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Let’s Get Creative with Revenue!

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Learning Objectives

- Participants will be able to:
  - Summarize challenges affecting higher education profit margins
  - Identify revenue streams that could benefit their institutions
  - Develop plans for adding identified revenue streams

Polling Question

NEW process for CPE:

Answer in Conferences i/o on your device.

If you haven't already checked in, please scan the QR code or visit capincrouse.cnf.io and select the **Let's Get Creative with Revenue!** session.

Financial Stability

- In December 2024, Moody’s Investors Service rated the 2025 higher education sector as **stable** for the second year in a row (2023 was rated negative)…
  - Revenue gains from tuition and donations
  - Slowing inflation
  - “Lurking” financial costs, such as climate events, cyber risks, legal issues, and shifts in government policy
  - Expectation that 1/3 of private institutions will have **operating deficits**

Source: “Higher Education Outlook 2025,” Moody’s Investors Service, December 2024

Financial Stability

- Fitch Ratings expects a **deteriorating** credit environment in 2025 due to:
  - Modest net tuition growth
  - Irregular enrollment
  - Growing competition and **ongoing margin pressures**
- “This revenue trajectory is unlikely to be sufficient to fully offset still-elevated labor and wage costs, rising capital needs and a sharply uncertain legislative landscape.”

Source: U.S. Higher Education Outlook 2025, Fitch Ratings

Financial Stability

- S&P Global Ratings rates the higher education sector as "**bifurcated/mixed**" for the third year in a row.
- "Strong institutions hold their market position, excel at fundraising, and have healthy balance sheets while working to improve operating margins; struggling schools face enrollment declines, leading to **strained operations** and, often, liquidity issues."
- Additional obstacles include a new federal administration with changing priorities.

Source: U.S. Not-For-Profit Higher Education Outlook 2025: The Credit Quality Divide Widens, S&P Global Ratings

Financial Stability

- … and in March, Moody's revised its 2025 outlook to **negative** due to federal policy changes and economic uncertainty.

Credit impact: Negative, Neutral, Positive   Severity: High, Medium, Low

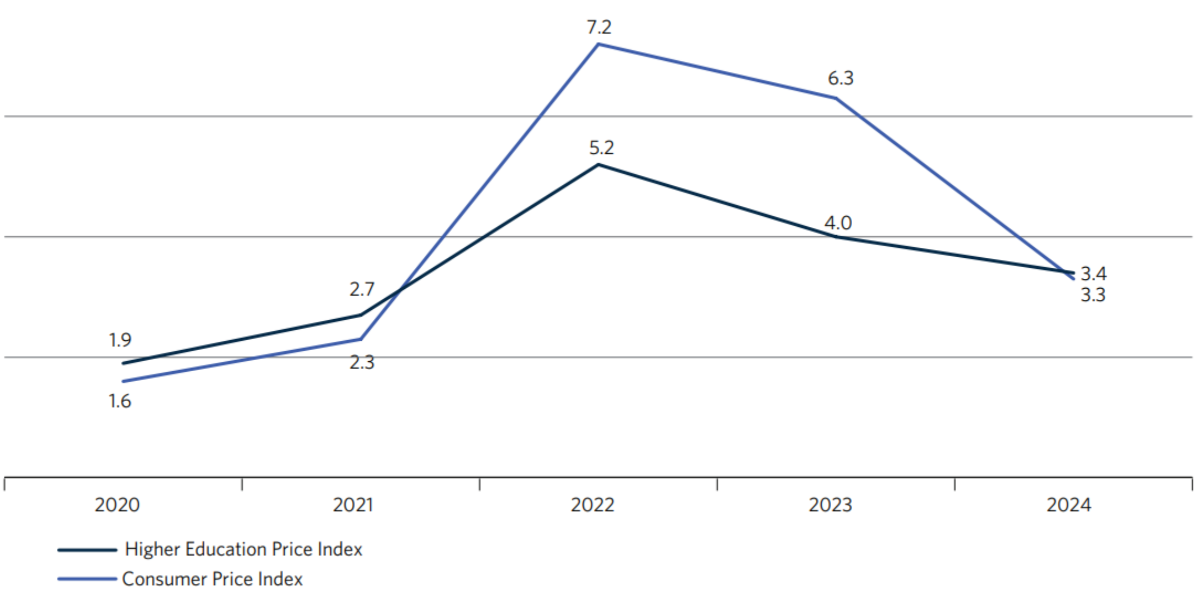
Policy risk	Institutions affected	Credit impact	Severity
Federal research cuts	All, predominantly R1 institutions	Negative	High
Enforcement actions related to DEI programs	All	Negative	Low
Department of Education restructuring	All	Negative	Medium
Reduction or interruption in Pell Grants	All, institutions serving low-income students	Negative	High
Changes or disruptions to federal student loans	All	Negative	High
Endowment tax	Wealthy private colleges and universities	Negative	Medium
Reduction in foreign student visas	Many, especially those with STEM or art and design programs	Negative	Low

Source: Moody's Investors Service, March 2025

Inflation

THE HIGHER EDUCATION PRICE INDEX VERSUS THE CONSUMER PRICE INDEX

Fiscal years 2020 - 2024 | Numbers in percent

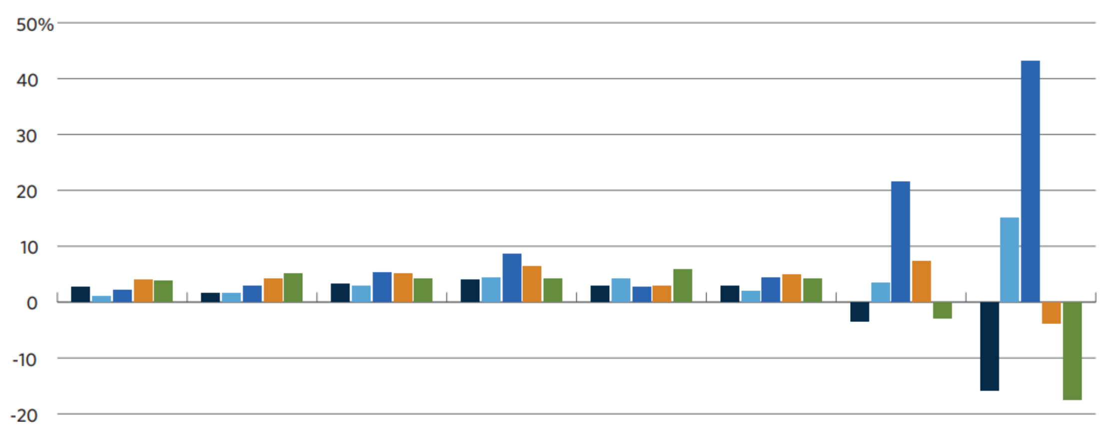


Source: Commonfund Higher Education Price Index, [2024 Update]

Inflation

ANNUAL PERCENTAGE CHANGES IN THE 8 HEPI COST FACTORS

Fiscal Years 2020 - 2024



	Faculty salaries	Admin salaries	Clerical	Service employees	Fringe benefits	Misc services	Supplies and materials	Utilities
2020	2.7	1.5	3.2	4.0	2.9	2.8	-3.5	-15.7
2021	1.0	1.6	2.8	4.3	4.1	2.0	3.5	15.0
2022	2.1	2.9	5.2	8.6	2.6	4.3	21.5	43.1
2023	4.0	4.1	5.0	6.4	2.8	4.9	7.3	-3.7
2024	3.8	5.1	4.2	4.2	5.9	4.1	-2.9	-17.5

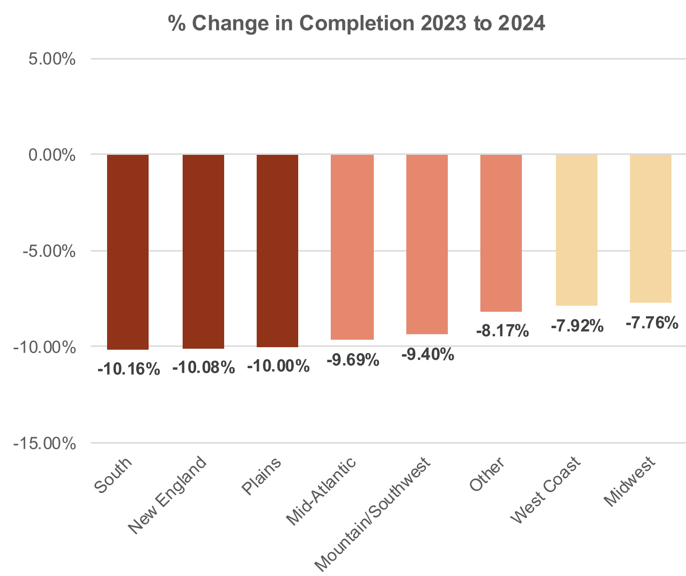
Source: Commonfund Higher Education Price Index, [2024 Update]

FAFSA Completion

FASFA completion rates by high school applications processed through August 31, 2024:

	Completed 2024	Completed 2023
Mid-Atlantic	379,512	420,231
Midwest	355,588	385,497
Mountain/Southwest	133,426	147,274
New England	95,944	106,702
Other	35,989	39,190
Plains	327,545	363,919
South	444,216	494,467
West Coast	373,512	405,656
Grand Total	**2,145,732**	**2,362,936**

	All From 2023 to 2024
Mean Difference	(7.58)
Percent Difference	-9.19%



Source: [FAFSA Submissions by High School Application August 31, 2024]

Impact of FAFSA on Enrollment and Student Packaging

- Understanding FAFSA and its role in enrollment:
  - FAFSA is a key factor in students' decisions to enroll, as it directly influences their ability to pay for college
  - Delays in FAFSA processing can result in losing prospective students, especially those considering multiple institutions

Impact of FAFSA on Enrollment and Student Packaging

- Best practices for prompt student packaging:
  - Create a streamlined process for FAFSA processing to reduce delays
  - Automate communication with prospective students to ensure they're aware of their financial aid status
  - Offer early financial aid packages to students as part of the initial admission offer
  - Utilize financial aid counselors effectively to assist students in understanding their options and getting through the FAFSA process quickly

Polling Question

NEW process for CPE:

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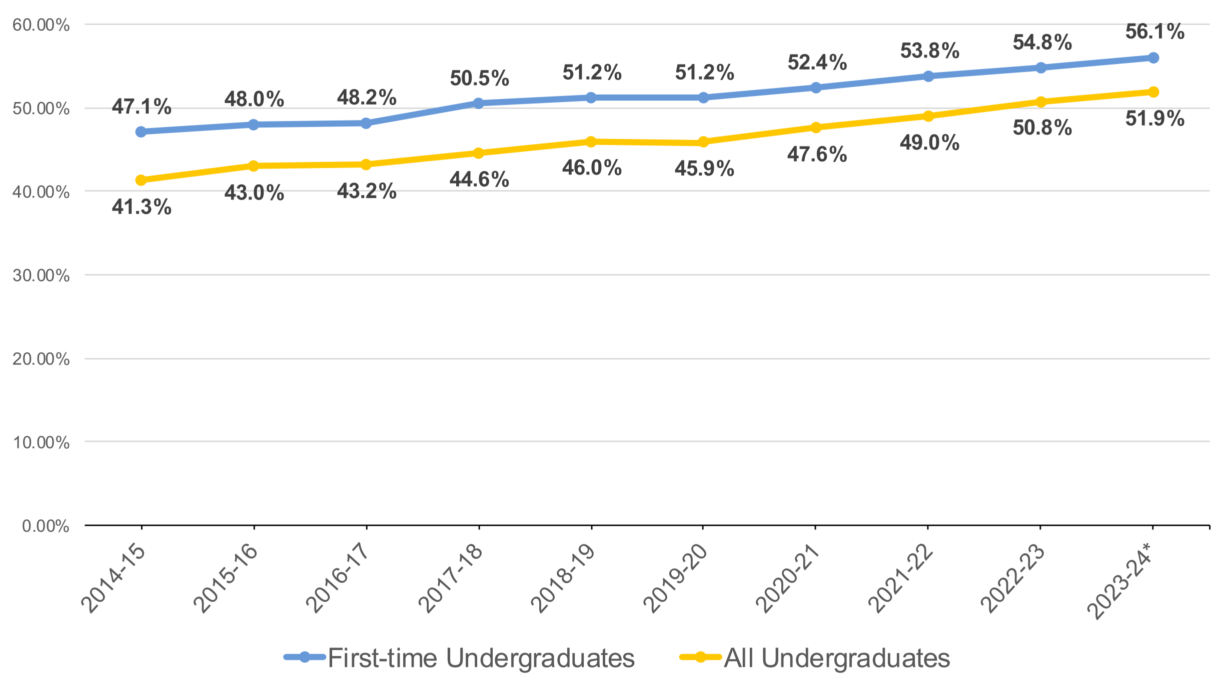
Discount Rates

- In the 2023 NACUBO Tuition Discounting Study (released in May 2024), 325 private, nonprofit institutions and universities reported an estimated 56.1% average institutional tuition discount rate for first-time, full-time, first-year students in academic year 2023-24 and 51.9% for all undergraduates — both record highs

Source: 2023 NACUBO Tuition Discounting Study, NACUBO

Discount Rates



Source: 2023 NACUBO Tuition Discounting Study, NACUBO

Balancing Tuition Increases and Discounts

- Managing tuition increases:
  - Private higher education institutions often face the dilemma of raising tuition to meet operational costs while also remaining competitive
  - Strategy: Focus on tuition increases that are market-based and tied to value-added initiatives (e.g., new programs, improved campus amenities, or enhanced services)

Balancing Tuition Increases and Discounts

- Replacing unfunded discounts with funded scholarships:
  - Use endowed and external scholarships to fund discounting strategies without harming the bottom line
  - Maximize the use of outside scholarships: Develop relationships with external organizations and foundations to offer scholarships to students and reduce the institution's need to discount tuition

Balancing Tuition Increases and Discounts

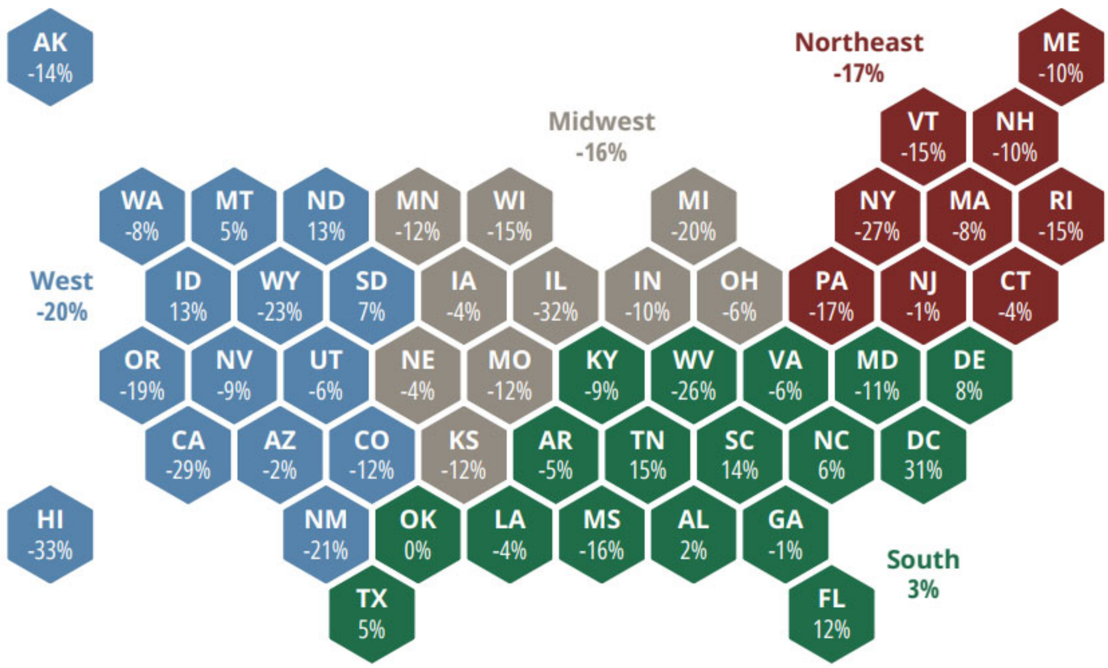
- How to remove limiting donor-imposed restrictions:
  - Work with donors to create more flexible scholarship funds that can be used for a wide range of students, including those who may not meet very specific criteria
  - Strategize with institutional advancement teams to establish unrestricted or less-restricted scholarship funds

Balancing Tuition Increases and Discounts

- Major donor cultivation and fundraising for scholarships:
  - Run targeted fundraising campaigns for scholarships to support tuition discounts
  - Organize fundraising events that specifically aim to fund student scholarships, offering naming opportunities for high-profile donors

Demographics

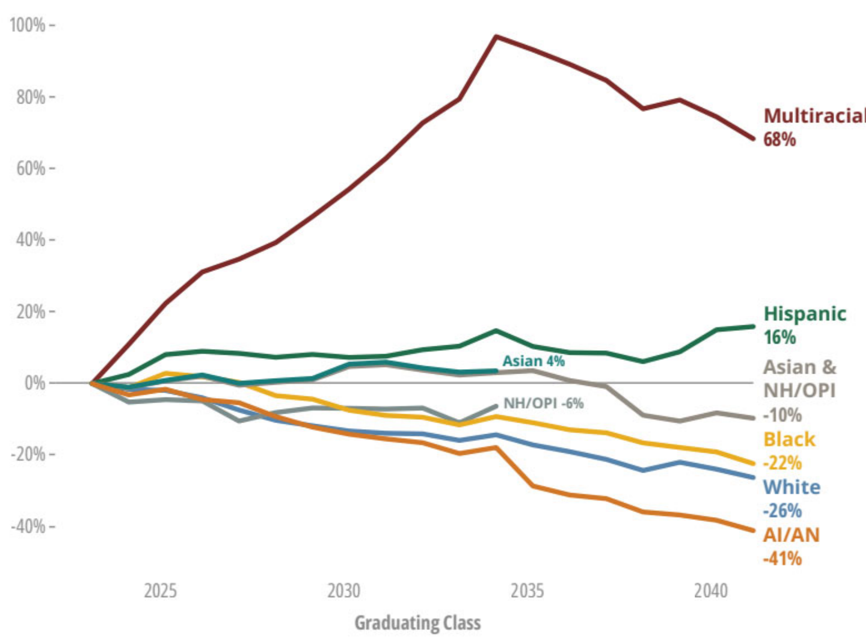
Figure 17. Projected percent change in high school graduates, 2023 to 2041



Source: Knocking at the College Door, Western Interstate Commission for Higher Education

Demographics

Figure 7. Percent change in public high school graduate projections by race and ethnicity



Notes: The Asian and Native Hawaiian/Other Pacific Islander (NH/OPI) populations can only be projected separately to 2034 due to changes in federal data reporting on births.

Source: Knocking at the College Door, Western Interstate Commission for Higher Education

Building a Student Pipeline Through Employer Partnerships

- Employer partnerships to build a student pipeline:
  - Collaborate with local businesses, hospitals, and organizations to create pipelines for students through internships, apprenticeships, and job placements
  - Local hospital internships for medical students: Partner with healthcare providers to create clinical training opportunities for medical students
  - Business internships for business students: Develop partnerships with local companies to create internship programs for business students

Building a Student Pipeline Through Employer Partnerships

- Employer-paid tuition programs for continuing education:
  - Create partnerships with local employers that offer employer-paid tuition benefits for employees to pursue degrees or certificates while working
  - Offer flexible online programs tailored to adult learners and working professionals

Polling Question

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Evaluate Profitability of Programs

- How to develop an income statement by major and minor:
  - Cost allocation for each program, including faculty costs, administrative support, and resources
  - Evaluate student demand and potential revenue against program costs
  - Use this data to identify which programs may need adjustments, scaling, or even discontinuation

Maximizing Grant Revenue with Professional Grant-Writing Services

- Strategic grant writing:
  - Work with professional grant writers to identify and apply for grants that meet the institution’s needs — whether in student support services, faculty research, or facility development
  - Federal and foundation grants: Seek out new sources of funding for academic programs and infrastructure needs

Maximizing Grant Revenue with Professional Grant-Writing Services

- Improving grant revenue:
  - Invest in building relationships with grant foundations and government agencies
  - Focus on aligning institutional priorities with funding opportunities and demonstrating measurable impact in grant applications

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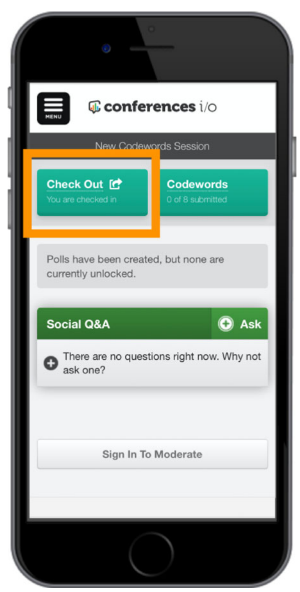
Budget Savings Through Vendor Agreements and Faculty Ratios

- Reviewing vendor agreements for cost savings:
  - Regularly review and renegotiate vendor contracts (e.g., technology, facilities management, supplies) to find cost-saving opportunities
  - Establish competitive bidding processes for major purchases to ensure the best pricing

Budget Savings Through Vendor Agreements and Faculty Ratios

- Faculty cost savings through optimizing full-time and adjunct ratios:
    - Adjust the ratio of full-time to adjunct faculty to optimize payroll costs
    - Use adjunct faculty for programs with fluctuating enrollment or those that do not require a full-time professor
    - Implement faculty workload models to ensure efficient staffing while maintaining the quality of instruction

Don't forget to check out of Conferences i/o before you leave the session!



Thank you.

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