

International enrollment under Trump – could there be a fallout?



Updated April 13, 2017

- It's been a wild four months since our December calls
- We are somewhere between the base case and worst case scenario for: junior boarding schools, boarding schools, colleges, and summer programs.
 - base case was not international student friendly
- Updated slides are in red.

Consequences of Loss of International Full Pay Tuition Revenue

Hypothetical School 2016-2017

Total Students	400
% International Students	18%
# of International Students	72
# of Domestic Students	328
% of Financial Aid Students	37%
# of Domestic Financial Aid Families	148
% of Domestic Students Receiving Aid	45%
Boarding Tuition	\$60,000
Day Tuition	\$40,000
Boarding Students	75%
Boarding Students	300
Day Students	25%
Day Students	100
Amount Financial Aid granted	\$5,000,000
Average financial aid grant	\$35,000

Same school with 25% fewer FPIS

% of International Students	14%
# International Students Lost	18
# of International Students	54
Lost Revenue	\$1,080,000
New Financial Aid Budget	\$3,920,000
# of average financial aid grants lost	31
# of fewer domestic students	31
Total Number of Students Lost	49
Total Students	351

Loss of International Full Pay Tuition Revenue

- There are many ways to avoid this but they are very school specific
 - Cut budget: athletic facilities, grow class sizes, drop undersubscribed offerings, etc.
 - Endowment
 - Increase drawdown (long-term negative)
 - Capital campaign
 - Increase domestic population
 - Lower entrance standards
 - Undertake the “hard” initiatives to build a core market
 - Maintain/increase financial aid awarded
 - Raise money
 - Cut budget
- Fewer students means fewer:
 - Academic offerings
 - Athletic teams
 - Extra-curricular activities
 - Faculty and staff
 - And results in surplus facility capacity

Will Trump (physically) stop them?



What Trump has said pre-election:

- “Donald J. Trump is calling for a total and complete shutdown of Muslims entering the United States until our country's representatives can figure out what is going on.” December 7, 2015
- “The J-1 visa jobs program for foreign youth will be terminated and replaced with a resume bank for inner city youth provided to all corporate subscribers to the J-1 visa program.” 2015, no longer on website
- “When foreigners attend our great colleges & want to stay in the U.S., they should not be thrown out of our country.” Twitter August 18, 2015
- “I want talented people to come into this country—to work hard and to become citizens. Silicon Valley needs engineers, etc.” Twitter August 18, 2015

Could there be an immigration ban?

- Thus far, there are more questions than answers. What will Trump actually do?!
- Trump's post-election comments have demonstrated some balance.
- Trump's cabinet appointees indicate that he will pursue many of his hard line stances.

Update - Could there be an immigration ban?

YES

- Immigration ban 1.0

- January 27, 2017 [Official Whitehouse release](#)

- Seven countries: Iran, Iraq, Libya, Somalia, Sudan, Syria, Yemen
 - “According to the Institute of International Education, 17,354 international students from the seven countries were enrolled in American institutions during the 2015-16 school year.” [NY Times 2/03/17](#)
- 100,000+ current visas for foreigners revoked
- Ban on all refugees for 120 days
- Chaos and outrage ensued
- Shut down by courts resulting in>>>>>

Update - Could there be an immigration ban?

YES

- Immigration ban 2.0 “Watered down version”

- Trump stated “The order he blocked was a watered down version of the first order that was also blocked by another judge and should have never been blocked to start with”

- March 6, 2017 [Official Whitehouse release](#)

- Six countries: Iran, Libya, Somalia, Sudan, Syria, Yemen
- A few other “watered down” changes

- Blocked by Hawaii and Maryland federal judges

- Uncertainty if Trump administration will pursue to Supreme Court

Update - Could there be an immigration ban?

YES

- Immigration ban 3.0?
- It feels less likely, but unpredictability has been the hallmark of the Trump Presidency

Immigration Ban & F-1 Student Visas

- 1.13 million F & M students studying in the USA (SEVIS, February 2015).
 - China (31%), India (16%), Saudi Arabia (6%), South Korea (6%), Canada (3%), Vietnam (2%), Taiwan (2%), Brazil (2%), Japan (2%), Mexico (2%)
- International education is a huge “export” business.
 - \$30bln+ a year to US economy
- Trump “favors” business – could be a positive?
- Trump “favors” Americans – could be a negative?
- Would an immigration ban include F-1 student visas?

Update - Immigration Ban & F-1 Student Visas

- Immigration bans remain a possibility (1.0, 2.0, 3.0?)
- SEVIS - No major disruptions or changes to SEVIS likely. The “process” should stay the same.
- Visas – State Department budget cuts could create longer wait times for visas.
- U.S. Customs and Border Protection – there could be a change in tone to F-1 visa holders upon entry into USA, perhaps more questioning, especially for college or graduate age Middle Eastern students. Some may not be allowed entrance. *The F-1 Visa is not a guarantee of entry into USA.*

Key Cabinet Appointees thus far:

- **Attorney General**, Jeff Sessions “Mr. Sessions is a strong proponent of strict immigration enforcement...”
- **Chief Strategist**, Stephen Bannon “a right-wing media executive and the chairman of the president-elect’s campaign. Many have denounced the move, warning that Mr. Bannon represents racist views.”
- **Commerce Secretary**, expected nominee Wilbur Ross “ Mr. Ross has said the United States must free itself from the “bondage” of “bad trade agreements,” and has advocated threats to impose steep tariffs on China.”
- **National Security Advisor**, Michael Flynn “General Flynn has been outspoken about his view of the threat posed by Islamist militancy and was an ardent supporter of Mr. Trump during the campaign.”

- But.....**U.N. Ambassador**, Nikki Haley “The daughter of immigrants from India, she was a prominent and frequent critic of Mr. Trump early in his run.”

New York Times, [Donald Trump is Choosing His Cabinet. Here’s the Latest List.](#)

Update - Key Cabinet Appointees thus far:

- Cabinet comprised of a mix of “strong conservatives” with business/financial world ties
 - Rex Tillerson – Secretary of State
 - Steve Mnuchin – Secretary of Treasury
 - Jeff Sessions – Attorney General
 - Wilbur Ross – Secretary of Commerce
 - Rick Perry – Energy Secretary
 - Betsy DeVos – Education Secretary
 - Scott Pruitt – E.P.A. Administrator
 - John Kelly – Homeland Security Secretary
 - Stephen Bannon – Chief Strategist, **removed from National Security Council**
 - Jared Kushner – Senior Advisor to the President
 - Peter Navarro – Director of Trade and Industrial Policy
 - Resigned: Michael Flynn, National Security Advisor

Will international students choose (not) to come?



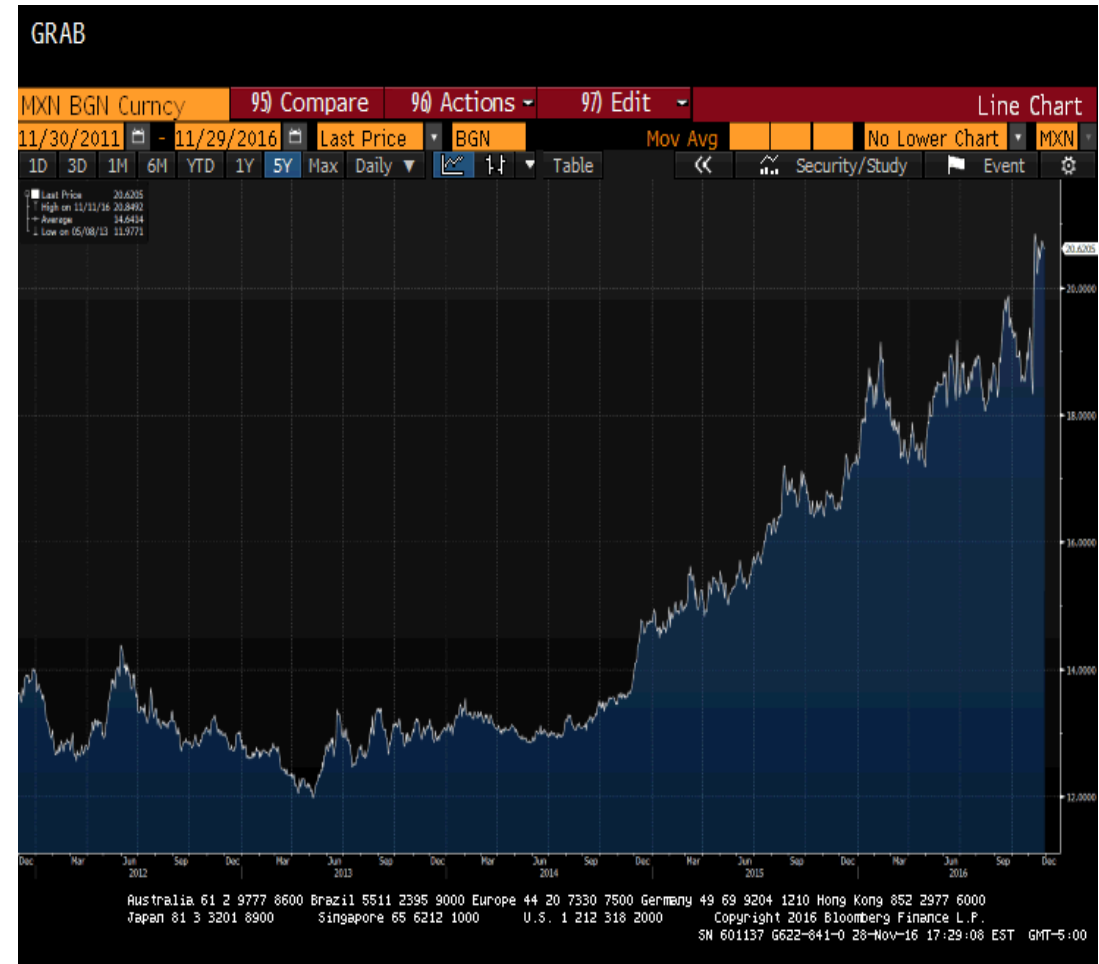
Will they chose (not) to come?

- “A survey of international students earlier this year revealed serious concerns about a Trump presidency. The March poll of 40,000 students in 118 countries by two international student recruiting firms found 60 percent of respondents were less likely to attend U.S. universities if Trump were elected, compared to 3.8 percent who felt that way about Hillary Clinton.
- In Mexico, about 80 percent of survey respondents said they would be less likely to attend U.S. universities during a Trump presidency. The country sent nearly 17,000 students to the United States last year.
- Sharp declines have occurred before, in response to changes in tone in other countries. The number of Indian student visa applications in Australia, for example, fell by 46 percent immediately following attacks on Indian students in that country in 2009.”

The Hechinger Report, [Number of international students at U.S. universities hits new highs amid Trump worries](#)

FX Implications – Can they afford to come?

Mexican Peso 1 year (25%) and 5 year (55%)



FX Implications – Can they afford to come?

Mexican Peso 1 year (7%) and 5 year (43%)

- The Mexican Peso has rallied nearly 10% since December.
- The implications of the “stronger” Peso over the past four months are psychologically important. The panic has subsided.
- The Peso is still relatively weak and the USA remains relatively expensive for Mexicans.

International student application data thus far

- Junior boarding schools

- Mexico - a mixed bag

- Schools with deep ties to Mexico did not report any changes from prior years (deep ties = significant historical numbers of Mexican students, strong “alumni” base, and “known” name)
 - Schools with fewer ties reported a drop in the number of applicants and anticipate a lower yield

- China

- Continued record level of applicants

- Other

- The majority of schools reported no significant changes

International student application data thus far

- **Boarding Schools**

- A limited number of schools replied but nearly all said that they did not see any drop-off in international applicants. China continues to be as strong as ever.
 - 9 – 12 boarding schools have few Mexican and Latin American applicants

International student application data thus far

- **Colleges**

- A limited number of colleges replied.
- Less well-known colleges (to international applicants) reported seeing a drop-off in international applicants.
- Less selective colleges and graduate programs are probably going to be the hardest hit. They draw from many more countries than most boarding schools do (more exposure to the Middle East).

International student application data thus far

- Summer camps

- Many summer camps have reported a drop-off in both Mexican and Latin American campers.

International student application data thus far

- “Canada’s Moment” - A Trump effect? Many Canadian universities are reporting large gains in international applications at the same time some American universities are seeing declines.
 - At a time when many American universities are reporting declines in applications from international students, some universities north of the border are seeing increases on the magnitude of 20 percent or more.
 -Driving the growth are big increases in applications from the U.S. (up 80 percent), India (up 59 percent), Turkey (up 68 percent) and Mexico (up 63 percent, but from a small base).
 - Meanwhile, 39 percent of U.S. universities that responded to a recent survey conducted by the American Association of Collegiate Registrars and Admissions Officers and several other higher education groups reported declines in international applications for the fall.
- Thus far, the effect has been felt more at the college level, primarily at less selective schools.
- **Fall 2017 will be a key time for boarding schools.**

International student application data thus far

- CAIS - Awaiting official data from Canadian Accredited Independent Schools
- Unofficial comments point to a dramatic increase in summer camp interest and strength in international boarding school application numbers.

Will international students choose not to come?

Tourism industry - an interesting data point.

- US tourism is slumping due in part to a decline in international tourists.
 - “Hopper has seen a 14% drop in international round-trip flight searches to the US compared with international searches to other destinations since the November US election, a trend which could continue if would-be-foreign tourists fear having to hand over access to their personal devices and financial information to enter the US.” Financial Times, April 13, 2017
 - The Bureau of Economic Analysis estimates that during the three months ended in February, spending by foreigners on travel in the U.S. amounted to almost \$44 billion, down an annualized, inflation-adjusted 10.2 percent from the three months ended in October, before Trump won the election. [Bloomberg April 3, 2017](#)

One reaction from a Mexican Father, 12/05/16

“Thank you very much David,
I tried to reach you last Thursday without success!

After the Trump effect, and the exchange rate, I will postpone my son’s
year in the USA.

Thank you for your help. Maybe later.

Sincerely,

XXXX ”

What are their alternatives?

- English Speaking Countries:
 - Canada – biggest beneficiary?
 - U.K. – BREXIT
 - Australia – Perhaps not the most “accepting” culture, although it has improved.
- Stay at home – rise of international schools abroad, especially China
 - (Boston College’s) Professor Altbach added that it is “very likely” that Australia, Canada and other countries offering English-language degree programmes will benefit from the potential rise in prospective overseas students seeking other places to study. But, he said that the UK is “likely to be in the same situation as the US” as globally it is perceived as “unwelcoming to foreigners”.
[Times Higher Education, US fears decline in international students after Trump election](#)

O Canada! Our home and native land!



US vs. Canadian Boarding Schools

USA - International Boarding Tuition

- Approximately \$60,000

Canada - International Boarding Tuition

- Brentwood College
 - CAD 62,900 / \$46,835
- Ridley College
 - CAD 60,900 / \$45,346
- Upper Canada College
 - CAD 61,560 / \$45,838

U.K. & BREXIT – What is the impact?

- For UK Universities, the consensus is “negative”

“According to a survey from a student recruitment consultancy, Hobsons, 30 per cent said they were not likely to come to the UK, while six per cent said they would definitely not choose Britain as a study destination as a result of the EU referendum.

Asked for alternative study destinations, 32 per cent of the 1,014 respondents said they would choose Canada, 21 per cent chose Germany, while 20 per cent showed an interest in heading to either an American or Australian university. (83% of respondents were outside of the EU.)”

The Independent, [Brexit: Almost a third of international students less likely to come to the UK to study, survey finds](#)

UK & BREXIT – Boarding Schools

- For independent schools, still more questions than answers.
 - Student visas may become more challenging.
 - Environment may be less welcoming.
 - EU faculty could be forced to leave or may chose to leave.
 - Will Switzerland become more popular?
 - Sterling's depreciation has made UK education much cheaper.

British Pound and BREXIT = weaker

£1 = \$1.25 is competition for USA schools

1 year £1/\$1.50 >> £1/\$1.25 (17%)



2000 - 2010 £1/\$2.10 to £1/\$1.40



U.K. Boarding Schools and BREXIT

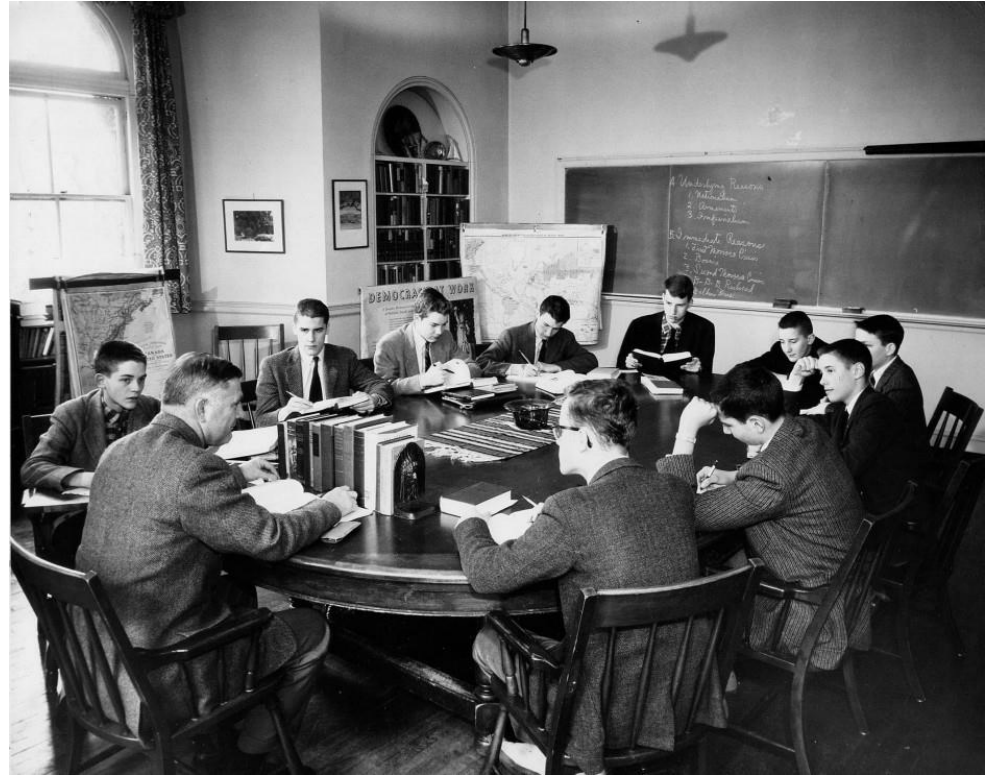
- Gordonstoun School, Scotland
 - £35,922 / \$44,543 If Pound were at \$1.70 = \$61,067
- Radley College, Radley (near Oxford)
 - £35,490 / \$44,008 If Pound were at \$1.70 = \$60,333
- St. Paul's School, London
 - £35,169 / \$43,610 If Pound were at \$1.70 = \$59,787
- UK schools are now similarly priced to Canadian schools. The 4th year is essentially “free” vs. US schools.

UK & BREXIT – Boarding Schools

- Could BREXIT be a positive for American Boarding Schools?
 - Perhaps it would have been...but then our election
 - Are we now on equal ground? Can we point the finger at the Brits as well?

Trump and Domestic Enrollment
Management
Trumponomics

Is there a Trump positive for enrollment?



Could Trump bolster domestic enrollment at independent \$chool\$?

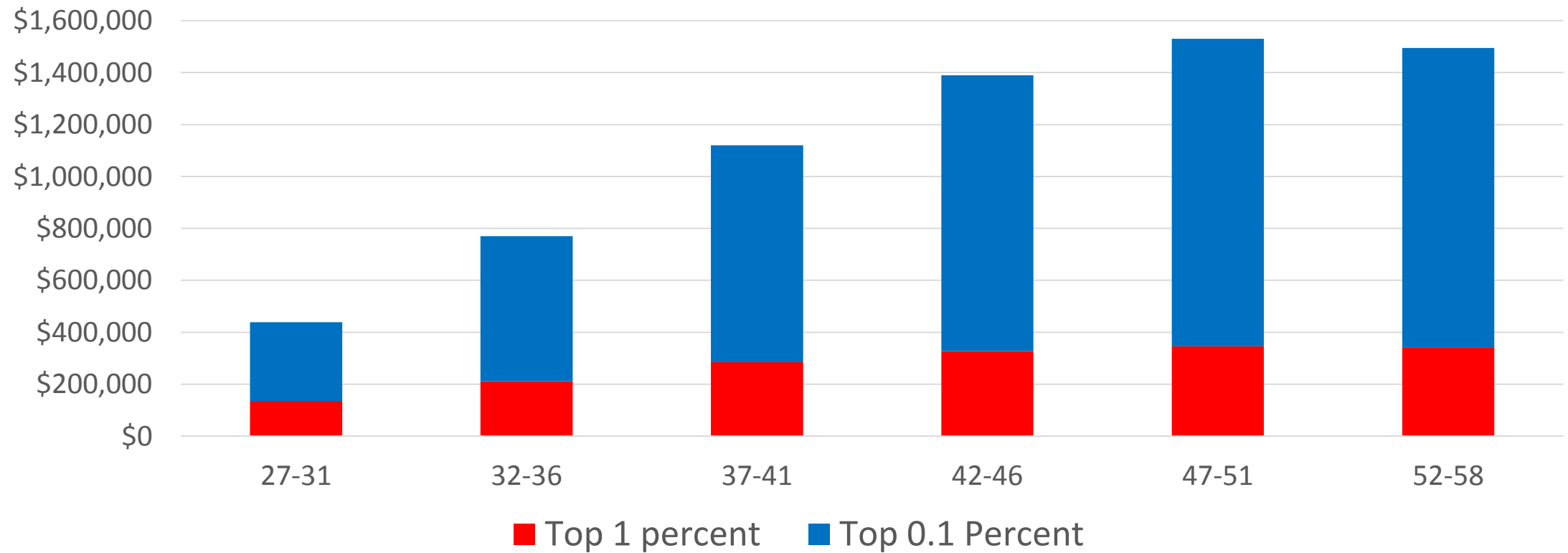
- A Trump-Led Trip Back to the Gold-Plated '80s
 - “Proposed cutting the top rate to 33% from 39.6%, cutting the corporate rate to 15% from 35%, trimming the capital gains tax and eliminating the estate tax. These would be the largest tax cuts for the wealthy since the Reagan reductions of 1986.”
 - “According to the Tax Policy Center the after-tax incomes of middle-class and lower-income taxpayers would grow less than 2% under the Trump plan. The incomes of the top 1% of earners, by contrast, would soar about 14%.”

New York Times, November 27, 2016

What the 1% earn

The Atlantic Monthly, Oct. 30, 2014

The 1% and 0.1% by age



The majority of students are the 1% (and need to be in current financial models)

- 50% to 75% of student bodies are full pay (domestic and international).
 - These families could find themselves better off under Trump.
- Could new tax policy push up new families into the 1%?
 - Huge need to increase domestic full pay boarders
- Will this make independent schools more affordable?
 - Could families with two to four children now consider independent schools?
- If so, will parents/students opt for day or boarding schools?

An extra 14% of....

- \$250,000 = \$35,000 > 58% of boarding school tuition
- \$350,000 = \$49,000 > 82% of boarding school tuition
- \$500,000 = \$70,000 > One full tuition + \$10,000 annual fund gift
- \$750,000 = \$105,000 > 88% of two boarding school tuitions
- \$1,000,000 = \$140,000 > Two full tuitions + \$20,000 annual fund gift

Trump tax reform

Following the failure of Healthcare repeal – more uncertainty.

March 24, 2017

- "I would say that we will probably start going very, very strongly for the big tax cuts and tax reform. That will be next," President [Donald Trump](#) told reporters in the White House after the GOP failed to rally enough support to pass its health-care plan in the House.
- House Speaker [Paul Ryan](#) said Friday's health-care "setback" makes the prospect of tax reform more difficult but not "impossible." "Yes, this does make tax reform more difficult. But it does not, in any way, make it impossible. We will proceed with tax reform," the Wisconsin Republican told reporters Friday.
- <http://www.cnn.com/2017/03/24/trump-says-republicans-will-probably-work-on-tax-reform-now.html>
- Updated tax plan specifics will be out shortly but recent plan shows that the top will gain strongly

Trumponomics + Trump Diplomacy = Political and Economic Uncertainty

- U.S. stock markets have moved higher following Trump's election.
 - Record high levels should help the 1%
- USA has had a seven year expansion. A downturn during the next four years could be possible.
- Trump's "America First" foreign policy could make for a challenging international economy. Tariffs & trade wars could lead to a global recession.
- Potential for collision course with China on many fronts.
- Trump's phone call with Taiwanese "President" Tsai Ing-wen
 - Trump's ignorance, disregard of protocol, or [intentionally provocative?](#)

Trumponomics + Trump Diplomacy = Political and Economic Uncertainty

- Trump Diplomacy = continued volatility & inconsistent behavior
 - Australia call
 - China
 - now adhering to “one China policy”
 - Trump – Xi summit inconclusive but no trade war (yet?)
 - Mexico – possible softening of stance?
 - Russia...the potential “bromance” is becoming more complicated
 - Recent G-20 meeting highlighted struggles
 - Syrian air strikes – shows a turnaround from campaign promises
 - Steve Bannon – removed from National Security Council
 - Aircraft carrier sent to Korean waters

Trump - Education and School Choice

- Trump has *proposed* a \$20bln federal program to encourage school choice.
- Trump selected Mike Pence as his running mate for many reasons - is education one?
- Mike Pence is a strong supporter of School Choice.
 - In 2012, 4,000 Indiana students received vouchers, \$15mm cost.
 - In 2016, 30,000 Indiana students received vouchers, \$131mm cost.
 - 52% did not attend public schools pre-program.

Washington Post, [Pence accomplished what Trump wants for national education: Vouchers and charters.](#)

- Trump nominated Betsy DeVos as Secretary of Education.

A few implications of School Choice

- Pro voucher program
 - Could vouchers direct more public school children to independent schools?
 - Is this a Christian based philosophy to direct children to parochial schools?
- Pro charter school
 - Would an increase in charter schools create competition for independent schools?

A possible case study - Cape Cod, Massachusetts has school choice and highly regarded Sturgis Public Charter School. It also has Cape Cod Academy, Falmouth Academy, and a few parochial schools.

Will Betsy DeVos help or hurt independent schools?

- “Betsy DeVos... a former chairwoman of the Michigan Republican Party and an education activist who is a passionate believer in school choice...”

New York Times, [Donald Trump is Choosing His Cabinet. Here's the Latest List.](#)

Trump – Education and School Choice

- Few details but...

DeVos' Lips Sealed on School Choice Program

“It's a little bit early to talk about details, but I think conceptually what we'd like to see is whatever is rolled out at the national or federal level is to enhance what's going on in the states.”

To Betsy DeVos, Florida shows the path to school choice

“Florida has channeled billions of taxpayer dollars into scholarships for poor children to attend private schools over the past 15 years, using tax credits to build a laboratory for school choice that the Trump administration holds up as a model for the nation.”

Independent school international admission landscape over the next four years

- Due to Trump's unpredictability and contradictory statements, we just don't know.
 - December 2016 – April 2017 will be key
- It could be more challenging, especially with certain markets.
- Schools may need to do more explaining and “selling”.
 - Isolated from issue in our Independent School “Bubble”
 - Many [examples](#) of U.S. students protesting Trump
 - However....
 - Many towns where schools are located are Trump supporters
 - Some current parents voted for Trump, *which does not make them bad people*. The election had two disliked and unpopular candidates and people voted based upon many factors.
- **Independent schools are financially exposed due to business models but somewhat more sheltered culturally than American colleges.**

Independent school international admission landscape over the next four years

- ***Use this as an opportunity to reevaluate your international student population.***
 - Why are you enrolling international students?
 - Can you financially survive without them?
 - Does your financial model need to be overhauled?
 - Are you providing international students with a “best in class” experience?
 - Are American students benefitting from their international classmates?
- Hope for the best, prepare for the worst.
- Focus on making your school GREAT again ☺!

CSSOB Institutional Consulting Services

- Commonwealth Student Services of Boston provides consulting services to independent schools. We have a ***unique insight*** due to our complementary student concierge and educational consulting businesses. ***We have particular interest in advising schools on their international student enrollment strategy and how to best serve these students.*** We are also available to discuss these topics with schools' boards.
- Please contact us to learn how we can assist you with your international student population. dkorb@cssob.com



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