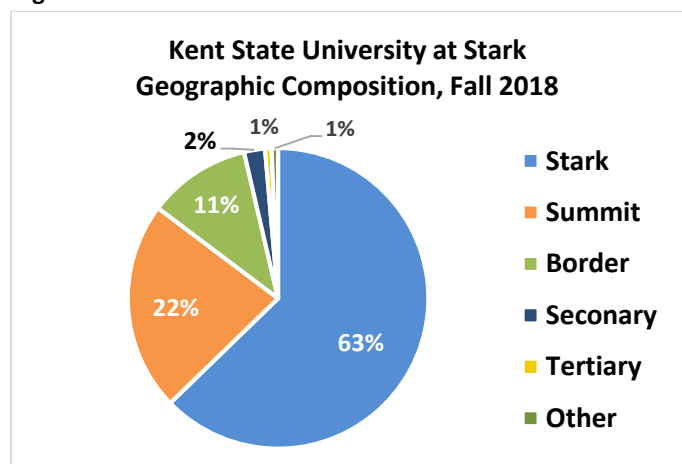


Figure 11



Source: Kent State University, Institutional Research, Fall Student Enrollment Data, Stark Campus, Fall 2010 – Fall 2018. (Aggregations of border, secondary, and tertiary counties and other by T. Ford).

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The Stark border counties (excluding Summit County and including Carroll, Columbiana, Holmes, Mahoning, Portage, Tuscarawas, and Wayne Counties) show a similar pattern to Summit County in number and share of students enrolling at Kent State Stark. The number of students from the border counties enrolling at the Stark Campus was 52 in fall 2010 and 64 in fall 2018, but fluctuated from a low of 52 in fall 2010 and a high of 84 in 2016 (Figure 9). The share of students enrolling from the border counties has risen from 7% in 2010 to 11% in 2018 (Figures 10 and 11). In fall 2018, the share of students enrolling at Kent State Stark from Stark County declined 7 percentage points and the share of students from Summit and the other Stark border counties rose 8 percentage points. However, the decrease in the number of students from Stark has not been offset by an increase in the number of students from Summit and the other border counties.

## Ohio in Context

### Enrollment by Institution Type

Total higher education undergraduate enrollment in Ohio<sup>10</sup> declined 4.1% from 402,094 students in 2010 to 385,424 in 2016 (IPEDS, 2010-2106) (See Figure 12.). Among 16 Carnegie Classifications of higher education institutions, only four classifications had enrollment growth from 2010 to 2016; these include Doctoral Highest Research (11.7%) and Higher Research (1.4%), Baccalaureate Diverse (+0.4%), and Four-Year Health Professions (11.2%). The Doctoral Highest Research group is comprised of Case Western Reserve University, The Ohio State University, and the University of Cincinnati. Kent State University at Kent is classified as Doctoral Higher Research.

Kent State University at Stark is classified as a “Baccalaureate/Associates: Associates Dominant” institution in the Carnegie Classification. This grouping of 16 colleges and universities experienced the third highest contraction in undergraduate enrollment from 2010 to 2016 at 21.8%, behind Four-Year Business Management Institutions and Mixed Baccalaureate and Associate Institutions, which declined 47.0% and 27.5%, respectively, from 2010 to 2016. In Figures 12-14, the yellow bar represents institutions classified as Baccalaureate/Associates: Associates Dominant, which is Kent State Stark’s classification.<sup>11</sup>

Excluding the Doctoral Highest Research universities, total full-time undergraduate student enrollment declined for all Carnegie-classified colleges and universities in Ohio from 2010 to 2016 (Figure 12). Full-time undergraduate enrollment declined sharply by 40.8% for Baccalaureate/Associates: Associates Dominant institutions; the gap between the decline in total and full-time undergraduate enrollment is offset by growth in part-time undergraduate enrollment for these institutions at 17.6% (Figure 14).

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<sup>10</sup> Total higher education undergraduate enrollment in Ohio includes all Carnegie Classified institutions of higher education except institutions with Carnegie classifications of Associates Colleges, Two-Year Special Focus Colleges, and institutions that are non-degree granting or not accredited.

<sup>11</sup> The 16 colleges and universities comprised in this Carnegie Classification are Kent State University at Ashtabula, Geauga, Stark, Trumbull, and Tuscarawas; Miami University – Hamilton and Middleton; Ohio University – Chillicothe, Eastern, Lancaster, and Southern Campuses; University of Cincinnati-Blue Ash College; Brown Mackie College – Akron and Cincinnati; Fortis College-Centerville; and Harrison College-Grove City.

Figure 12

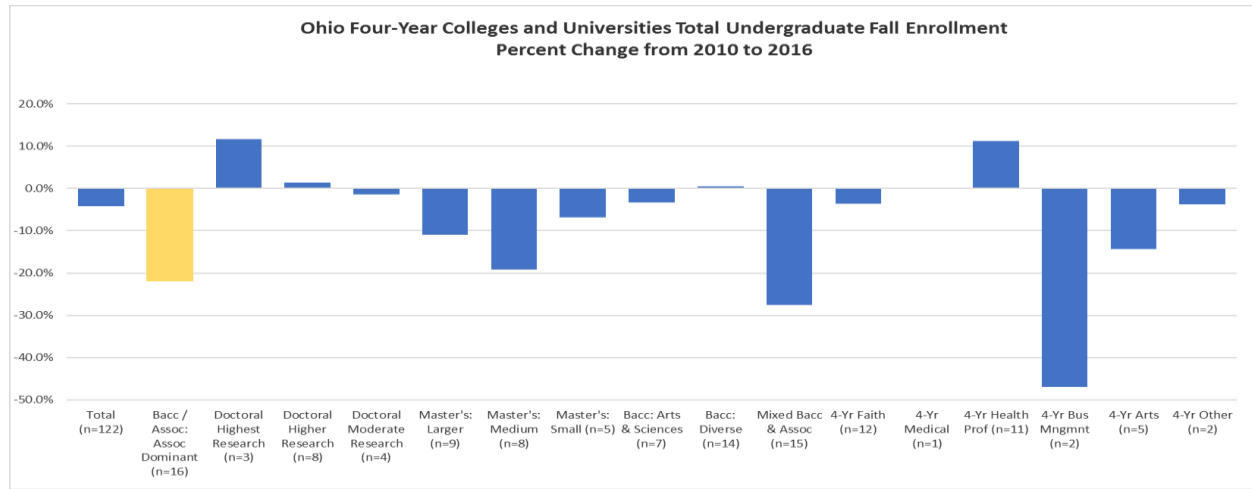


Figure 13

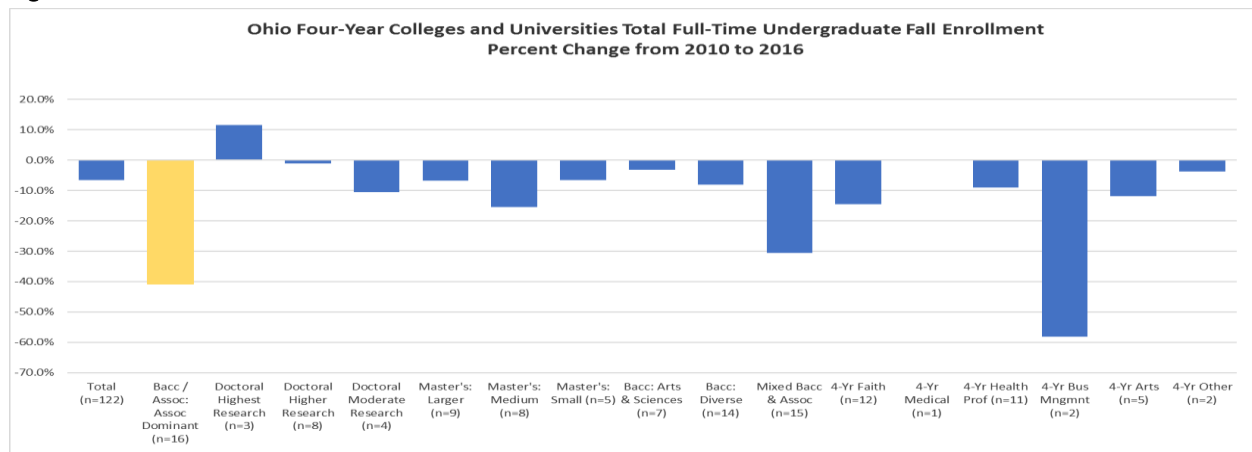
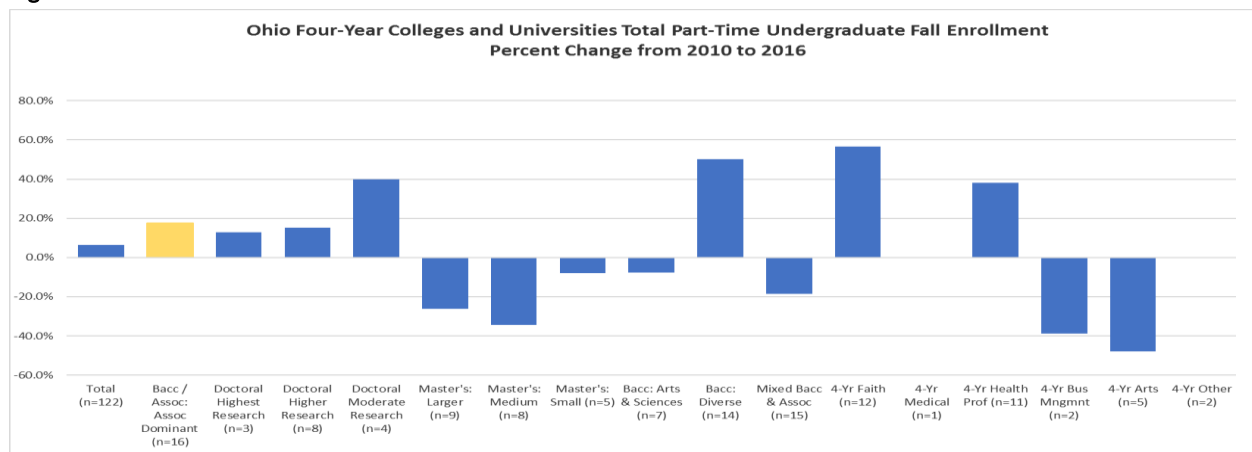


Figure 14



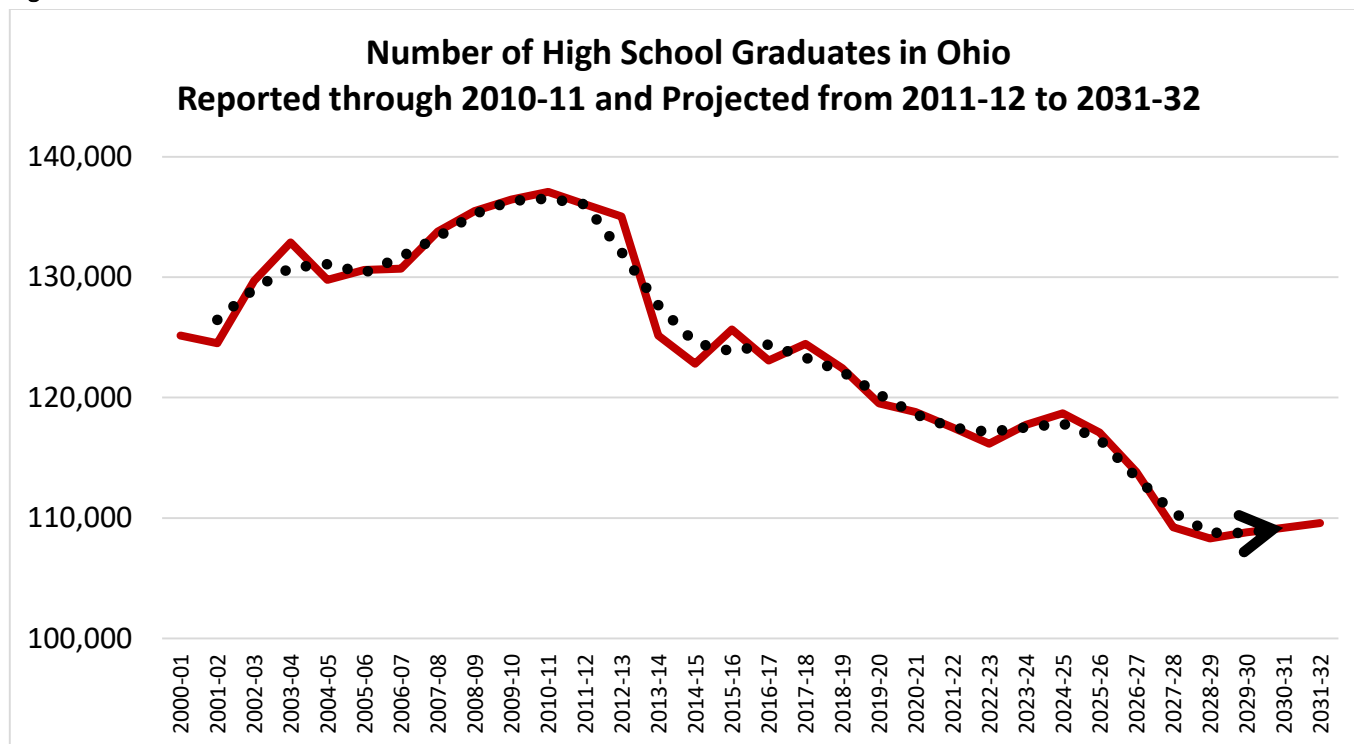
Source: Institute of Education Sciences, National Center for Education Statistics, Integrated Postsecondary Education Data Statistics (IPEDS). (Aggregation by Carnegie Classification by T. Ford).



## Projections of High School Graduates

Based on demographics and other factors, these downward trends in Ohio higher education enrollment are likely to continue as the projected number of high school graduates in Ohio is estimated to decline through at least the late 2020s. Figure 15 displays actual numbers of high school graduates in Ohio from 2000-01 to 2010-11 and projected numbers of high school graduates from 2011-12 to 2031-32. After peaking in 2010-11, high school graduates are projected to decline until about 2029.

Figure 15



**Source:** Peace Bransberger and Demarée K. Michelau. *Knocking at the College Door: Projections of High School Graduates, 9th Edition*. Boulder, CO: Western Interstate Commission for Higher Education, 2016.

## Fiscal Challenges

Enrollment trends are already affecting colleges and universities in Ohio. In the last five years, at least half or 27<sup>12</sup> of Ohio's 54 four-year colleges and universities<sup>13</sup> have experienced budget shortfalls, which have been publicly reported, primarily as a result of missing enrollment targets. In some cases, enrollment losses have been exacerbated by missed retention targets. An additional six institutions have *Forbes* financial grades of D or D- or

<sup>12</sup> 27 is likely to be low. There is no systematic collection of data on higher education institutions with budget shortfalls/fiscal challenges. The data in this report were collected by searching for information on individual institutions on the web. However, this is an imperfect method and likely leads to under-reporting. Several private institutions with dramatic declines in enrollment or multiple years of enrollment declines or *Forbes* financial report card grades of D have not had any easily located, publicly reported budget issues.

<sup>13</sup> In this instance, "all four-year colleges and universities in Ohio" are defined as any non-profit higher education institution in Ohio with a Carnegie Classification of Doctoral University, Master's Colleges and Universities, and Baccalaureate Colleges (Arts and Sciences Focus and Diverse Fields) that enrolls undergraduates and is not a regional campus.

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have had undergraduate enrollment declines of at least 35% from 2010 to 2016. These 33 institutions are public and private, large and small, well established and less well established, and nationally and regionally ranked and unranked. Additionally, more than half of these Ohio colleges and universities since 2013 have had multiple years of enrollment declines and budget shortfalls. Numerous actions have been taken by these institutions to reduce expenses and to increase revenue; some of these actions are minor and others are severe. For some institutions, the corrective measures were only a temporary solution, and further institutional changes and budget adjustments were required.

On the revenue side, colleges and universities in Ohio are selling assets; bolstering strong/signature programs and beginning new (revenue-generating) athletic and academic programs; hosting more summer camps; attracting more out-of-state and/or international students; attracting more full-pay or less financially needy students; attracting more students by lowering tuition; increasing transfer students; increasing diversity of the freshman class; partnering with other higher education institutions to offer new programs; having accelerated second degree programs; and borrowing from their endowments. Several have hired high-level enrollment management administrators.

On the expense side, colleges and universities in Ohio are laying off faculty and staff; not renewing contracts; downsizing through attrition; eliminating positions; reducing salary and benefits for faculty, staff, administrators, and graduate students; cutting benefits for retirees; reducing health benefits for students; enforcing salary and hiring freezes; reducing hours for staff; implementing voluntary workweek reduction programs; providing voluntary separation and early retirement incentives; having furloughs; implementing across-the-board budget cuts; eliminating academic, athletic, and co-curricular programs; eliminating academic majors, minors, and courses; restructuring academic and administrative departments; outsourcing activities; consolidating departments, functions, and facilities; closing operations between Christmas and New Year's; closing residence halls; cutting conference travel, postage, and printing; freezing professional development; cancelling institutional memberships; partnering with new companies for university functions; deferring physical plant maintenance; merging with other colleges; and selling a college.<sup>14</sup> i

### Revenue: Endowments

Endowments of colleges and universities are one source of revenue in higher education, which support the research, teaching, and public service missions of higher education institutions. They are investment funds that are important in securing an institution's future.<sup>15</sup> The primary sources of endowment funds are charitable donations and the fund's investment earnings. Endowments in the United States are hugely inequitable, ranging from \$27,247 to \$35,665,743,000, among institutions that have and report them, as of the end of the 2015-16 academic year.<sup>16</sup> At the maximum end of the range is Harvard's endowment, which is so large that it is jokingly referred to as a

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<sup>14</sup> Please see the end of this document for footnote i with a list of citations.

<sup>15</sup> Ensign, M. (December 15, 2017). [What is a college endowment, and why should you care?](http://www.huffingtonpost.com/what-is-a-college-endowment-and-why-should-you-care/) *Huffpost*, Retrieved at [www.huffingtonpost.com/](http://www.huffingtonpost.com/).

<sup>16</sup> Institute of Education Sciences, National Center for Education Statistics, Integrated Postsecondary Education Data Statistics (IPEDS), 2015-16.

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hedge fund with a university attached,<sup>17</sup> so large that it is bigger than the gross domestic product (GDP) of 93 countries in the world,<sup>18</sup> so large that its per capita (per student) endowment is bigger than the total endowments of many colleges and universities with far more limited endowments. In Ohio, there is also a wide range of endowment values, but not as wide as the range in U.S. endowments. The median endowment value for 53 four-year colleges and universities that have and report endowments in Ohio is \$70.1 million. Ohio State University has the largest endowment valued at \$3.7 billion at the end of 2015-16 and Case Western Reserve University and University of Cincinnati also have endowments valued at more than a billion dollars. An additional 19 institutions have endowments valued at more than \$100 million (M), ranging from \$118.4M (Kent State University) to \$808.3M (Oberlin College) as of the end of 2015-16. The majority of four-year colleges and universities in Ohio (31) have more modest endowments valued at less than \$100M. At institutions with the largest endowments, funds from endowments are their main or major source of financial support, ranging from 20 to 50 percent of their operating budgets.<sup>19</sup> Institutions with smaller endowments are far more dependent on tuition revenue and, for public universities, state support. In Ohio, state support has become a smaller portion of overall revenue in higher education.

### Revenue: State Support for Higher Education

Budget woes have affected all types of colleges and universities in Ohio. Declining enrollment, budget shortfalls, and until this year, tuition freezes for Ohio's public universities have coincided with recent flat or modestly increased spending on public higher education (depending on the time periods). Fiscal year 2018 support for higher education (\$2.3 billion) in Ohio is 8% lower than support levels up until the Great Recession when it peaked at \$2.5 billion in fiscal year 2009.<sup>20</sup> While the majority of states increased spending on higher education last year, Ohio was one of 19 states that reduced spending in FY 2018 from the previous year (-0.1%), according to the annual *Grapevine* Survey conducted by the Center for the Study of Education Policy at Illinois State University and the State Higher Education Executive Officers. Only 8 states spent less per capita on state fiscal support for higher education than Ohio (\$197.36) in FY 2018 and ten states' fiscal support per \$1,000 in personal income was less than Ohio's (\$4.36). Ohio increased spending in the two-year and five-year period up to FY 2018, although it was well below the average for all states for those periods. Ohio's two-year change in fiscal support for higher education from FY 2016 to FY 2018 was 3.4%, compared to an average 8.7%, and from FY 2013 to FY 2018 was 12.2%, compared to a 50-state average of 20.7%.

Ohio's primary mechanism for supporting public higher education institutions is through the State Share of Instruction (SSI). In fiscal year 2014 the SSI formula changed to an outcomes-based model (graduation) from an

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<sup>17</sup> Lorin, J. (December 26, 2017). Quicktake: University Endowments. Bloomberg, Retrieved from [www.bloomberg.com](http://www.bloomberg.com).

<sup>18</sup> International Monetary Fund. (April 2018). [World Economic Outlook Database](#).

<sup>19</sup> Association of American Colleges and Universities (AAC&U). (September 7, 2018). [College and University Endowments](#). Endowments and Charitable Giving, Issue Brief, Taxation & Finance.

<sup>20</sup> Center for the Study of Education Policy, College of Education, Illinois State University and State Higher Education Executive Officers (SHEEO), *Grapevine Survey*, [National Tables](#), Summary Tables, Fiscal Year (FY) 2017-18 and [Historical Data](#).

inputs-based model (enrollment).<sup>21</sup> The stated purpose of the SSI is to reduce college tuition costs for Ohio residents. The performance-based funding formula incentivizes degree (50%) and course (30%) completions with medical and doctoral set-asides (20%).<sup>22</sup> Since 2015, universities and regional campuses use the same formula, which differs for community and technical colleges, and the university receives the entire SSI allocation from the state and distributes it to all the campuses.

## Corollaries

The declining enrollment and financial instability of many higher education institutions in Ohio have not gone unnoticed. *Moody's* has downgraded ratings and updated the outlooks of several of these institutions to "negative"; some are below "investment grade," and at least one university was downgraded to "junk bond" status and *Moody's* no longer rates it.<sup>23, 24</sup>

The Ohio Department of Higher Education rates public universities on a scale from 0 to 5 every year – referred to as the Senate Bill 6 score after the bill that created the scale in 1997.<sup>25</sup> (Table 1) The formula takes into account each institution's revenue, debt and reserves. If a college or university falls below 1.75 on this scale for two consecutive years it is placed on "fiscal watch." For the first time since the score was created, a public four-year university was placed on fiscal watch by the state after 2014 and another is on the verge (Table 1).<sup>26</sup>

The U.S. Department of Education also calculates a financial responsibility score for each institution, which is a composite of three ratios from audited financial statements. The three ratios are a primary reserve ratio, an equity ratio, and a net income ratio. The composite score ranges from -1 to 3 and reflects the overall financial health of the institution. Institutions with a score of less than 1 are considered not financially responsible and are subject to cash monitoring requirements and must post a letter of credit equal to at least 10% of their previous year's Title IV aid (federally funded student grants and loans).<sup>27</sup> Several Ohio colleges have recently had to submit letters of credit.<sup>28</sup>

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<sup>21</sup> Ohio Department of Higher Education. (May, 2013). [State Share of Instruction: Universities FY 2014](#), PowerPoint presentation.

<sup>22</sup> Ohio Department of Higher Education. (June, 2017). [FY2018/19 State Share of Instruction \(SSI\) Handbooks: University](#), p.2.

<sup>23</sup> See *Moody's*, Ashland University, OH, [Report](#); *Moody's*, "[Moody's Affirms Ashland University, OH Caa2; outlook negative](#)" (December 1, 2014); Kelly Woodhouse, *Inside Higher Ed*, "['Bright Future' Layoffs](#)," (August 17, 2015).

<sup>24</sup> For an explanation of *Moody's* ratings in higher education, see Nick Anderson, *Washington Post*, "[In Moody's U.S. college credit ratings, downgrades far outnumber upgrades](#)," (July 11, 2014).

<sup>25</sup> Ohio Department of Higher Education. [Institutional Financial Ratios Audited Data FY2000 – FY2017 \(Excluding Associated Impacts of GASB 68\)](#).

<sup>26</sup> Ohio Department of Higher Education. [Institutional Financial Ratios Audited Data FY2000 – FY2017 \(Excluding Associated Impacts of GASB 68\)](#).

<sup>27</sup> U.S. Department of Education. Federal Student Aid. [Financial Composite Responsibility Scores](#).

<sup>28</sup> Composite scores are provided annually on the U.S. Department of Education's Federal Student Aid website: <https://studentaid.ed.gov/sa/about/data-center/school/composite-scores>.

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**Table 1**

**Senate Bill 6 Score - Financial Accountability Measure**  
**Ohio 4-Year Public**  
**Universities**

Composite Score	2010	2011	2012	2013	2014	2015	2016	2017
Bowling Green State University	3.9	4.2	4.5	4.0	4.7	3.4	3.9	3.9
Central State University	3.1	4.0	3.6	1.3	1.0	2.3	2.8	2.8
Cleveland State University	3.6	3.4	3.4	3.4	3.6	3.2	3.1	3.7
Kent State University	3.9	4.7	4.0	4.4	4.4	4.0	3.6	4.4
Miami University	4.2	4.4	4.4	4.4	4.4	4.4	4.4	4.4
Ohio State University	4.2	4.2	3.7	3.9	4.7	4.7	4.5	4.7
Ohio University	3.9	4.2	4.7	4.7	4.7	3.9	3.4	4.4
Shawnee State University	3.7	4.0	3.4	3.1	4.0	3.4	3.2	2.6
University of Akron	3.3	3.6	3.2	2.8	3.2	2.8	3.2	3.4
University of Cincinnati	3.3	3.6	3.2	3.6	3.6	3.6	3.2	3.4
University of Toledo	3.9	4.2	3.3	3.5	3.8	3.1	3.1	3.1
Wright State University	4.1	4.5	3.4	3.4	3.4	2.4	2.1	0.8
Youngstown State University	3.7	2.3	2.6	3.3	3.5	3.1	3.5	3.7

Source: Ohio Department of Higher Education, [Campus Accountability](#), Institutional Financial Ratios Audited Data, FY2010-FY2014, FY2015-FY2017 (Excluding Associated Impacts of GASB 68).

Some colleges and universities have had their accreditation threatened and others have had monitoring reports and focused visits on finances by the Higher Learning Commission, the regional accreditor for colleges and universities in Ohio.<sup>29</sup>

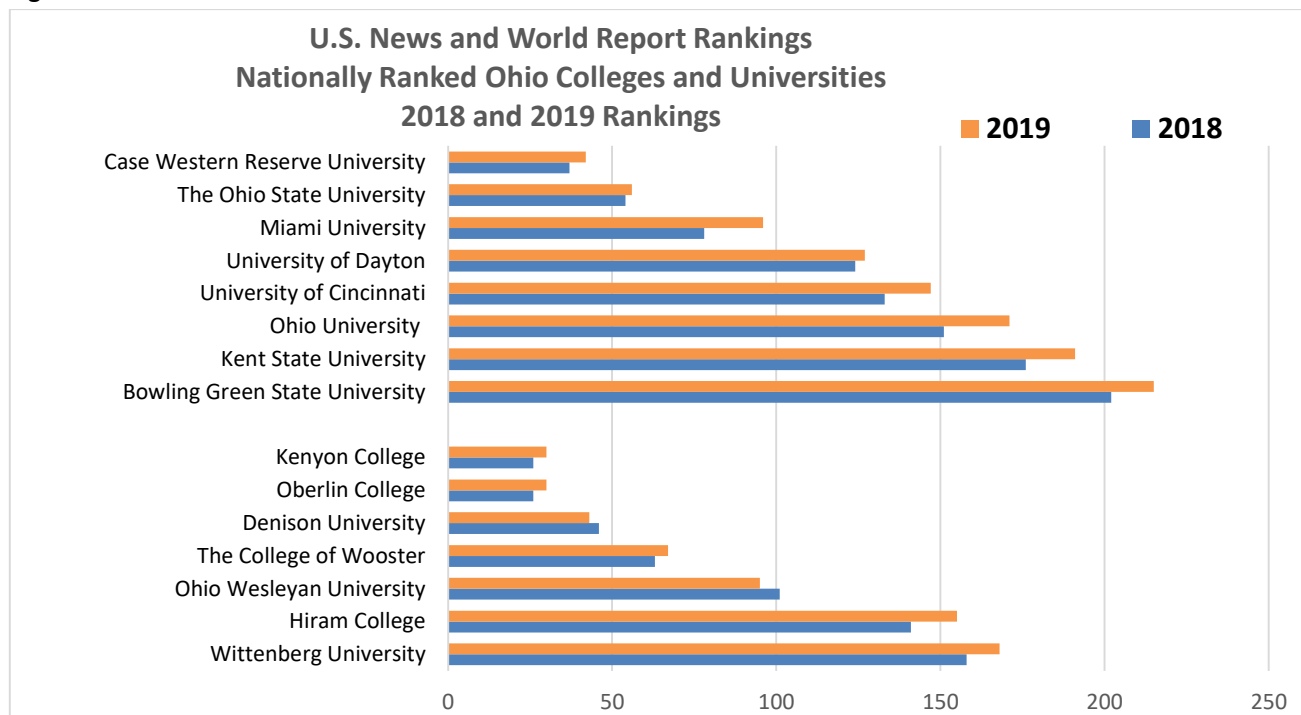
*Forbes* provides an annual financial grade to private higher education colleges and universities and in 2017 (the most recent year available), of the 38 four-year, private institutions it graded in Ohio, 17 had no change in their grade, 3 improved, and 18 deteriorated; there were 17 As and Bs and 21 Cs and Ds.<sup>30</sup>

*U.S. News and World Report* released its rankings of national universities and liberal arts colleges and regional universities and colleges in September 2018. Every nationally ranked university in Ohio and all but two nationally ranked liberal arts colleges in Ohio declined in the rankings by increasing their rank from 2 to 20 points from 2018 to 2019. (Figure 16) The top-ranked university in Ohio is Case Western Reserve at 42 and the top-ranked liberal arts colleges are Kenyon and Oberlin, tied at 30.

<sup>29</sup> The [Higher Learning Commission](#) (HLC) website permits users to search on individual institutions and then provides a list of recent activity by the institution with the HLC, such as required interim and monitoring reports and focused visits.

<sup>30</sup> Schiffrin, T. (August 2, 2017). [2017 College Financial Grades: How Fit is Your School?](#) *Forbes*, Retrieved from [www.forbes.com](http://www.forbes.com).

Figure 16



Source: *U.S. News & World Report*, Best Colleges: National Universities and Liberal Arts Colleges, 2018 and [2019](#).

These actions - the changes in *Moody's* ratings, *Forbes'* financial grades, fiscal watch status by the state, not financially responsible ratings at the federal level, accreditation actions, and a decline in rankings - compound the financial difficulties of Ohio higher education institutions. Debt becomes more expensive when *Moody's* downgrades a university's rating. Fiscal watch status of public universities in Ohio requires state monitoring and a state-approved plan to balance budgets. A not financially responsible score by the federal government requires further monitoring at the federal level and a letter of credit. When colleges and universities lose their accreditation, students at those institutions become ineligible for federal financial aid. While most colleges and universities do not change significantly from year to year in the *U.S. News and World Report* rankings, lower and improved rankings can help in attracting donors and students, especially students from further away where markets may be more robust than Ohio or the Midwest. Higher and worsening rankings can have the opposite effect.

## Summary and Conclusion

Higher education enrollment is influenced by students entering and exiting higher education institutions. New and transfer students increase Kent State Stark's enrollment, and graduates (our mission) reduce it. The other vital piece of the enrollment equation is retention; a high retention rate will have a favorable impact on enrollment and lower retention rates will hurt enrollment. Focusing on retention as well as recruitment will impact enrollment. (A subsequent *Analytics Brief* will focus on retention and graduation.)

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Given the sharp decline in enrollment with similar institutions to Kent State Stark statewide (-21.8% from 2010-2016), the local declines in Stark County private universities (-16% from 2010 to 2016), and the declines in public elementary and secondary school enrollment in Stark and surrounding counties consistently since at least 2010, it is noteworthy that Kent State Stark has grown its enrollment annually for four of eight years since 2010 and has grown slightly from 2010 to 2018 (+0.7%). Few four-year higher education institutions in Ohio have accomplished this. However, Kent State Stark is the type of institution, in a geographic location, with demographic characteristics that the WICHE report and Nathan Grawe predict will struggle in the future.

Since Ohio is less diverse demographically than the national or Midwest averages, it will not benefit as much as other states from the projected increases in non-white high school graduates because the state is starting from a much smaller population of non-white students. Additionally, some of the demographic characteristics that make high school graduates have a higher likelihood of attending college and graduating with a degree are less prevalent in Ohio than in other states. On the contrary, Ohio has increasing numbers and shares of students who are more likely to be academically unprepared for college and less likely to enroll in college and graduate with a degree. In terms of the types of institutions that should fare better than others, national and elite institutions in Ohio will likely struggle more than elite institutions elsewhere and will have to broaden their recruitment pools. Beyond the national and elite colleges and universities, most types of colleges and universities in Ohio will have challenges for the foreseeable future. The general state of higher education in Ohio is one of instability. Ohio has already begun to feel the effects of the demographic shifts, which are predicted to remain negative and worsen in less than a decade.

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