

# La Salle University's tuition reset boosts enrollment while skeptics question strategy – New Coverage

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**La Salle University** officials have decided a change in strategy was necessary after years of declining enrollment, leading to a 28.7% reduction in tuition at the start of this school year, said Jaine Lucas, chief marketing and communications officer.

The reduction in cost—to USD 28,800 from USD 40,400—reduces tuition to 2008 levels, before fees and room and board, Lucas said. La Salle, located in Philadelphia, is a private, Catholic liberal arts university.

The school's full-time equivalent enrollment—undergraduate and graduate—decreased by 17% or 912 students, to 4,370 from 5,282, between FY12 and FY16, according to a continuing disclosure document posted to *Electronic Municipal Market Access* (EMMA). In that period, freshman enrollment declined by 8%, or 68 students, to 709 students from 858 students.

The tuition reset strategy, which was announced last year, increased enrollment by about 20%, Lucas said. An official census of freshman students was not available at press time, but Lucas said they estimate about 950 freshman students enrolled this fall.

“We are poised to bring in the largest or second-largest class since 1991,” Lucas said.

## **Averting sticker shock**

Tuition—the sticker price—for most private colleges and universities has become a misnomer, said Tamara Lowin, director of research at Belle Haven Investments. Most schools provide scholarships and grants to students, dramatically reducing the price of enrollment, she said.

“People don't know that, and the sticker shock might be leading students to not apply,” Lowin said. “If there are competing schools at or around the same price ... if your tuition is meaningfully lower you may get more applicants.”

La Salle found ahead of the reset that this was indeed the case—some prospective students would view the university's cost on its website, never to return, said Lucas.

With reduced tuition, schools may distribute less aid, so financially, it may be near a wash for schools employing the tuition reset strategy, Lowin said.

“They try and balance by not giving concessions, so net tuition revenue is not as affected,” said Lowin.

La Salle still provides need-based aid to between 96% and 97% of students, Lucas said.

Census data shows the number of graduating high school seniors will continue to decline in coming years, which means applicant pools could decrease as the cost of higher education is at an all-time high, Lowin said. As a result, universities now are positioning themselves to stand out.

### **Long-term viability**

Tuition resets are not a viable strategy for financially distressed universities, said John Lawlor, principal and founder at The Lawlor Group, a higher education marketing firm. Schools operating from a position of strength are the ones who see success with a tuition reset strategy, he said.

Very few schools have seen success from resetting tuition, said Craig Goebel, principal at Art & Science Group, LLC, a strategic group for public and private colleges and universities.

“An extremely small number have found success pursuing a reset strategy,” Goebel said. “Even the few that are claiming success, most, if not all, attribute a large part of that success to positioning efforts more than pricing strategy.”

A more successful approach, albeit more intensive administratively, is for universities to emphasize their strengths, and differentiate themselves from competition, looking at other aspects of the value proposition, beyond tuition, said Goebel.

“Students and parents aren’t looking for the cheapest college, they are looking for the best college for them—that is much more than sticker price or the financial aid award they’re receiving, it’s an awful lot to do with the four-year experience,” he said. “It can truly create an existential threat to pursue a tuition reset strategy if (a school) hasn’t done the work ahead of time to understand the possible impact.”

La Salle has about USD 130.2m in debt outstanding, and received a downgrade from S&P Global Ratings earlier this month to BBB-/stable from BBB/negative, citing weakening trends, high discount rate, limited available resources, and uncertainty surrounding the tuition reset strategy.

Lucas declined to comment on the downgrade, provide information about the school’s budget in FY18, and plans for debt.

A USD 38.9m tranche of 5% Series 2012 revenue bonds issued on behalf of La Salle University by the **Pennsylvania Higher Educational Facilities Authority** due 2042 last traded in odd lots at 107.263 to yield 3.438% on 18 September, according to EMMA.

by [Maria Amante](#)