



STRATEGIC INTELLIGENCE

The U.S. Enrollment Cliff

Demographic Contraction, Institutional Risk, and Strategic Reconfiguration of American Higher Education (2025-2041)

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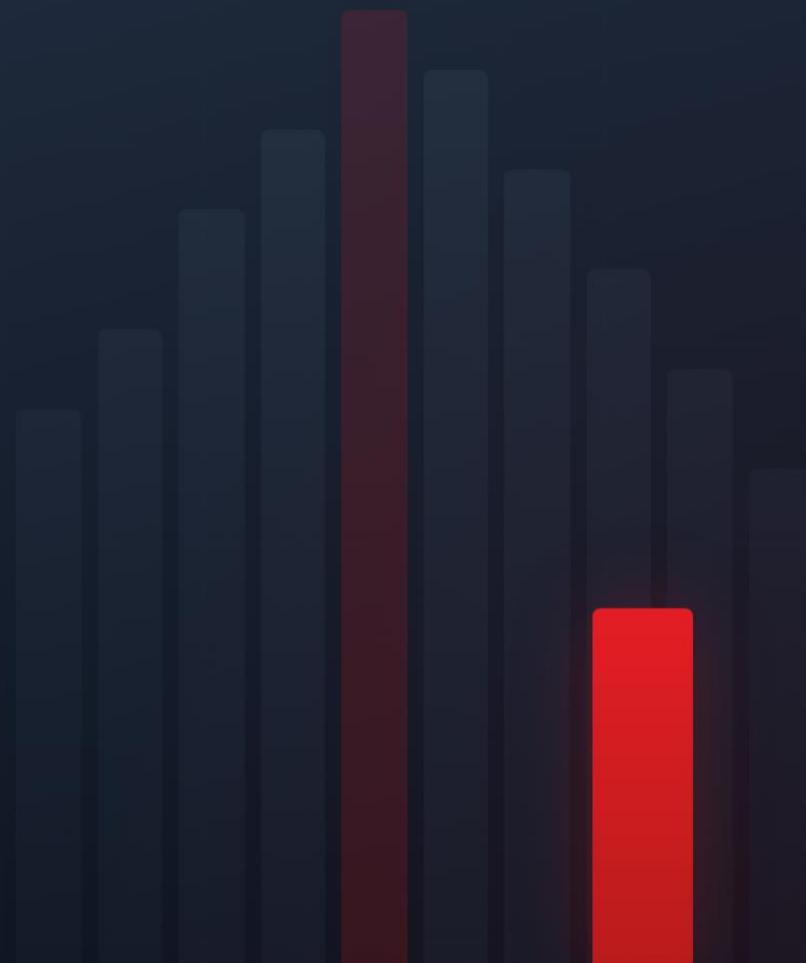


Table of Contents

The Below TOC interactive to jump to any part of this document

Executive Summary	3
Key Data Signals	4
Key Institutional Risks.....	4
Strategic Response Pillars.....	5
1. The Enrollment Cliff: A Structural Demand Shock	6
1.1 Defining the Enrollment Cliff	6
1.2 Demographic Origins of the Cliff	6
1.3 Geographic Concentration of Impact.....	7
2. Behavioral and Market Shifts Amplifying the Cliff	8
2.1 Changing Perceptions of Degree Value	8
2.2 Expansion of Alternative Pathways	8
3. Compounding Systemic Pressures	9
3.1 Declining Academic Readiness	9
3.2 Financial Stress and Discounting Dynamics	9
3.3 Early Signals: Institutional Closures	9
4. Institutional Impact and Competitive Dynamics	10
4.1 Enrollment and Revenue Compression	10
4.1.1 Differential Impact by Institutional Segment	10
4.2 Escalation of Competitive Intensity.....	11
4.3 Program Demand Realignment.....	11
5. Strategic Response Frameworks	12
5.1 Redefining Enrollment Success.....	12
5.2 Diversifying the Student Base.....	12
5.2.1 International Student Recruitment as a Structural Mitigation Lever	12
5.3 Strengthening Academic Readiness and Support.....	13
5.4 Financial Sustainability and Scenario Planning.....	13
5.5 Innovating Delivery Models.....	13
Conclusion: A Call to Institutional Leadership	15

Official Endorsement



“I am pleased to have contributed to and co-authored this White Paper on the U.S. Enrollment Cliff. It explores the data trends behind the projected decline in college-age populations, the institutional risks emerging from this shift, and the strategic responses universities must consider to remain competitive in the evolving global education landscape.”

— **Paul Hoffman, Ph.D.** *Associate Vice Provost for International Affairs.
University of Louisville | International Center*

Executive Summary

The United States higher education system is entering a period of prolonged demographic contraction that will fundamentally reshape enrollment demand, institutional economics, and competitive dynamics across the sector. Beginning in 2025, colleges and universities will confront a sustained decline in the population of traditional college-aged students, driven primarily by the sharp fall in U.S. birth rates following the 2008 global financial crisis.

Unlike prior enrollment downturns driven by economic cycles, policy shocks, or short-term disruptions, the current enrollment cliff is structural, predictable, and multi-decadal. Projections from the Western Interstate Commission for Higher Education (WICHE) indicate a **13% decline** in the number of high school graduates between 2025 and 2041, with the steepest contraction occurring in the years immediately following the 2025-26 academic peak.

Why this matters now is not the distant end-state of this decline, but the immediacy of its leadership implications. The period between 2025 and 2028 represents a critical decision window in which enrollment contraction accelerates while institutional cost structures, academic portfolios, and governance models remain largely fixed. Decisions taken during this interval will shape institutional resilience for the next decade and beyond.

Key Data Signals

- U.S. high school graduate volumes peak in the 2025-26 academic year, followed by a sustained decline through 2041.
- National projections indicate a 13% reduction in the number of high school graduates over this period, with significant regional variation.
- Academic readiness indicators show continued deterioration, with reading and mathematics proficiency at multi-decade lows and standardized test scores declining.
- Community colleges and alternative credential pathways are capturing a growing share of postsecondary demand, reflecting shifting student preferences.

Key Institutional Risks

- Structural enrollment compression, particularly for institutions heavily dependent on traditional-aged undergraduates.
- Margin erosion driven by rising tuition discount rates, higher acquisition costs, and limited pricing flexibility.

- Heightened competitive intensity as institutions expand recruitment geographies and increase spending to offset shrinking applicant pools.
- Program misalignment risk, as demand concentrates in workforce-aligned disciplines while legacy offerings face declining interest.
- Governance and timing risk, where delayed decision-making locks institutions into operating models calibrated to pre-cliff demand conditions.

Strategic Response Pillars

The analysis in this white paper points to a set of structural response priorities that distinguish institutions likely to adapt from those at heightened risk:

- Redefining enrollment success, shifting focus from volume growth to retention, completion, and net tuition contribution.
- Institutional diversification, including adult learners, online modalities, international student recruitment, and transfer pathways, to reduce reliance on shrinking domestic cohorts.
- Portfolio realignment, aligning academic offerings more closely with labor market demand and employment outcomes.
- Analytics-enabled scenario planning, using predictive enrollment modeling and yield optimization to support disciplined forecasting and recruitment spend allocation.
- Delivery and operating model innovation, expanding flexible, scalable modalities while maintaining academic quality and institutional identity.

1. The Enrollment Cliff: A Structural Demand Shock

1.1 Defining the Enrollment Cliff

The term "enrollment cliff" refers to the sharp and sustained reduction in the number of students entering the traditional higher education pipeline, beginning in the mid-2020s and extending well into the 2040s. At its core, the cliff reflects a demographic contraction among 18- to 22-year-olds, the age cohort that has historically underpinned undergraduate enrollment in the United States.

What differentiates the enrollment cliff from earlier enrollment slowdowns is its **irreversibility within institutional planning horizons**. Economic recessions, changes in immigration policy, or shifts in labor market conditions may temporarily suppress enrollment demand, but demographic contractions are embedded years in advance. By the time the decline becomes visible in admissions data, the underlying population base has already been determined.

As a result, institutions cannot climb out of the enrollment cliff through marginal adjustments. The challenge is not insufficient market share; it is a shrinking market itself.

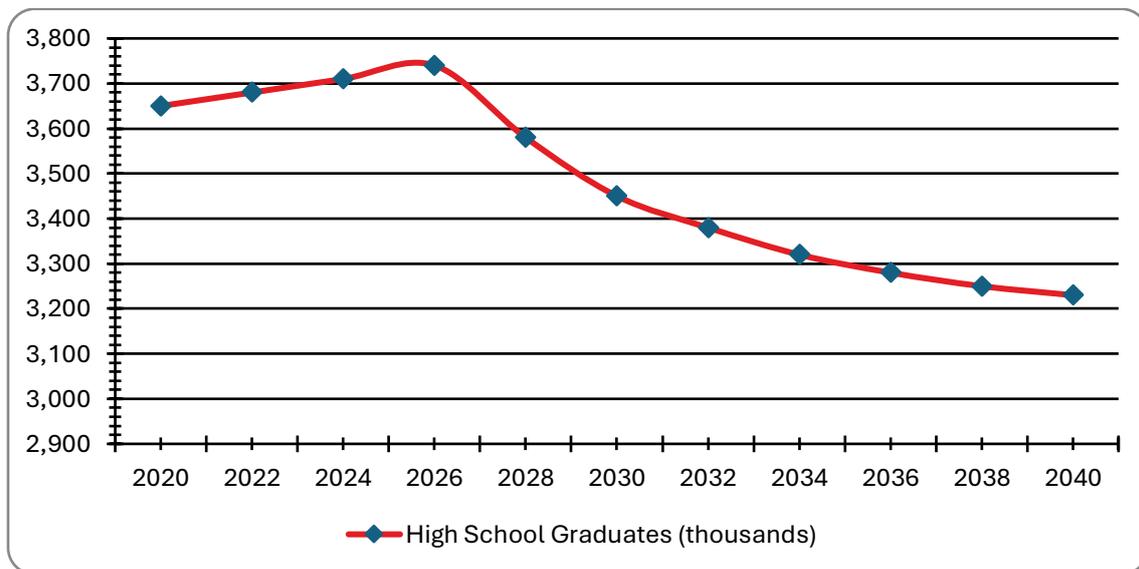


Figure 1: Projected U.S. High School Graduates (2020-2041)

1.2 Demographic Origins of the Cliff

The primary driver of the enrollment cliff is the collapse in U.S. birth rates following the 2008 financial crisis. Fertility rates declined sharply during and after the recession as households delayed or deferred childbearing due to economic uncertainty, job losses, and reduced household wealth. Crucially, unlike previous downturns, U.S. birth rates did not rebound during the subsequent economic recovery of the 2010s.

This sustained decline in births translated directly into smaller kindergarten cohorts in the early 2010s, followed by smaller middle school and high school cohorts a decade later. By 2025, these demographic effects fully materialize at the point of college entry.

WICHE projections quantify this shift clearly. After peaking in the 2025-26 academic year, the number of U.S. high school graduates is expected to decline nationally by approximately 13 percent through 2041. This decline is not evenly distributed but reflects significant regional variation, with some states experiencing far sharper contractions than others.

Importantly, even optimistic scenarios assume no meaningful reversal of this trend. Immigration, while influential at the margin, is insufficient to offset the magnitude of the domestic demographic decline.

1.3 Geographic Concentration of Impact

The enrollment cliff will not affect all institutions uniformly. States in the **Northeast and Midwest** face the steepest declines due to long-standing population stagnation, aging demographics, and lower fertility rates. Many of these states also host dense clusters of small private colleges and tuition-dependent regional publics, intensifying competitive pressure.

In contrast, parts of the **South and West** may experience slower declines due to population growth driven by domestic migration. However, slower contraction should not be mistaken for stability. Even in relatively resilient regions, the absolute number of traditional college-aged students will flatten or decline, while institutional capacity remains largely unchanged.

From a competitive standpoint, this creates a nationalized recruitment environment in which institutions increasingly pursue students beyond their traditional geographic catchments, raising acquisition costs and eroding yield advantages.

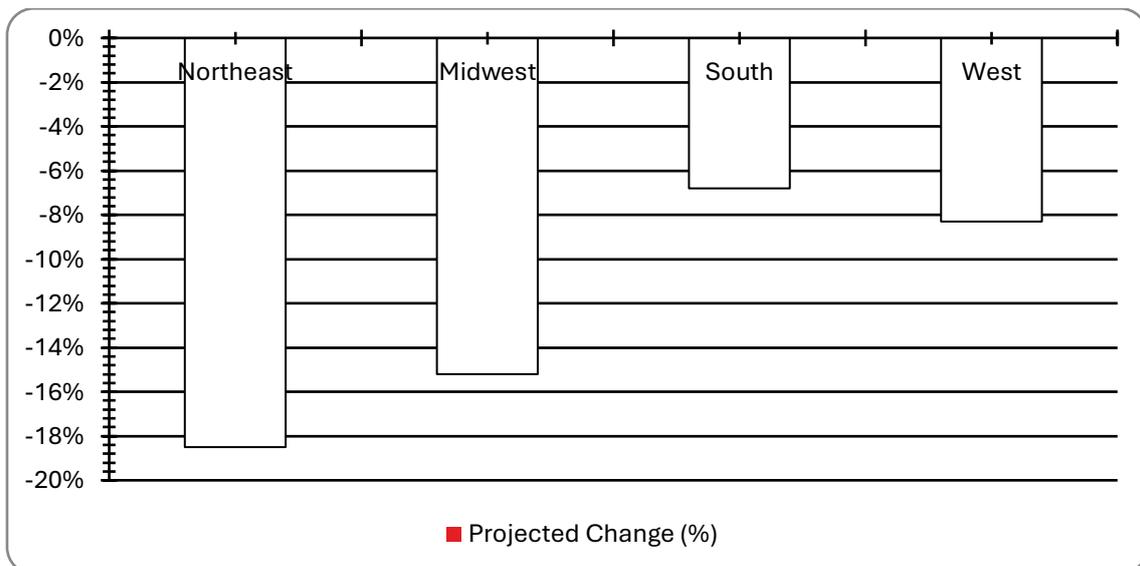


Figure 2: Projected Change in High School Graduates by Region (2025-2041)

2. Behavioral and Market Shifts Amplifying the Cliff

2.1 Changing Perceptions of Degree Value

The demographic contraction coincides with a fundamental reassessment of higher education's value proposition among students and families. Rising tuition costs, increasing student debt burdens, and mixed labor market outcomes for graduates have fueled skepticism about the return on investment of four-year degrees.

As a result, enrollment decisions are becoming more explicitly **ROI-driven**. Students are scrutinizing program costs, time to completion, employability outcomes, and earnings potential with greater intensity than in prior generations. Traditional narratives centered on prestige, campus experience, or broad-based education are losing traction, particularly among price-sensitive households.

This shift disproportionately affects institutions that rely on generalist undergraduate offerings without clear workforce alignment. Even as the total number of potential students declines, the proportion willing to commit to high-cost, residential four-year programs is shrinking further.

2.2 Expansion of Alternative Pathways

Parallel to changing perceptions of degree value is the rapid expansion of alternative postsecondary pathways. Community colleges, trade schools, certificate providers, and employer-sponsored training programs have positioned themselves as lower-cost, faster, and more directly career-linked options.

Recent enrollment growth at community colleges, estimated at approximately 4 percent in 2025, reflects renewed demand for skills-based education amid economic uncertainty. Short-term credentials, industry certifications, and applied programs are increasingly viewed as viable substitutes for traditional degrees rather than stepping stones toward them.

For four-year institutions, this represents a structural shift in demand composition. Students who would previously have enrolled by default are now actively opting out, further compressing the traditional enrollment base.

3. Compounding Systemic Pressures

3.1 Declining Academic Readiness

One of the most significant, yet underappreciated, amplifiers of the enrollment cliff is the decline in academic preparedness among high school graduates. National Assessment of Educational Progress (NAEP) data show reading scores at their lowest levels since the early 1990s, while mathematics proficiency among 12th graders has fallen to historic lows.

ACT composite scores have followed a similar downward trajectory, reaching an average of 19.4 in 2024. These trends indicate that a growing share of high school graduates lack the foundational skills required for college-level coursework.

For institutions, this has two direct implications. First, the pool of academically prepared applicants is shrinking faster than the overall graduating cohort. Second, institutions must invest more heavily in remediation, academic support, and first-year interventions to maintain retention and completion rates, increasing per-student costs at a time of revenue compression.

3.2 Financial Stress and Discounting Dynamics

As enrollment demand weakens, institutions have increasingly relied on tuition discounting and institutional aid to attract students. While this strategy can stabilize headcount in the short term, it erodes net tuition revenue and weakens long-term financial sustainability.

Rising discount rates also introduce a feedback loop: higher aid expectations become normalized, forcing institutions to offer increasingly aggressive packages to remain competitive. Over time, this undermines pricing power and limits the ability to respond to future shocks.

Even institutions that maintain stable enrollment numbers may experience declining operating margins as aid expenditures rise faster than tuition revenue.

3.3 Early Signals: Institutional Closures

The closure of Iowa Wesleyan University in 2023 serves as an early indicator of the structural pressures facing the sector. While each institutional failure reflects a unique combination of factors, the underlying pattern is consistent: declining enrollment, rising discounting, fixed cost structures, and limited capacity for strategic reinvention.

As the enrollment cliff deepens, closures and consolidations are expected to accelerate, particularly among small private institutions and regionally focused public campuses with limited diversification.

4. Institutional Impact and Competitive Dynamics

4.1 Enrollment and Revenue Compression

Undergraduate enrollment across the United States remains below pre-pandemic levels, suggesting that recent declines are not solely a function of COVID-related disruptions. Instead, they reflect a new baseline shaped by demographic and behavioral shifts.

Institutions heavily dependent on traditional-aged undergraduates face the greatest exposure. For these institutions, even modest enrollment declines can translate into outsized financial stress due to fixed cost structures and limited alternative revenue streams.

4.1.1 Differential Impact by Institutional Segment

While the enrollment cliff affects the U.S. higher education system broadly, its impact is not evenly distributed across institutional types. Differences in funding models, enrollment mix, mission scope, and cost structure shape how demographic contraction translates into institutional risk.

Small private colleges, particularly those that are tuition-dependent and regionally concentrated, face the most immediate exposure. These institutions typically rely heavily on traditional-aged undergraduate enrollment, have limited pricing power, and operate with relatively fixed cost structures. Even modest enrollment declines can therefore create outsized financial stress, accelerating pressure around discounting, program viability, and long-term sustainability.

Regional public universities experience a different, though still significant, set of challenges. While state funding provides partial insulation, many regional publics are highly exposed to local and regional demographic trends, particularly in the Northeast and Midwest. As in-state cohorts shrink, these institutions often expand recruitment beyond traditional catchments, increasing competition and acquisition costs while operating under political and affordability constraints that limit pricing flexibility.

Flagship research universities are comparatively more insulated from the immediate effects of the enrollment cliff. Their diversified revenue streams, national and international recruitment reach, and strong brand positioning allow them to offset domestic undergraduate declines more effectively. However, insulation should not be mistaken for immunity. Flagships still face downstream effects, including shifts in program demand, increased competition for high-achieving students, and longer-term pressure on graduate pipelines and research funding alignment.

Table 1 summarizes the differential impact across institutional segments:

Institutional Type	Risk Level	Key Vulnerabilities
Small Private Colleges	High	Tuition-dependent, limited diversification, fixed costs
Regional Public Universities	Moderate-High	Regional demographic exposure, political constraints
Flagship Research Universities	Low-Moderate	Graduate pipeline pressure, competition intensity
Community Colleges	Moderate	Counter-cyclical demand, funding volatility

Table 1: Differential Impact Assessment by Institutional Segment

4.2 Escalation of Competitive Intensity

As the number of prospective students declines, competition among institutions intensifies. Colleges are expanding recruitment territories, investing more heavily in digital marketing, and increasing merit-based aid to attract students who might previously have enrolled without such incentives.

This escalation raises student acquisition costs while simultaneously lowering net yield, creating a structurally unfavorable competitive environment. Institutions with limited scale, weak brand differentiation, or narrow program portfolios are particularly vulnerable.

4.3 Program Demand Realignment

Demand is increasingly concentrated in programs that offer clear, near-term employment outcomes. Healthcare, information technology, applied business, and skilled trades-related pathways are seeing relative growth, while broad-based liberal arts programs face heightened scrutiny.

Institutions that fail to realign their program portfolios risk carrying under-enrolled, high-cost offerings that drain resources and dilute strategic focus.

5. Strategic Response Frameworks

5.1 Redefining Enrollment Success

In a contracting market, higher education must fundamentally redefine success metrics. Growth-oriented enrollment models that prioritize maximizing headcount are increasingly misaligned with demographic realities. Instead, institutions are shifting toward sustainability-focused frameworks that prioritize retention, completion, and net revenue per student.

Retained students typically generate higher lifetime value than newly recruited ones, particularly when accounting for acquisition costs and aid expenditures. As a result, student success becomes not only an academic imperative but a financial one.

5.2 Diversifying the Student Base

Diversification is emerging as a core resilience strategy. Institutions are expanding recruitment of adult learners, online students, international students, and transfer populations to reduce reliance on shrinking traditional cohorts.

Successful diversification requires more than marketing. It demands program flexibility, delivery innovation, and support structures aligned with the needs of non-traditional learners.

5.2.1 International Student Recruitment as a Structural Mitigation Lever

While diversification across adult learners, online modalities, and transfer pathways is essential, international student recruitment occupies a structurally distinct role in mitigating the U.S. enrollment cliff.

The domestic enrollment contraction described in this report is fundamentally demographic and geographically bounded. It reflects a decline in the U.S. 18-22-year-old population that cannot be reversed within institutional planning horizons. International student demand, by contrast, is driven by external demographic, economic, and mobility dynamics that remain structurally favorable over the medium to long term. In this sense, international recruitment represents one of the few available levers that expand the addressable demand pool, rather than reallocating within a shrinking one.

For institutions facing sustained domestic cohort decline, international students should therefore be viewed not as a supplemental or cyclical enrollment source, but as a strategic counterweight to domestic demographic contraction. When integrated into core enrollment planning, international recruitment can moderate volatility, support program viability, and stabilize net tuition revenue, particularly in graduate and professionally aligned disciplines.

5.3 Strengthening Academic Readiness and Support

Addressing declining readiness is essential to sustaining outcomes. Bridge programs, tutoring, academic coaching, and redesigned first-year experiences can mitigate preparedness gaps, improve retention, and protect institutional reputation.

Longer-term, partnerships with K-12 systems can help rebuild readiness pipelines, though such efforts require sustained investment and coordination.

5.4 Financial Sustainability and Scenario Planning

As demographic volatility increases and historical enrollment patterns lose predictive value, **disciplined scenario planning becomes a central leadership function** rather than a financial back-office exercise. Institutions operating in a contracting market can no longer rely on linear forecasting models or incremental adjustments based on prior-year performance.

Effective scenario planning increasingly integrates **predictive and prescriptive analytics** to model enrollment, revenue, and cost trajectories under multiple demand conditions. Rather than projecting a single expected outcome, institutions are adopting structured best-case, base-case, and stress-case scenarios that reflect varying assumptions around applicant volume, yield behavior, price sensitivity, and retention performance.

Within this framework, **enrollment forecasting shifts from volume estimation to yield optimization**. As total demand contracts, institutional outcomes are shaped less by the number of applications received and more by the predictability of conversion, persistence, and net tuition contribution across segments. Analytics-driven forecasting enables institutions to identify where marginal changes in yield, discounting, or retention have disproportionate financial impact, supporting more disciplined resource allocation.

5.5 Innovating Delivery Models

Online, hybrid, and competency-based delivery models offer opportunities to reach new segments and improve cost efficiency. Stackable credentials allow institutions to capture learners at multiple entry points and support lifelong learning pathways.

However, innovation must be aligned with institutional capabilities and market positioning to avoid overextension.

Table 2 outlines the strategic response framework:

Strategic Pillar	Key Actions	Expected Outcomes
Redefine Success	Focus on retention, completion, net revenue	Improved sustainability metrics
Diversify Base	Adult, online, international, transfer pathways	Reduced demographic dependency
Portfolio Realignment	Workforce-aligned program development	Better employment outcomes
Analytics Planning	Predictive modeling, yield optimization	Data-driven decision making
Delivery Innovation	Online, hybrid, stackable credentials	Expanded reach, cost efficiency

Table 2: Strategic Response Framework for the Enrollment Cliff

Conclusion: A Call to Institutional Leadership

The U.S. enrollment cliff represents one of the most consequential structural challenges facing higher education in modern history. Its drivers are demographic, its effects are cumulative, and its implications extend far beyond admissions offices.

Institutions that respond with clarity, discipline, and structural adaptation can reposition themselves for resilience in a lower-volume, higher-complexity environment. Those who rely on incremental adjustments risk being overtaken by demographic reality.

The institutions that endure will not be defined by size or legacy, but by adaptability.

A Call to Institutional Leadership

The enrollment cliff is no longer a future scenario for higher education administrators to monitor; it is an active structural force reshaping higher education today. The demographic data is fixed, the timelines are known, and the consequences of inaction are cumulative.

For institutional leaders, the question is no longer whether change is required, but **whether it will be undertaken deliberately or under constraint**. The period between 2025 and 2028 represents a narrowing window in which strategic choices—around enrollment models, academic portfolios, financial discipline, and diversification—can still be made from a position of agency.

Institutions that act now, with clarity and structural intent, can reposition themselves for resilience in a lower-volume, higher-complexity environment. Those who defer difficult decisions risk having them imposed by demographic reality.

This moment calls for leadership that is anticipatory, evidence-led, and willing to realign legacy models to emerging conditions. The opportunity to shape outcomes still exists, but it is time-bound.



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