



The Financial Health of Higher Education

What Have Institutions Experienced? What Can Leaders Do?

Donna M. Desrochers, Samantha R. Bradley, and Richard L. Staisloff
February 2026



TABLE OF CONTENTS

INTRODUCTION	1
Education and Economic Context	2
Key Findings and Trends	3
Action Strategies	4
HIGHER EDUCATION BUSINESS MODELS: SIGNS OF STRAIN	6
Financial Health: Surviving but Not Necessarily Thriving	6
Enrollment: The Dip Before the Demographic Cliff.	11
Revenue and Spending: A Post-Pandemic Hangover	13
SHIFTS IN THE HIGHER EDUCATION LANDSCAPE: AN INSTITUTIONAL PERSPECTIVE	16
Research Universities: Enrollment Strong, Revenues Stronger	17
Master’s Universities: Steady Paths but Diverging Destinations.	19
Public Bachelor’s and Community Colleges: Enrollment Challenged but Financially Flourishing	22
Private Bachelor’s Colleges: Fewer Students, Fewer Degrees	25
HIGHER EDUCATION OUTCOMES: MORE CREDENTIALS, MORE EFFICIENT SPENDING.	28
FINAL CONSIDERATIONS	31
REFERENCES	32
APPENDIX	33

INTRODUCTION

Colleges and universities have weathered significant disruption in recent years. While the COVID-19 pandemic and the changes it unleashed are the most visible markers, many of the challenges predated it: declining student enrollments, hard-fought restoration for state funding, and rising tuition discounts amid the increasing price sensitivity of students. Now, even more challenges are on the horizon. Evolving federal and state roles and responsibilities are reshaping the higher education landscape in 2026, just as the long anticipated demographic cliff materializes, marking the beginning of an expected sustained decline in the number of college-age students.

All of these factors collectively impact higher education's underlying business model. A sustainable higher education business model depends on understanding the sources of revenue, how those revenues are expended, and the productivity and efficiency of core instructional activities. Important long-standing trends suggest that higher education's business model is challenged.

The financial health of colleges and universities is closely tied to their place within the broader higher education ecosystem. This ecosystem is diverse, encompassing selective public and private research universities, comprehensive universities, small liberal arts colleges, and workforce-aligned community colleges, with each operating under distinct business models.

This report, *The Financial Health of Higher Education: What Have Institutions Experienced? What Can Leaders Do?* looks at a decade of U.S. higher education data (2013-2023). It unpacks recent key trends in institutional financial health, enrollment, revenue, expenses, and credential production across public and private nonprofit colleges and universities. It also examines longer-term shifts in the operation of four types of public sector and three types of private nonprofit sector institutions. It shares:

1. **Key business model findings** for different types of public and private sector institutions,
2. **Lessons learned** that college and university leaders can incorporate as they move forward, and
3. **Actionable strategies** that senior leadership can consider as they determine how to optimize their business model in the months and years ahead.



The findings show that higher education faced a decade marked by transformation and disruption. Evolving student demand, increased reliance on public funding over tuition, and unexpected staffing changes during the pandemic have reshaped how colleges allocate resources and measure success, further challenging traditional business models. Despite these pressures, many institutions have demonstrated resilience, adapting their spending, staffing, and credential production to sustain outcomes and maintain financial stability. The trends of the past decade underscore both the fragility and the adaptability of higher education, highlighting the ongoing need for strategic stewardship and innovation across the sector.

Education and Economic Context

This report examines trends across a full decade of available data from fiscal year (FY) 2013 to 2023. Public and private nonprofit institutions, organized by their Carnegie classification, are examined across multiple measures to examine areas of strength and challenge.

To highlight key insights on financial health, enrollment, revenues, spending, and institutional outcomes, the analysis focuses on pandemic-related changes and recovery between FY20 and FY23.

A longer lens is applied to assess how institutional business models and operations have evolved over the decade. Seven institutional groups are separately analyzed within the following four categories, which largely reflect similarities in their overall business models:

- Public and private research universities
- Public and private master's institutions
- Public bachelor's and community colleges
- Private bachelor's colleges

ABOUT THE DATA

This report draws from rpk GROUP's longitudinal IPEDS database. This database is compiled from publicly available Integrated Postsecondary Education Data Systems (IPEDS) surveys on higher education finance, enrollment, staffing, and completions from 2012-13 to 2022-23.

The rpk database incorporates adjustments to account for changes over time in accounting standards and IPEDS reporting formats, and to standardize the data as much as possible across different types of institutions.

The data in the report are further adjusted for inflation using the Consumer Price Index (CPI) and are shown in 2023 dollars. Many analyses are also standardized by 12-month full-time equivalent ('FTE') student enrollments. Financial trends are shown on a 'per FTE student' basis to normalize comparisons over time and across sectors.

All the data in this report were produced using a consistent panel of institutions. This ensures variations are not explained by differences in the number of institutions reporting data. The panel includes 2,309 public and private nonprofit higher education institutions organized by their 2021 Carnegie Classification. 'Research universities' also includes doctoral universities. Private for-profit institutions are excluded.

This report focuses only on operating budgets and excludes capital spending on buildings and other physical infrastructure.

Key Findings and Trends

Overall patterns and trends shaping the financial health and educational outcomes of higher education since just before the pandemic reveal that:

- 1. Fewer than two in three higher education institutions are financially healthy.** Over the four years spanning FY20 to FY23, only 64% of nonprofit higher education institutions reported positive net income, a standard measure of financial health. Broader measures that capture financial risks show a similar pattern: just 66% of institutions maintained a strong financial position in FY23, and only 60% reported positive net income that same year.
- 2. Signs of increased financial stress are evident.** While many colleges and universities remain financially stable, about one in three (33%) showed signs of increased financial stress between FY20 and FY23. Broader measures of financial health and risk reveal that stress rose at 29% of public institutions and 39% of private institutions during this period.
- 3. Publics institutions look better financially, while privates look worse financially.** Before the pandemic, public and private institutions exhibited comparable levels of financial health. Since then, public institutions have maintained stronger fiscal positions, while private institutions—especially smaller, tuition-dependent ones—have seen significant deterioration. By FY23, the share of financially healthy public institutions was 18 percentage points higher than that of private institutions.
- 4. Enrollment is not the sole indicator of financial health.** Many public institutions remain financially stable despite enrollment declines, supported by diversified revenue streams and careful financial management. Increased state and local appropriations, alongside federal funding, have stabilized public institutions, while gifts and grants have helped offset revenue losses at privates. However, total revenue per student declined, on average, across both public and private sector institutions in FY23 as net tuition revenue fell.
- 5. Spending patterns have shifted but do not fully align with changing financial realities.** Spending per student remained at or above pre-pandemic levels across most types of institutions in FY23, suggesting that financial strain—especially at private institutions—had not yet translated into reduced expenditures. Across both sectors, a growing share of spending now goes to institutional, academic, and student support rather than instruction, signaling a shift in resource priorities.
- 6. Student outcomes remain a bright spot.** Degree and certificate completions and efficiency improved across most of higher education over the decade studied, particularly within the public sector. The declining cost per completion indicates that institutions are producing more credentials at lower cost, reflecting continued gains in productivity and student success.



Important changes in institutional business models from FY13 to FY23 show:

- **Research universities remain strong, though private research institutions have shown they are not immune to financial strain.** Sustained student demand and diversified revenue streams helped buffer against enrollment pressures experienced elsewhere in higher education. The pandemic interrupted a decade of rising per-student spending, yet by the end of the decade research universities were still spending almost 10% more per student than 10 years earlier. Faculty hiring continued despite available teaching capacity, and while both public and private research universities improved degree productivity, efficiency gains were greater and more enduring at public research universities.
- **Master's universities experienced diverging enrollment trends that failed to predict financial stability.** Private master's institutions grew enrollment but lost revenue, while public institutions saw the opposite: declining enrollment but rising revenues, largely because of strong state support. By FY23, spending per student had equalized across public and private master's institutions, reflecting public institutions' relative financial stability and the growing strain on tuition-dependent privates.
- **Public bachelor's and community colleges show that enrollment declines do not necessarily equate to financial distress.** Increased state and local funding dispelled the notion of public disinvestment while careful financial management, including revenue diversification and right-sizing faculty, prevented sharp spending cuts and even raised per student spending. Steady gains in completions supported an overall reduction in cost per completion, even in light of smaller student bodies.
- **Private bachelor's colleges face mounting strain.** Pandemic-related disruptions compounded pre-existing challenges, especially declining enrollment. As these institutions faced spending pressures, they increasingly relied on gifts and federal funds to balance budgets. Yet they lagged behind other nonprofit institutions in degree and certificate outcomes, productivity, and cost efficiency, ending the decade as the only group with higher costs per completion than 10 years earlier.

Action Strategies

As college leaders navigate a changing higher education landscape, they should consider the following strategies:

- **Academic Programs:** With fewer students and growing resource constraints, institutions must **evaluate the optimal mix of academic programs.** Many colleges can no longer afford to 'offer everything to everyone.' Efforts to attract new students by adding high-demand programs should be accompanied by a clear-eyed review of programs that are no longer viable or aligned with market demand.
- **Course Offerings:** Optimizing the academic portfolio is not just about adding trending programs, it also involves **thoughtful planning of course offerings.** While the nation still needs graduates exposed to the liberal arts, institutions with limited enrollment may not be able to sustain full majors in every area. Foundational or lower-level courses in these disciplines, however, can be integrated into general education requirements and offered as electives, preserving their value in a redesigned curriculum.

- **Student Support and Success:** Strong student retention is an effective defense against enrollment challenges. Investments in student success initiatives often yield more immediate returns as more students persist and complete their degrees. Institutions should **regularly assess their portfolio of student support services**—both in terms of financial and non-financial outcomes—to ensure resources are directed toward programs that demonstrate the highest impact and return on investment.
- **Administrative Support:** As operational costs rise, institutions must **focus on becoming more efficient** rather than simply trying to do more with less. Colleges should prioritize essential functions within departments, leverage business intelligence, and adopt new technologies to streamline operations. Routine reviews of administrative structures can reveal opportunities for improved service delivery and cost savings.
- **Structural Planning and Investment:** Planning and funding for long-term maintenance and depreciation is critical to institutional sustainability. Facilities require ongoing investment to remain functional and appealing to students, faculty, and staff. **Proactive infrastructure planning**, rather than just a focus on reducing deferred maintenance, ensures that campuses remain safe and fully utilized.

Changes over the past decade have underscored widening financial disparities across higher education. While public institutions have largely maintained or strengthened their fiscal footing, many private colleges, particularly smaller and tuition-dependent ones, face mounting stress and uncertain futures. Despite these challenges, overall student outcomes and degree and certificate productivity have improved, signaling resilience and adaptability within the industry. As institutions confront shifting enrollment patterns, rising costs, and evolving student needs, their long-term sustainability will depend on strategic choices that balance program offerings, resource allocation, and student success initiatives with prudent financial and operational planning.



HIGHER EDUCATION BUSINESS MODELS: SIGNS OF STRAIN

The higher education sector is under mounting financial pressure. Shifting demographics and recent U.S. policy changes affecting international students are impacting enrollments. For many institutions that means reduced revenues. Competition for students is also intensifying, while families are increasingly focused on value. Inflation is straining institutional budgets and also deepening affordability concerns for students.

These pressures became increasingly visible during the COVID-19 pandemic, when college closures spiked—a trend that has continued.¹ Warning signs of broader instability are growing, as new college mergers are announced,² state systems are considering consolidations,³ and even elite universities (long thought immune) have reported financial challenges.⁴

The cracks in the financial health of U.S. higher education were evident in the 2023 data highlighted in this report, and uncertainty has only deepened with shifting roles and responsibilities at the federal and state level challenging the higher education industry.

Financial Health: Surviving but Not Necessarily Thriving

Colleges and universities can use various metrics to evaluate their financial sustainability. Some metrics, like net income, offer a short-term snapshot of financial health by measuring annual revenues and expenses. Other tools, such as the Composite Financial Index (CFI), provide a broader perspective by considering factors like cash flow, liquidity, and debt, and serve as a measure of both financial health and risk. Together, these measures reflect both the current financial position and the cumulative effects of past financial decisions. This section explores both approaches.

Net Income

Net income is a standard financial metric that compares an organization's total revenues (both operating and non-operating) against its total expenses for a given fiscal year. A positive net income indicates a surplus (excess income), while a negative value signifies a deficit.

Unlike for-profit businesses, which aim to generate profit for investors, nonprofit institutions rely on net income as a measure of their capacity to reinvest in operations, advance their mission, and respond to future challenges. Persistent declines or deficits can limit this capacity, which can ultimately lead to reduced investments in student success, ongoing financial instability, and possibly institutional closure.

This analysis examines net income in two ways. First, the traditional net income approach assesses institutions' financial positions using total revenue and expenses. Second, net income is evaluated from an EBITDA perspective—earnings before interest payments, taxes, depreciation,

1. Sanchez (2024); Moody (2023); *Higher Ed Dive* (2024).

2. McLean (2025).

3. Moody (2025); Moody (2024a).

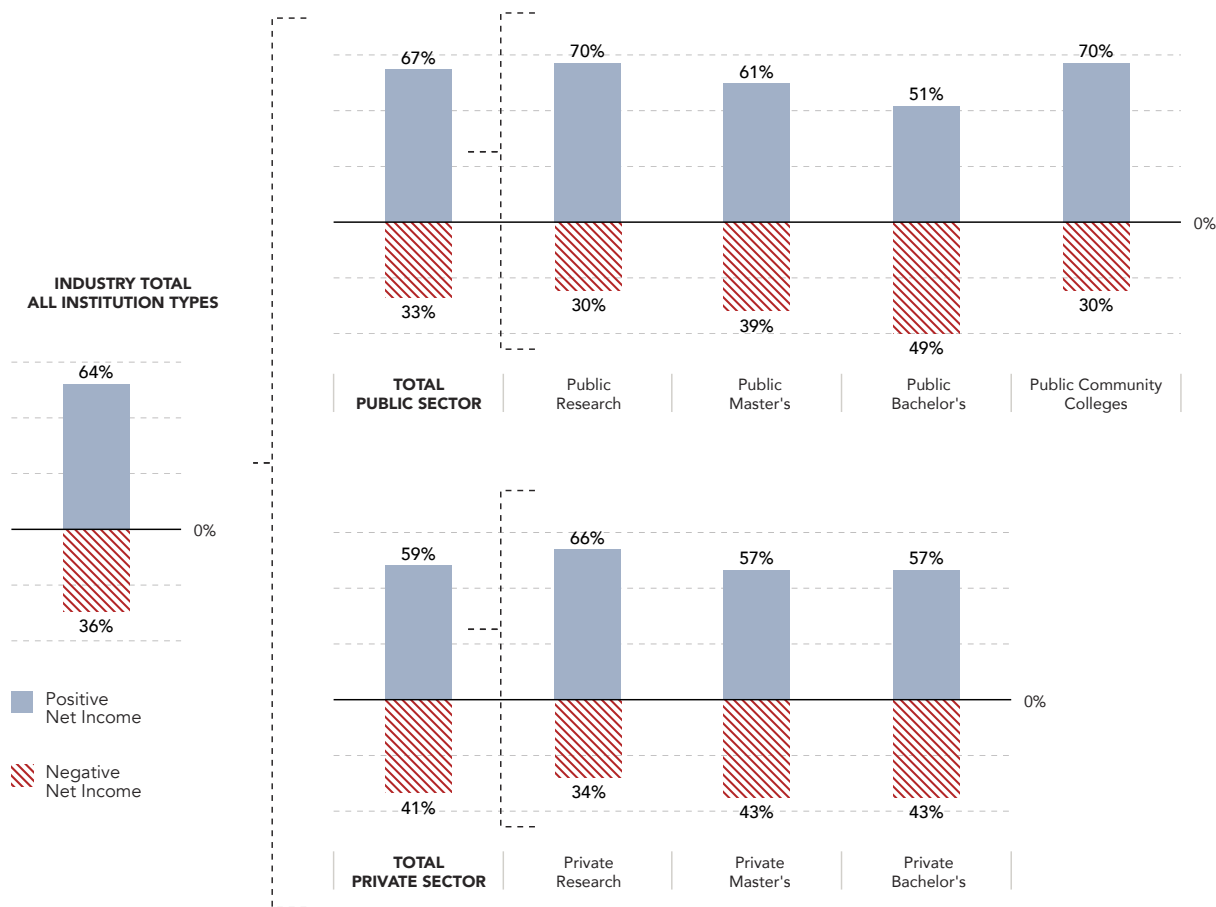
4. Bauman (2025).

and amortization expenses—a common method used in other industries that offers a view more aligned with the ‘balance the budget’ approach many institutions take in their day-to-day management.⁵ Together, these analyses reveal important patterns in the financial health of higher education institutions.

Traditional net income calculations show that 64% of all institutions reported a healthy financial position, on average, across FY20-FY23 when measured by total revenue and expenses. Public institutions fared somewhat better, with two-thirds (67%) maintaining positive annual net income, compared to 59% of private institutions (see Figure 1). Research institutions, both public and private, reported the strongest financial health (70% and 66%, respectively) along with community colleges (70%), while bachelor’s institutions were more vulnerable, with 49% of public and 43% of private institutions reporting negative net income, on average.

Trends over time reveal a clear pandemic spike in FY21, when the share of institutions with positive net income rose sharply compared to FY20, followed by declines in FY22 or FY23 (see Figure 2). This FY21 surge was largely the result of HEERF funding allocations institutions received during the first year of the pandemic.⁶ By FY23, only 60% of all institutions had positive net income (see Table A).

Figure 1. Percent of Institutions Reporting Positive Versus Negative Net Income, 4-Year Average, FY20 – FY23



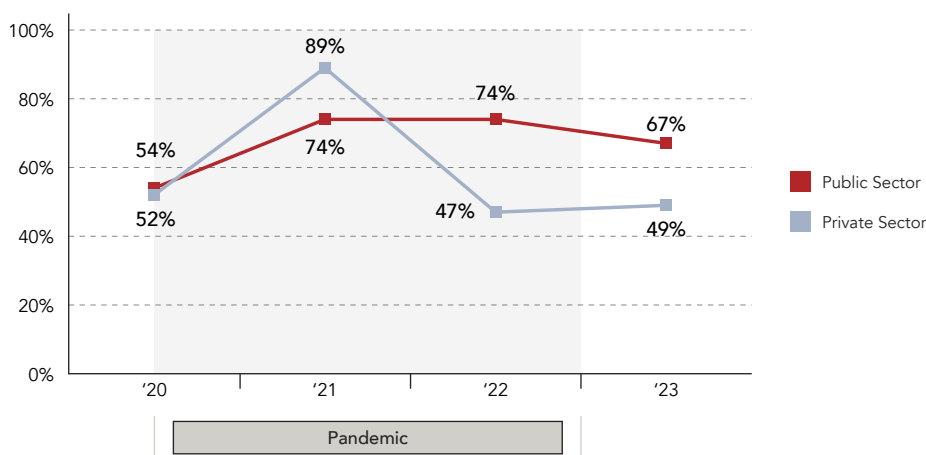
Data includes operating and nonoperating income (loss); FASB institutions report change in unrestricted net assets. Source: rpk GROUP analysis of IPEDS, 2013-2023.

5. IPEDS only started collecting the data for traditional net income calculations in FY20; however, the data used to calculate an EBITDA approach is available for all data years.
 6. Desrochers et al. (2025).

Private institutions benefited substantially from these one-time exceptional funding allocations. Just over one-half of private institutions (52%) reported positive net income in FY20, but this figure jumped to 89% in FY21. Once the HEERF funds began to expire, however, their financial position fell sharply, declining to 47% in FY22 and rising to 49% in FY23, approaching their pre-pandemic position.

Public institutions also benefited from HEERF funding, with the share reporting positive net income increasing from 54% in FY20 to 74% in FY21 and FY22. Unlike their private counterparts, however, public institutions have largely sustained those improvements. As of FY23, about two-thirds (67%) of public institutions reported positive net income.

Figure 2. Percent of Institutions Reporting Positive Net Income, FY20-FY23



Years are shown as fiscal years ('23 = 2022-23). Grey bar represents pandemic impacted years.
Source: rpK GROUP analysis of IPEDS, 2013-2023.

When evaluating net income from an EBITDA perspective, similar patterns emerge.

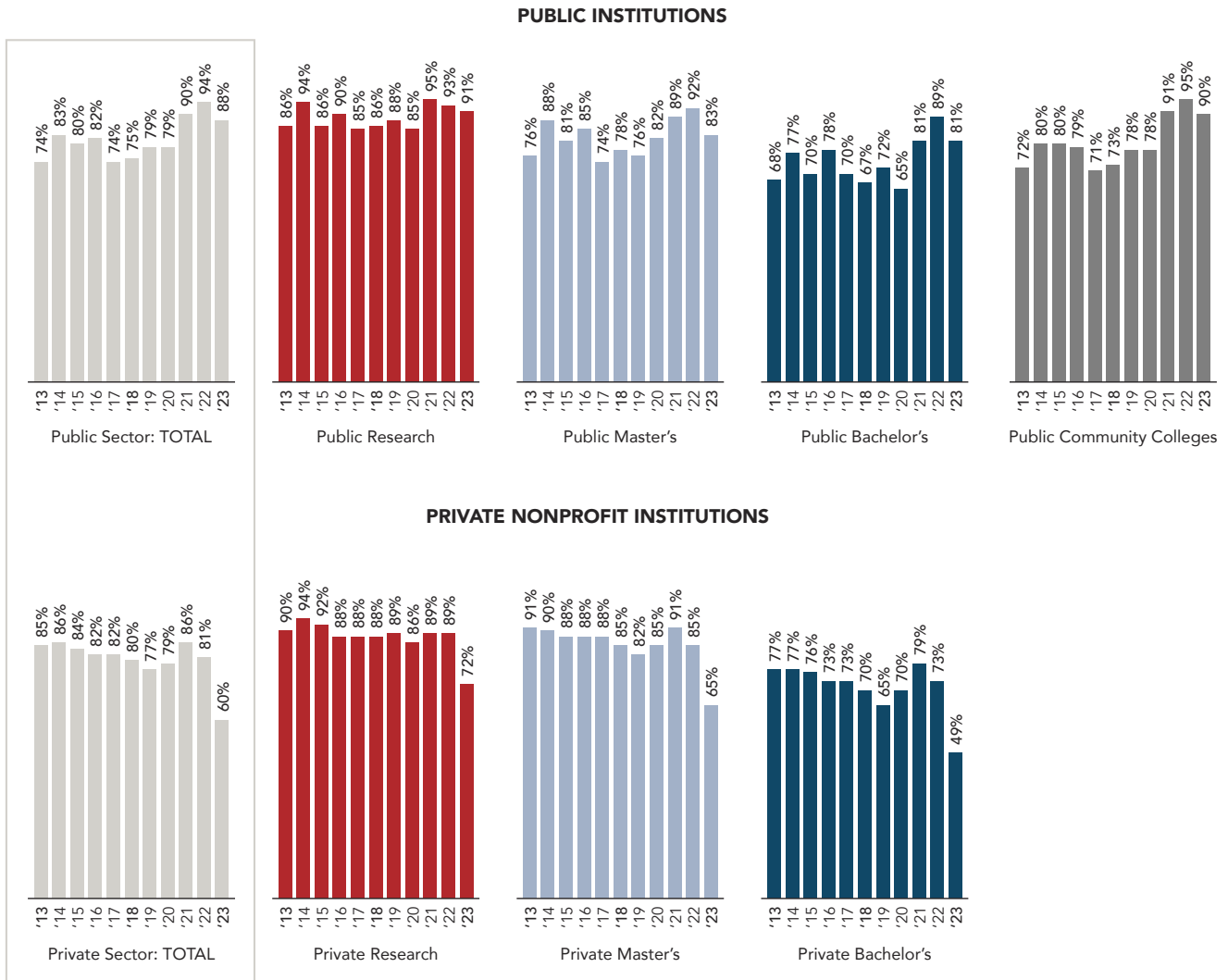
Institutions across sectors saw a boost in their financial positions in FY21, followed by declines of varying intensity in FY22 and FY23. Public institutions generally maintained stronger positions, with 88% reporting positive net income in FY23, compared to just 60% of private institutions—well below pre-pandemic levels (see Figure 3). The share of private institutions with positive net income has steadily decreased over the decade observed.⁷

While an EBITDA approach naturally produces a more generous measure of financial health by excluding depreciation and amortization, it is a valuable complement to the traditional net income measure that includes more reductions to the bottom line. Evaluating both in tandem provides a fuller understanding of financial performance.

Although the EBITDA approach aligns with how campus leaders typically view budgets, even institutions with a positive EBITDA *should* account for depreciation in their financial planning to ensure true long-term financial stability. Failing to fund depreciation can mask future liabilities, leaving campuses without the resources to repair aging facilities, replace critical infrastructure, or invest in updated equipment, which are all essential to sustaining operations and competitiveness over time.

7. When investment gains and losses are included in the EBITDA calculations, private institutions appear even less financially healthy (Desrochers et al., 2025).

Figure 3. EBITDA Net Income Calculations: Percent of Institutions with Positive Net Income, FY13-FY23



Includes operating and nonoperating income (loss); investment returns are excluded. 'EBITDA' or 'earnings before interest, taxes, depreciation, and amortization' excludes depreciation and interest (nonprofit institutions are exempt from taxes).
 Source: rpk GROUP analysis of IPEDS, 2013-2023.

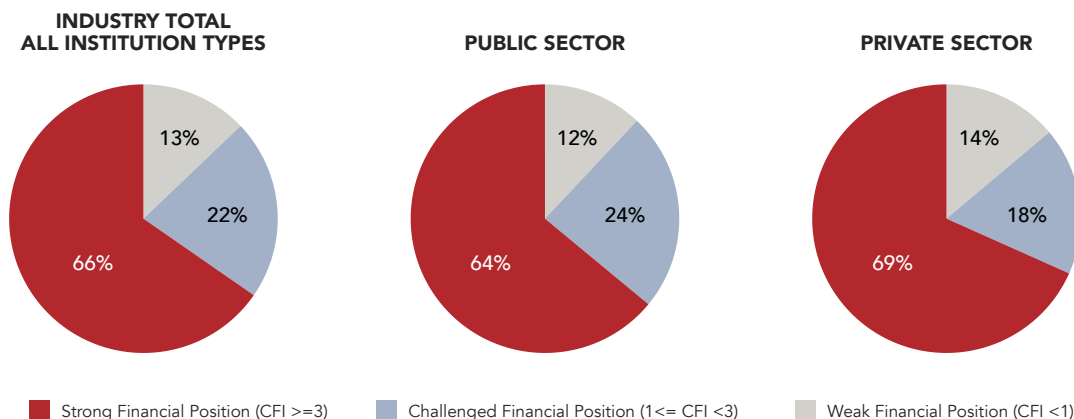
Table A: Percent of Public and Private Nonprofit Sector Institutions with Positive Net Income, by Calculation Approach, FY23

Net Income Calculation Approach		
Percent of Higher Education Industry Reporting Positive Net Income	Traditional (Total revenues less total expenses)	EBITDA (Earnings before interest, taxes, depreciation, and amortization, less expenses)
	60%	77%

Composite Financial Index

The Composite Financial Index is a comprehensive metric that combines four key components (one of which is net income) to help guide institutions in addressing financial health and risk.⁸ In FY23, 66% of all institutions had CFI scores considered financially healthy, while 13% showed concerning weak scores (see Figure 4). The findings align closely with the 60% of total institutions that reported positive net income in that year.

Figure 4. CFI Scores, FY23



Source: rpk GROUP analysis of IPEDS, 2013-2023.

Tracking institutions' CFI scores over time reveals areas of growing stress across the sectors. Between FY20 and FY23, one-third (33%) of all institutions showed a decline (of any magnitude) in their CFI score (see Appendix), though many of these institutions remained in strong financial standing (CFI >= 3).⁹ Financial stress increased at 29% of public institutions and 39% of private institutions over this period.

Notably, 7% of institutions that were financially healthy in FY20 became financially challenged or weak by FY23. A very small share of institutions (1%) experienced steep declines, dropping from strong CFI scores (3 or higher) to weak scores within three years.¹⁰ Across both sectors, bachelor's colleges represented the largest share of institutions entering financial crisis.

While both the CFI and net income assess financial health, comparisons between the two must be made carefully.¹¹ The CFI offers a comprehensive view of financial health and risk, whereas net income provides a snapshot of annual activity. Viewed together, they provide a more complete picture of institutional sustainability.

8. The CFI includes: 1) primary reserve ratio, which measures whether an institution has enough cash to meet its existing financial obligations, 2) net operating return ratio (which is net income divided by current year revenues), which measures how the institution's revenues compare with its expenses, 3) return on net assets ratio, which examines whether it has more assets at the end of the year compared to the beginning, and 4) viability ratio, which assesses how well the institution can cover its debts with existing resources.

9. For the CFI, a score of 3 is the threshold of institutional financial health. A CFI score between 1 and 3 indicates an institution's financial health is challenged and financial review is recommended. A CFI score below 1 indicates weak financial health, and accreditor monitoring is recommended.

10. This crisis occurred mainly within the private sector, with 2% of private institutions plunging from strong to weak financial positions; within the public sector, fewer than 1% of institutions (0.7%) experienced such a decline.

11. Net income represents between 10% and 30% of the CFI calculation, while the remaining 70% to 90% reflects balance sheet activity (e.g., cash, liquidity, debt).

So, what's the overall financial health assessment for higher education?

- In the public sector, both net income and the CFI measures indicate that a large and relatively stable share of institutions continue to generate positive net revenue for reinvestment. However, about one in three institutions experienced a recent increase in financial stress.
- Private colleges and universities showed a weakening financial position on both income measures. Their CFI scores declined from FY20 to FY23 and longer-term trends in net income show an even longer-term weakening, suggesting increased difficulty generating sufficient resources for reinvestment in their mission and student success. Financial stress increased at two out of five institutions.
- While both the public and private nonprofit sectors benefited from pandemic-era relief funding, public institutions maintained their health more effectively. By FY23, 67% of public institutions reported positive net income compared to just 49% of private institutions, signaling greater resilience in the public sector as the industry faced financial challenges.



Enrollment: The Dip Before the Demographic Cliff

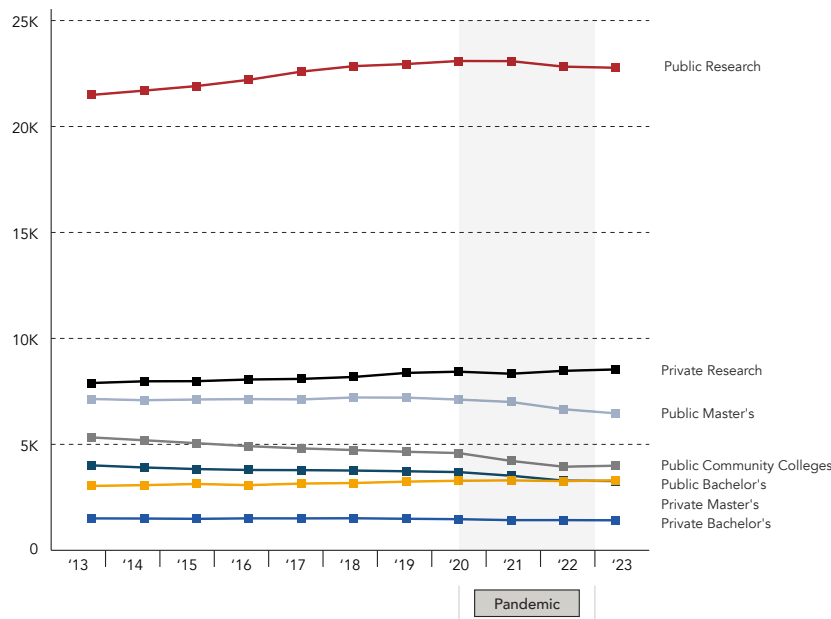
Student enrollment is the most visible marker of financial health for colleges and universities. Enrollment drives tuition revenue, influences state funding, and supports critical auxiliary services such as housing and dining.

At the same time, enrollment alone does not guarantee stability. An institution's financial strength depends on whether its overall size and student mix generate enough net revenue—and whether those resources are managed in ways that support long-term sustainability. Institutions with fewer enrollment challenges tend to be more well-resourced institutions, and those differences were evident well before the pandemic.

Enrollment trends were diverging long before the post-pandemic patterns now observed. **By FY23, research universities had returned to pre-pandemic enrollment levels** and grown compared to a decade earlier (see Figure 5).

In contrast, **public non-research institutions and private bachelor's colleges continued to see enrollment declines**, both compared to before the pandemic and relative to ten years earlier.

Figure 5. FTE 12-month Enrollment, FY13-FY23



'FTE' is full-time equivalent. Years are shown as fiscal years ('23 = 2022-23). Grey bar represents pandemic impacted years. Source: rpk GROUP analysis of IPEDS, 2013-2023.

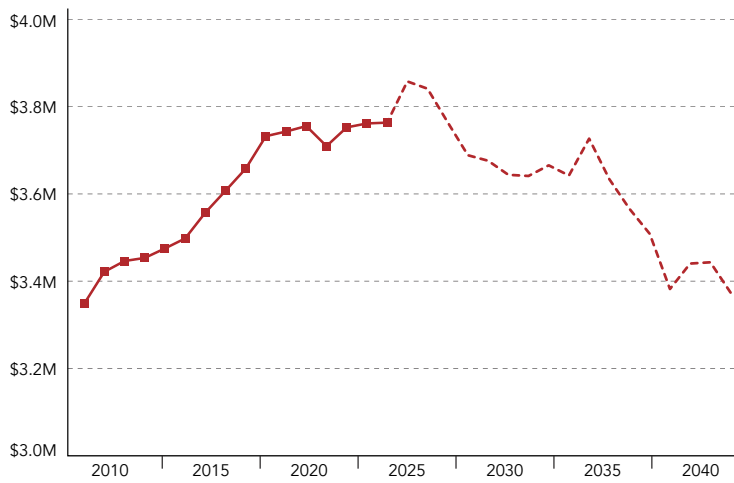
More recent enrollment data from other sources shows that enrollment increased through FY25 across both the public and private nonprofit sectors.¹² However, the long-anticipated 'demographic cliff' has also arrived. Over the next decade, the number of traditional-age college students is expected to decline each year, reflecting the lower birthrates that followed the 2008 recession (see Figure 6). But colleges and universities can soften these impacts by expanding their outreach to other types of students, as during prior demographic downturns.¹³ Opportunities for new or returning adult students, including those pursuing additional degrees or credentialed learning, could mitigate some of these expected enrollment impacts.



12. National Student Clearinghouse Research Center (2025, Table 1.2).

13. The GI bill successfully recruited new students to college after WWII. Similarly, as more women entered the workforce in the 1960s, more women also began enrolling in college in the 1970s, which lessened the impact of the decline in births after the baby boom (Goldin, et al., 2006).

Figure 6. Demographic Cliff: High School Graduates (Reported & Projected), 2010-2040



Data for 2024+ are projected.

Source: Lane, P., Falkenstern, C., & Bransberger, P. (2024). *Knocking at the College Door: Projections of High School Graduates*. Boulder, CO: WICHE.

Enrollment trends also vary across student groups, including differences by gender, race and ethnicity, age, and first-generation status.¹⁴ While this report does not focus on those variations, institutions will need to account for them in their financial planning. Supporting diverse populations is essential to ensuring student persistence, completion, and the tuition revenue that sustains institutional health.

Revenue and Spending: A Post-Pandemic Hangover

Revenue and spending contracted sharply across higher education in FY23, but public institutions appear to be on a stronger financial path than their private-sector counterparts.

A longer lookback provides a clearer picture of institutions' financial trajectories by filtering out the temporary effects of the large subsidies institutions received during the COVID-19 pandemic.¹⁵

Revenues

Across both the public and private higher education sectors, total revenues in FY23 were lower than the prior year and below pre-pandemic levels in FY20. Declines in net tuition revenue were the primary driver of this downturn.

When normalized by FTE enrollment, revenue per student also fell sharply in FY23 across both sectors (see Figure 7), although the financial trajectories of different types of institutions varied considerably compared to before the pandemic:

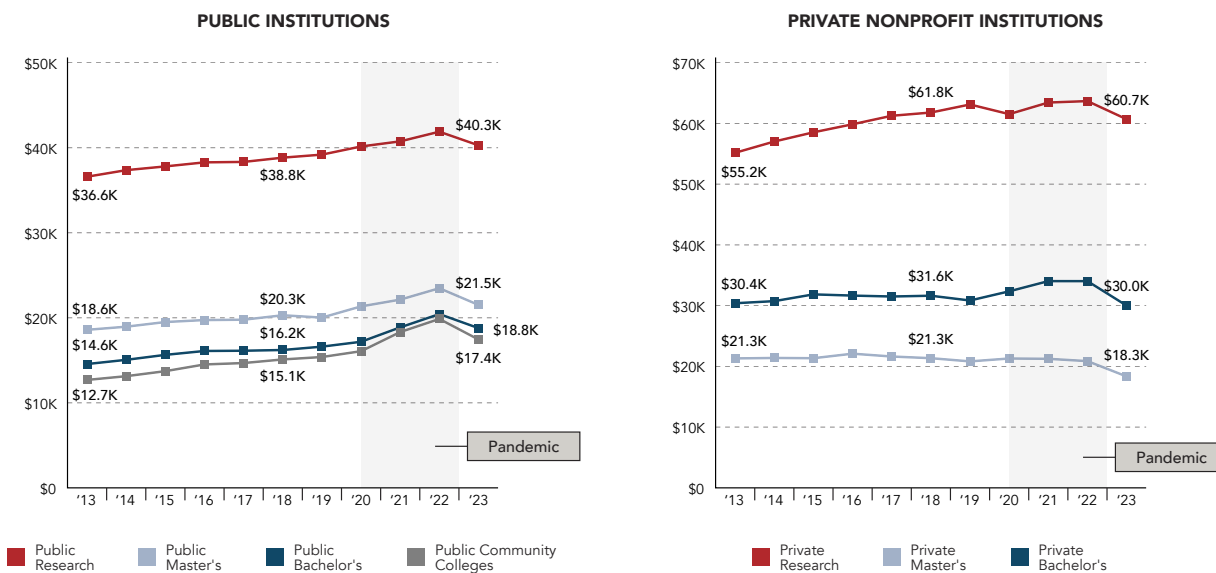
14. Lane et al. (2024).

15. Three rounds of Higher Education Emergency Relief Fund, or HEERF, were provided during the pandemic: The CARES Act authorized \$14 billion for higher education (HEERF I) on March 27, 2020; CRRSAA (HEERF II) authorized another \$31 billion on December 27, 2020, and the ARP Act authorized about \$40 billion on March 11, 2021 (HEERF III). Institutions were required to expend all institutional funds by June 30, 2023 unless a one-year extension was requested; a six-month extension (through December 31, 2023) could be requested for any unspent student aid funding.

- Public bachelor's and community colleges' average revenue per student actually rose compared to pre-pandemic levels in FY20, as their enrollment challenges exceeded their revenue challenges.
- Public research and master's universities' average revenue per student in FY23 was nearly equal to their FY20 levels.
- Private institutions fared less well: revenue per student was below pre-pandemic levels, with the steepest declines at non-research institutions, even amid stable or worsening enrollment.

Despite higher levels of total revenue per student, the private sector's revenue position deteriorated more sharply than the public sector's when compared to pre-pandemic benchmarks. Although both sectors endured similarly steep revenue declines in FY23, the public sector entered this period with a larger financial cushion built during the pandemic.

Figure 7. Core Revenues per FTE Student, FY13-FY23



'FTE' is full-time equivalent. Years shown as fiscal years ('23=2022-23). Grey bar represents pandemic impacted years. Data shown in 2023 dollars. Core revenues include net tuition and fees, federal, state, and local funds, private gifts and contributions, and educational sales and services. Revenues from auxiliaries, other operations, and investments are excluded. Source: rpk GROUP analysis of IPEDS, 2013-2023.

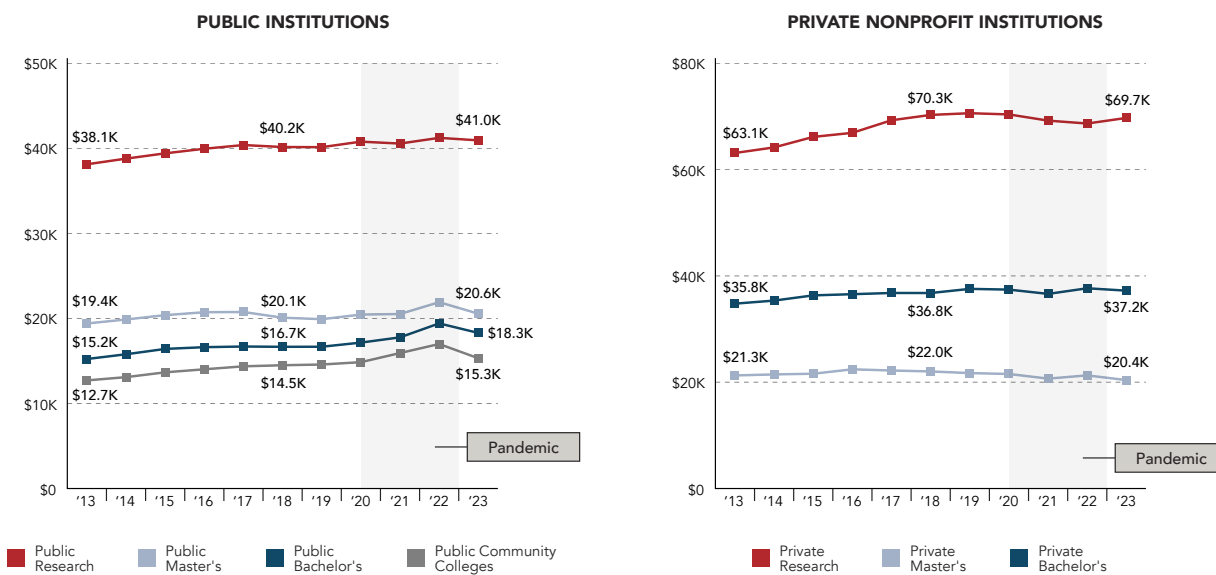
Spending

Spending patterns in the public sector generally tracked with revenue trends, although private institutions' spending did not fully reflect their worsening financial position.

Education and general (E&G) spending at public non-research institutions appeared to decline sharply in FY23.¹⁶ However, much of this reduction was tied to the expiration of HEERF grants that had been distributed directly to students. Looking over a longer period, **public research and master's universities were spending about the same per student in FY23 as they had at the start of the pandemic (see Figure 8). Public bachelor's and community colleges were spending more per student, largely a result of smaller enrollments, even though their overall spending declined.**

Private research universities increased their total E&G spending in FY23, which also raised their spending per student. Private master's and bachelor's institutions reduced both overall and per-student E&G spending, but only modestly relative to their revenue losses. **Compared to the onset of the pandemic, private master's universities were spending less per student in FY23, while private research universities and bachelor's colleges were spending at roughly the same levels.**

Figure 8. Education and General (E&G) Spending per FTE Student, FY13-FY23



'FTE' is full-time equivalent. Years shown as fiscal years ('23=2022-23). Grey bar represents pandemic impacted years. Data shown in 2023 dollars. Core revenues include net tuition and fees, federal, state, and local funds, private gifts and contributions, and educational sales and services. Revenues from auxiliaries, other operations, and investments are excluded. Source: rpk GROUP analysis of IPEDS, 2013-2023.

16. Education and general spending includes spending on core operational activities including instruction, student services, academic support, institutional support, sponsored research, and public service; spending on auxiliaries and other independent operations are excluded.

SHIFTS IN THE HIGHER EDUCATION LANDSCAPE: AN INSTITUTIONAL PERSPECTIVE

A diverse higher education system is important for meeting the needs of students, the workforce, and our economy. As a society, we have a vested interest in ensuring that good stewardship is evident through the public and private funds that are provided to higher education, in addition to federal, state, and local tax advantages.

The following analysis examines the data and trends shaping the diverse types of colleges and universities within higher education, highlighting the financial and operational dynamics that underpin their stability and long-term viability. They are organized into four analysis categories, arranged by the similarity of their business models and education trends.

Table B: Snapshot of Key Metric 10-Year Trends (FY13-FY23)

	Research Universities		Master's Universities		Bachelor's Colleges		Community Colleges
	PUBLIC	PRIVATE	PUBLIC	PRIVATE	PUBLIC	PRIVATE	PUBLIC
FTE Enrollment (12-month)	6%	9%	-11%	9%	-18%	-6%	-25%
Revenue per FTE Student	9%	8%	13%	-14%	25%	-1%	34%
Net Tuition & Fees Per FTE Student	-3%	-1%	-15%	-17%	-14%	-15%	-25%
Spending per FTE Student	7%	9%	5%	-6%	18%	6%	18%
FTE Employment	15%	10%	-2%	6%	-5%	0%	-8%
FTE Faculty	17%	14%	-2%	6%	-7%	1%	-14%
FTE Staff	13%	7%	-2%	5%	-3%	0%	-1%
Faculty Throughput	-5%	-3%	-10%	1%	-12%	-7%	-13%
Completions	21%	18%	11%	17%	0%	-4%	23%
Productivity (Completions per 100 FTE Students)	4	3	6	2	6	0	15

'FTE' is full-time equivalent. Revenue includes core revenue sources plus auxiliaries; investments returns, hospitals, independent, and other operations are excluded.

Spending includes education and general spending plus auxiliaries; hospitals, independent, and other operations are excluded. Faculty also includes instructors. Faculty throughput (student credit hours per FTE faculty) is a measure of instructional capacity. Completions include degrees and certificates.

Source: rpK GROUP analysis of IPEDS, 2013-2023.

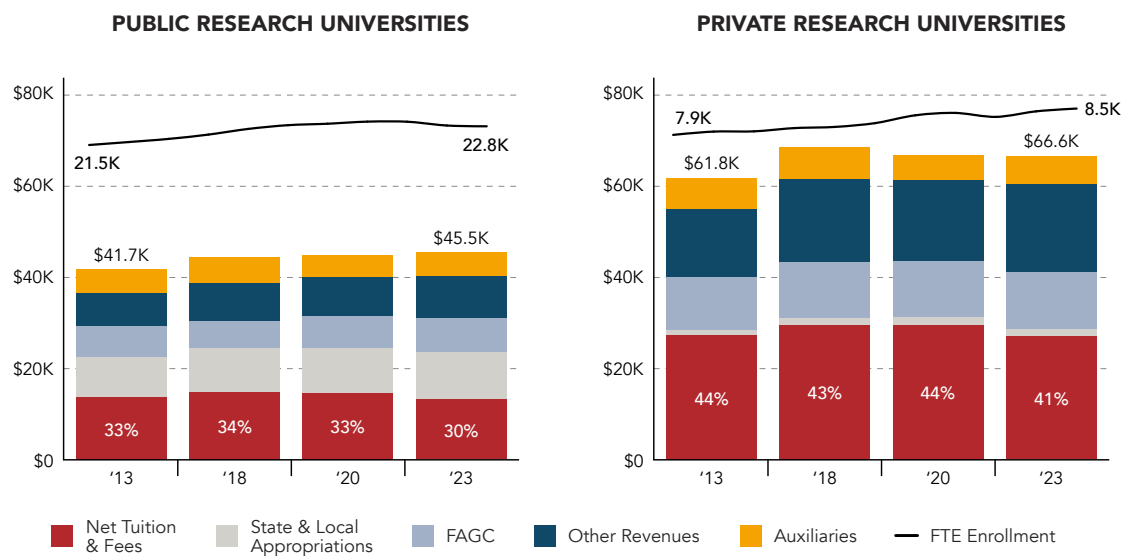
Research Universities: Enrollment Strong, Revenues Stronger

THE UPSHOT: PUBLIC & PRIVATE RESEARCH UNIVERSITIES

- **Student demand** for research universities may cushion the impacts of the demographic cliff at the most elite universities, but many other research universities will be impacted.
- **Revenue diversification** helps reduce financial pressure on institutions, but not all money can be used to fund the instructional mission of universities, and revenue-side solutions will not solve the cost problems in higher education.
- **Spending** at private research universities rebounded more slowly post-pandemic than at public universities and compared to their pre-pandemic robust spending habits.
- **Hiring** continued unabated at research universities. Capacity metrics suggest that there is room to accommodate more students without additional hiring.
- **Increased credential productivity** is evident at both public and private research universities.

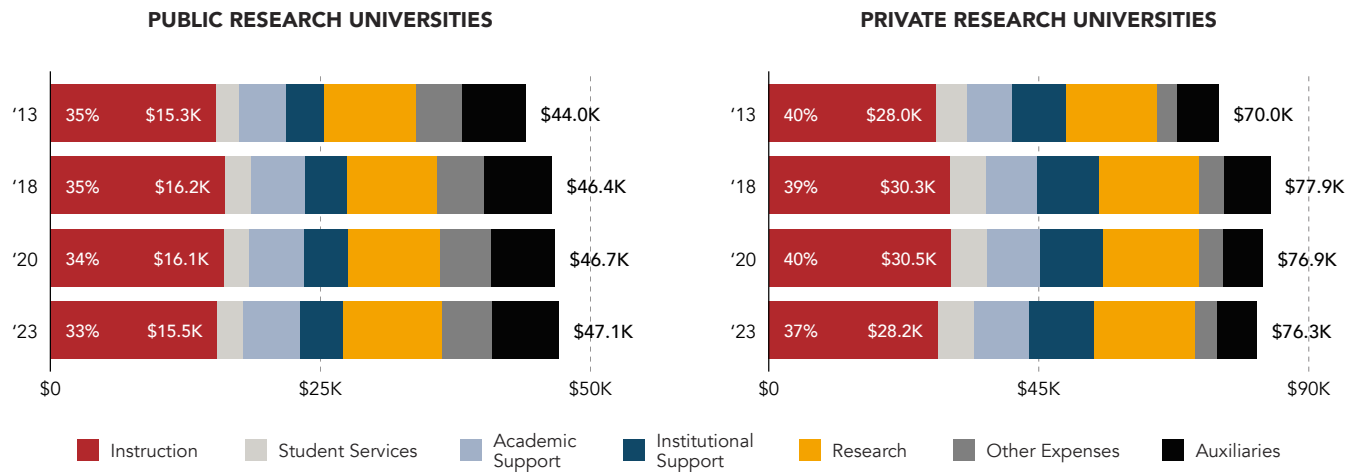
Student interest in public flagships and other research universities has steadily grown over the past decade, even as demand waned across many other areas of higher education. **Between FY13 and FY23, enrollment increased by 6% at public research universities and 9% at private research universities** (see Table B). While the pandemic disrupted enrollments across higher education, its effects were relatively modest at research universities: -1% at publics and -0.4% at privates.

Figure 9. Revenue per FTE Student by Source & Enrollment, FY13-FY23



'FAGC' is federal appropriations, grants and contracts. 'Other revenues' include state and local grants and contracts; private grants and gifts; educational sales and service.
 'FTE' is full-time equivalent. Years are shown as fiscal years ('23 = 2022-23).
 Source: rpk GROUP analysis of IPEDS, 2013-2023.

Figure 10. Spending per FTE Student by Expense Type, FY13-FY23



'Other Expenses' includes public service and net grant aid paid to students.
 Years are shown as fiscal years ('23 = 2022-23).
 Source: rpk GROUP analysis of IPEDS, 2013-2023.

Revenues at research universities grew faster than both inflation and enrollment, with **revenues per student up 9% at publics and 8% at privates**. However, the composition of these revenues shifted significantly. Net tuition revenue fell as a share of total revenue, declining to 30% at public research universities and 41% at privates (see Figure 9). Non-tuition sources—including auxiliaries, federal grants, and contracts—now make up a growing share of institutional funding.

Spending also outpaced both inflation and enrollment, rising 7% at publics and 9% at privates over the decade. Despite pandemic-era cuts, by FY23 private research university spending nearly rebounded to pre-pandemic highs, reaching \$76,300 per student (see Figure 10). Public research universities exceeded their pre-pandemic levels, averaging \$47,050 per student.

Although research universities resources shifted, they continued to expand their faculty ranks. Public research universities employed 17% more FTE faculty in FY23 than a decade earlier, while privates increased faculty by 14%. Despite the prevalence of adjunct professors, at both types of universities faculty were more likely to be full time, and two-thirds had instructional responsibilities at public universities as did 63% at private universities.

At publics, faculty hiring kept pace with enrollment growth. Faculty throughput, measured as average student credit hours per FTE faculty, remained stable over the decade and is 40% higher at publics than privates. In effect, **public research universities make far greater use of their instructional capacity than private peers.**

With sustained student demand and robust resources, **research universities significantly expanded credential output.** Between FY13 and FY23, degree and certificate awards increased 21% at public institutions and 18% at privates. Even accounting for enrollment growth, productivity improved: both sectors awarded an additional 3 to 4 credentials per 100 FTE students compared to a decade earlier.

CONSIDERATIONS FOR MOVING FORWARD

- 1. Slow spending growth.** Spending per student remains far above levels a decade earlier. Without restraint, institutions risk overextending even in periods of stable demand.
- 2. Optimize instructional capacity.** Private research universities should consider strategies to better leverage faculty resources. If enrollment softens, both publics and privates risk being overinvested in instruction.

Master's Universities: Steady Paths but Diverging Destinations

THE UPSHOT: PUBLIC & PRIVATE MASTER'S INSTITUTIONS

- **Enrollment played out quite differently** at public and private master's institutions. Enrollments rose at private institutions over the decade while declining at public institutions by a similar rate.
- **Enrollment shifts reveal little about financial stability** of public and private master's institutions. Total net tuition revenue declined in both sectors. Despite enrollment growth in the private master's sector, total revenue still declined. Even though the public master's sector had declining enrollment, their overall revenue increased, in part because of state support.
- **Spending per student equalized** at public and private master's universities by FY23. Public institutions benefited from public funding supports amid enrollment declines. At private master's universities, revenue growth did not keep pace with enrollment growth, and spending therefore also declined at these highly tuition-dependent institutions.
- **Shifting business models** to meet market demand can produce uneven outcomes. Public master's institutions embraced a shift toward shorter certificates while continuing to support their traditional degree programs. This shift boosted their degree outcomes but not enrollment.

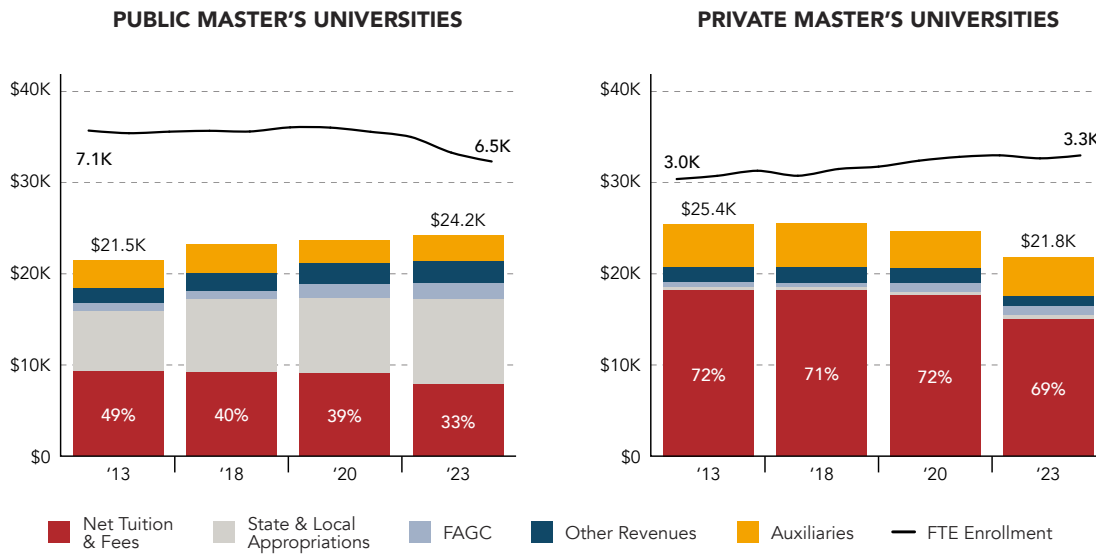
Public and private nonprofit master's colleges and universities have emerged as steady stalwarts of higher education over the past decade. While their spending profiles were similar in FY23, their financial positions diverged in the latter half of the decade.

In the early part of the decade, public master's institutions maintained stable enrollment, while private master's institutions experienced modest, then more substantial, increases. **By FY23, however, public master's enrollment had fallen by 11%, while private master's enrollment had grown by 9%** (see Table B). Public institutions' losses spurred by the pandemic, continued into FY23, while private master's enrollment held steady.

Revenues initially tracked with enrollment: steady at publics, modestly rising at privates. Later in the decade, however, the revenue outlook for publics dramatically improved (see Figure 11) because of three advantages: 1) rising state and local appropriations offsetting lost tuition revenue, 2) greater revenue from federal grants and contracts, both before and during the pandemic, and 3) fewer students to support as enrollment declined. Consequently, **by FY23, revenue per student had risen 13% at public master's institutions but declined 14% at private master's.**

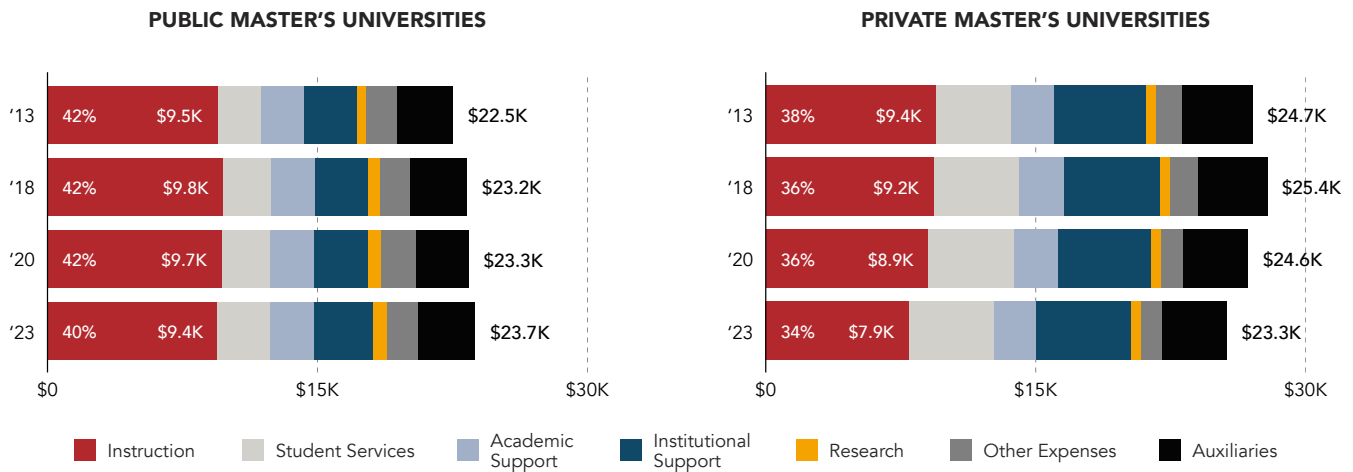
Total spending at public master's institutions increased moderately over the decade, but because they had more money and fewer students in the latter half, **spending per student rose by 5% at public master's.** At private master's institutions, spending climbed in the first half of the decade but fell to new lows in FY23, with **per-student spending down 6% at private master's by the end of the decade.**

Figure 11. Revenue per FTE Student by Source & Enrollment, FY13-FY23



'FAGC' is federal appropriations, grants and contracts. 'Other revenues' include state and local grants and contracts; private grants and gifts; educational sales and service.
 'FTE' is full-time equivalent. Years are shown as fiscal years ('23 = 2022-23).
 Source: rpk GROUP analysis of IPEDS, 2013-2023.

Figure 12. Spending per FTE Student by Expense Type, FY13-FY23



'Other Expenses' includes public service and net grant aid paid to students.
 Years are shown as fiscal years ('23 = 2022-23).
 Source: rpk GROUP analysis of IPEDS, 2013-2023.

As a result, the financial position of public master's institutions strengthened while that of privates weakened. At publics, revenue growth outpaced spending; at privates, revenue losses outpaced cuts. Despite these differences, by FY23 both sectors converged at similar financial levels, with education and general spending averaging just over \$23,000 per student, although arrived at through very different pathways (see Figure 12).

Both sectors followed broader higher education employment trends: **professional staff hiring far outpaced faculty growth, increasing 13% at publics and 23% at privates**, while nonprofessional staff were reduced. Overall staff positions fell slightly (2%) at public master's universities but rose modestly (5%) at private master's.

At publics, instructional faculty grew steadily until pandemic-driven cuts erased nearly a decade of gains, leaving them with fewer instructors in FY23 than a decade earlier. Privates experienced smaller pandemic-related faculty losses but ended the decade with 6% more instructional faculty than they had in FY13.

Faculty throughput declined by about 10% at publics but remained flat over the decade at privates after dipping mid-decade. Even so, public master's institutions maintained throughput levels about 10% higher than privates.

Despite financial and enrollment pressures, both sectors increased credential production: 11% at public master's institutions and 17% at privates. Growth in public master's completions was driven largely by certificates, which more than doubled in number and now represent a meaningful share of awards. In contrast, certificates remain just 1% of awards at private master's institutions. This translated into higher credential productivity, and by FY23, public master's institutions awarded six more completions per 100 FTE students than in FY13, while private master's institutions produced two more.

CONSIDERATIONS FOR MOVING FORWARD

- **Financial sustainability depends on more than student enrollment.** Public master's institutions offset tuition losses with state, local, and federal funding, while declining enrollments further increased revenue per student.
- **Strategic shifts carry trade-offs.** Public master's institutions leaned into short-term credential growth, boosting productivity and efficiency but failing to attract more students or increase net tuition revenue. Their stronger financial position rests primarily on external funding.



Public Bachelor's and Community Colleges: Enrollment Challenged but Financially Flourishing

THE UPSHOT: PUBLIC BACHELOR'S & COMMUNITY COLLEGES

- **Enrollment shifts** are a misleading indicator of financial stability in public bachelor's and community colleges. Despite persistent enrollment declines, these types of institutions were able to offset those revenue losses with other public funding.
- **Public financial support** can stabilize the financial outlook for these colleges (and has). Despite the widely held narrative of public disinvestment in higher education, state and local governments have appropriated additional investments in the public bachelor's and community colleges.
- **Spending challenges** do not necessarily materialize just because fewer students enroll. Diversification of revenue sources alongside efforts to right-size faculty positions with instructional needs appears to have avoided sharp cuts in overall institutional spending and actually increased per student spending on an inflation-adjusted basis.
- **Degree and certificate productivity** improved despite fewer students on campus, but lower pandemic enrollment sharply reduced the number of credentials awarded in FY22 and FY23.

Public bachelor's degree-granting colleges and community colleges share the unfortunate distinction of experiencing the steepest enrollment declines in higher education over the past decade.

Average FTE enrollment fell every year from FY13 to FY23, resulting in losses of 18% at public bachelor's colleges and 25% at community colleges (see Table B). The pandemic accelerated these challenges, with the sharpest declines occurring in FY21 and FY22.

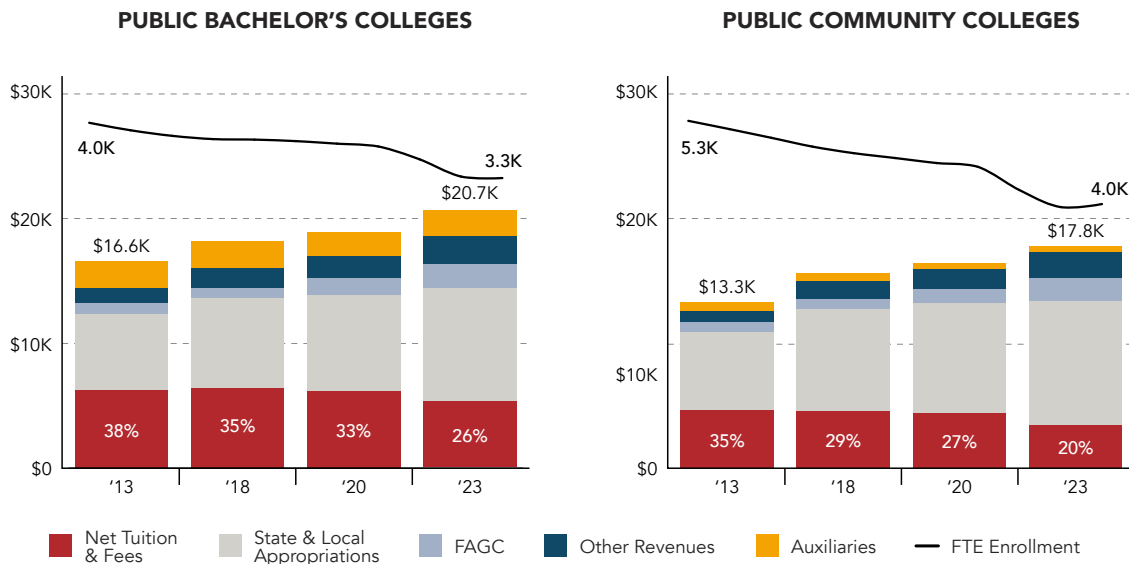
Despite shrinking enrollments, total revenue rose modestly in inflation-adjusted dollars, by 2% at public bachelor's colleges and 0.5% at community colleges. Once adjusted for declining enrollment, however, **revenues per student increased significantly, by 25% at public bachelor's colleges and 34% at community colleges compared to a decade earlier.**¹⁷

At first glance, this revenue growth seems counterintuitive given steep declines in tuition-paying students. In reality, these institutions faced deep losses in tuition and fee revenue, along with auxiliary revenues. Net tuition and fees accounted for just 20% to 26% of revenues in FY23, down from 35% or more a decade earlier (see Figure 13).

The key offset came from public funding. **Federal grants and contracts covered much of the tuition shortfall, while large increases in state and local appropriations further stabilized finances.** Between FY13 and FY23, the share of revenues from state and local appropriations rose by 7 to 8 percentage points, equating to roughly \$3,000 to \$3,500 more revenue per student. Federal, state, and local grants and contracts added another \$1,000 per student.

17. The largest declines were observed during the pre- and post-pandemic years, where the share of net tuition revenue declined 7 percentage points, and resulted in real revenue losses averaging \$800 to \$950 per student, between FY20 and FY23.

Figure 13. Revenue per FTE Student by Source & Enrollment, FY13-FY23



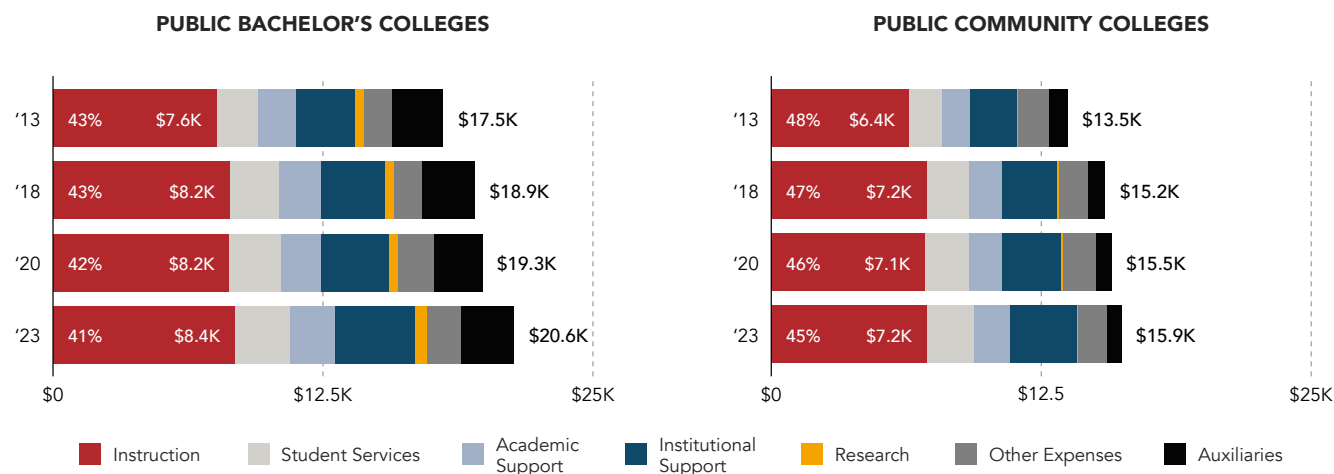
'FAGC' is federal appropriations, grants and contracts. 'Other revenues' include state and local grants and contracts; private grants and gifts; educational sales and service.
 'FTE' is full-time equivalent. Years are shown as fiscal years ('23 = 2022-23).
 Source: rpk GROUP analysis of IPEDS, 2013-2023.

Even with public funding support, **total spending across both types of institutions declined slightly over the decade.** Adjusted for enrollment loss, however, **per-student spending increased by an average of 18% across both types of colleges,** reaching \$20,600 per student at public bachelor's colleges and \$15,900 per student at community colleges in FY23 (see Figure 14).

Spending rose across most categories, though the largest increases went to institutional support, while instructional spending saw the smallest growth. Since FY20, new resources allocated to institutional support were two to five times higher than those directed to instruction. Community colleges also directed significantly more resources to academic support and student services.

Faculty and staff reductions closely paralleled these spending shifts. **By FY23, faculty and staff counts were down 5% at public bachelor's colleges and 8% at community colleges, with most losses occurring during the pandemic.** Faculty positions were reduced more sharply than staff, and cuts during FY20 and FY21 erased most of the job growth of the prior decade. At public bachelor's colleges, increased spending on institutional support suggests that post-pandemic hiring favored administrative operations, as well as student services. At community colleges, managerial and professional staff hiring equally benefited both student services and administrative functions.

Figure 14. Spending per FTE Student by Expense Type, FY13-FY23



'Other Expenses' includes public service and net grant aid paid to students.
 Years are shown as fiscal years ('23 = 2022-23).
 Source: rpk GROUP analysis of IPEDS, 2013-2023.

Faculty throughput—the average number of student credit hours taught per faculty FTE—declined steadily across the decade (12% at public bachelor's colleges and 13% at community colleges), indicating excess instructional capacity. Still, faculty at these institutions continue to carry the heaviest student loads in higher education, even if less than before.

Despite declining enrollments, student outcomes tell a more nuanced story. Community colleges increased total completions by nearly 25% over the decade, driven largely by a 40% increase in certificates. Public bachelor's colleges, by contrast, saw uneven growth and ended the decade producing roughly the same number of degrees and certificates as at the start, with a sharp post-pandemic dip.

The combination of fewer students but more completions boosted degree and certificate productivity. Public bachelor's colleges averaged six more completions per 100 FTE students than a decade ago, while community colleges averaged 15 more—triple the gains observed at other public institutions.

CONSIDERATIONS FOR MOVING FORWARD

- **Demography may not be destiny:** Public bachelor's and community colleges show that access to diversified revenue streams, particularly public funding, can offset enrollment-related revenue losses. However, not all types of institutions have access to this level of financial protection, and among those that do, reliance on state/local appropriations carries risk should governments face budget pressures.
- **Public funding drives stability:** Federal, state, and local dollars backfilled tuition revenue losses, prevented severe cuts, and increased resources per student. This underscores the importance—and vulnerability—of public funding in sustaining institutional health.
- **Faculty reductions can coincide with positive outcomes:** Rightsizing faculty reduced instructional costs without depressing completions; in fact, completions increased, suggesting more efficient productivity models are possible.

Private Bachelor's Colleges: Fewer Students, Fewer Degrees

THE UPSHOT: PRIVATE BACHELOR'S COLLEGES

- **The pandemic had a destabilizing impact** on private nonprofit bachelor's degree-granting colleges. Cracks in the sector's business models were evident in enrollment and revenue a few years before the pandemic, but the most significant financial shifts occurred during the pandemic.
- **These institutions depend far less on tuition revenue** and increasingly rely on gifts and federal grants and contracts to balance their budgets.
- **Spending pressures continued** to increase over the decade even amid revenue declines.
- **The private nonprofit sector lags behind all other nonprofit sectors in improving degree outcomes.** By the end of the decade this sector performed more poorly on measures of degree production, degree productivity, and cost per completion. They are the only group of institutions where the cost per completion was higher at the end of the decade than at the beginning.

Private bachelor's colleges have been in the headlines because of ongoing struggles with enrollment and finances. In 2024 alone, 16 institutions closed and seven merged or were acquired, continuing a trend that began in 2023 when 15 colleges closed.¹⁸ Closures and mergers persisted into 2025, and higher education financial analysts expect continued instability.¹⁹

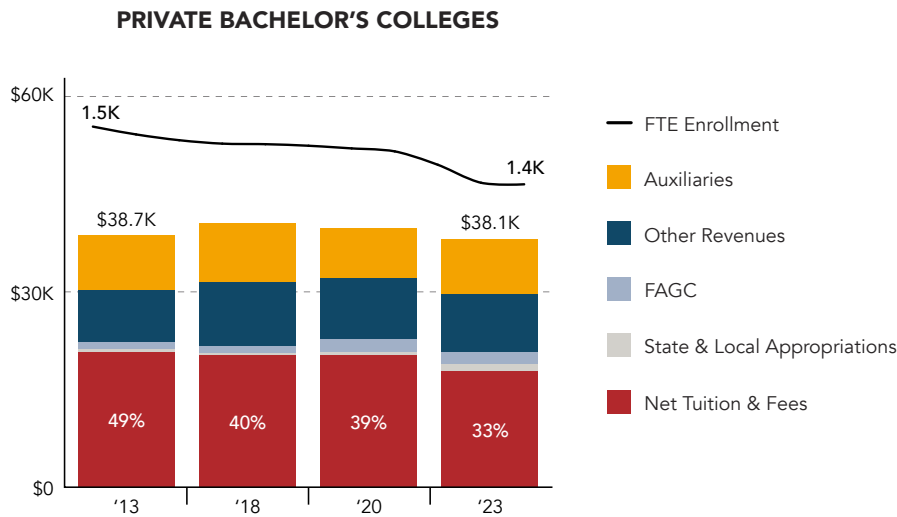
Enrollment among these colleges held steady through much of the past decade but began to decline by FY19, even prior to the pandemic. **By FY23, enrollment was down 6% compared to the start of the decade** (see Table B).

Financial trends followed a similar trajectory. **Total revenue began to fall in FY19, and by FY23, net tuition and fee revenue per student had dropped 15% from a decade earlier;** most of the decline occurred after the onset of the pandemic. Institutions offset some of these losses through other revenue streams, with private gifts playing the largest role (see Figure 15). **In FY13, net tuition accounted for half of all revenue at private bachelor's colleges; by FY23, it had fallen to just one-third.** Total revenue per student ended the decade at \$38,100, slightly below where it began.

18. Moody (2024b); Moody (2023).

19. Unglesbee (2025).

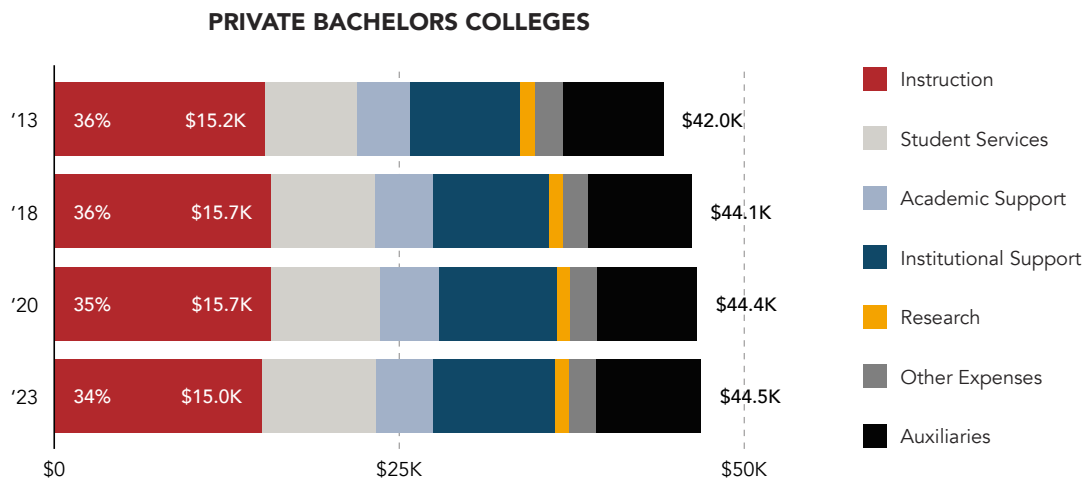
Figure 15. Revenue per FTE Student by Source & Enrollment, FY13-FY23



'FAGC' is federal appropriations, grants and contracts. 'Other revenues' include state and local grants and contracts; private grants and gifts; educational sales and service.
 'FTE' is full-time equivalent. Years are shown as fiscal years ('23 = 2022-23).
 Source: rpk GROUP analysis of IPEDS, 2013-2023.

Spending per student increased steadily until the year before the pandemic, then contracted. By FY23, aggregate spending had returned to its decade-opening level, but **because of enrollment losses, spending per student was 6% higher than a decade earlier, averaging \$44,540** (see Figure 16).

Figure 16. Spending per FTE Student by Expense Type, FY13-FY23



'Other Expenses' includes public service and net grant aid paid to students.
 Years are shown as fiscal years ('23 = 2022-23).
 Source: rpk GROUP analysis of IPEDS, 2013-2023.

Staffing patterns also fluctuated among private bachelor's colleges. There was significant hiring growth early in the decade, which leveled off by FY19. During the pandemic, faculty numbers declined by 3%, and managerial/professional staff were also reduced. By FY23, however, colleges had refilled and expanded these faculty and staff roles, with managerial/professional staff averaging 2% above pre-pandemic levels. Nonprofessional staff, by contrast, were cut deeply and remained 11% below pre-pandemic levels. Declining faculty throughput suggests excess faculty capacity remains.

Unlike all other types of nonprofit higher education institutions, private bachelor's colleges did not increase credential production over the decade.

The number of credentials awarded remained largely flat, even as other sectors expanded. After a steep drop in credentials during the first year of the pandemic, production rebounded somewhat but remained 4% below levels at the start of the decade. Relative to enrollment, credential productivity showed little change, suggesting that this sector has not improved efficiency in credential output as others have.

CONSIDERATIONS FOR MOVING FORWARD

- **Institutions with traditional business models that fail to improve student outcomes may need to reassess their student retention and support strategies.** This sector has neither increased credential production nor efficiency.
- **To remain viable, private bachelor's colleges should reassess their business models.** Colleges will need to align their resources with priorities and missions, exploring markets beyond traditional college-age students, refining their academic portfolio offerings, and consider alternative credentials in addition to four-year liberal arts degrees.²⁰



20. Knox (2023).

HIGHER EDUCATION OUTCOMES: MORE CREDENTIALS, MORE EFFICIENT SPENDING

The health and financial sustainability of colleges and universities ultimately serve one purpose: positive outcomes for students. For students, this is measured by earning a credential and obtaining a well-compensated job. Equally important is the institutional return on investment (ROI)—what colleges and universities produce for the resources they spend.

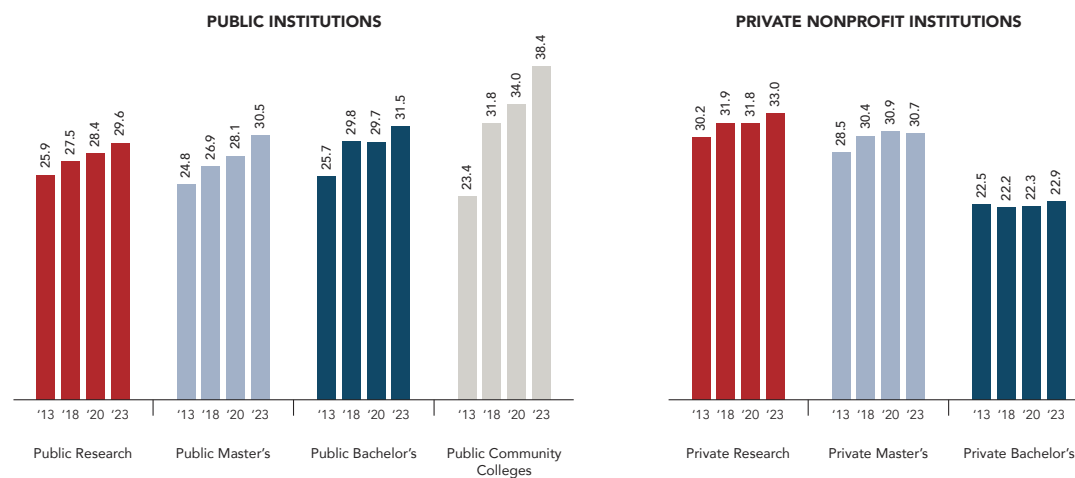
Graduation rates have traditionally served as a sector-wide measure of ROI, and over the past decade, rates have improved modestly. In recent years, 65% of students seeking a four-year degree earned one within six years, up from 59% a decade earlier.²¹ Rates vary by institution type, academic selectivity, and student demographics, and remain unacceptably low at many colleges.

Degree and Certificate Productivity

The trends in degree and certificate completions highlighted in the institutional perspectives section show steady improvement across much of higher education, particularly at public institutions. Over the past decade, completions grew by 11% to 23% across most types of public and private sectors. The exception was bachelor's colleges, where public bachelor's colleges showed little growth and private bachelor's colleges experienced a decline.

Nearly all types of public and private sector institutions also improved their degree and certificate productivity, with the public sector showing the strongest growth (see Figure 17). Private research and master's universities continue to lead in overall productivity, though growth has been slower. Private bachelor's colleges, however, have the lowest productivity rates and the weakest growth.

Figure 17. Outcomes Productivity: Total Completions per 100 FTE Students, FY13-FY23



Notes: 'FTE' is full-time equivalent. Years are shown as fiscal years ('23 = 2022-23).
Source: rpk GROUP analysis of IPEDS, 2013-2023.

21. NCES (2021); NCES (2022, Table 326.10); National Student Clearinghouse Research Center (2023).

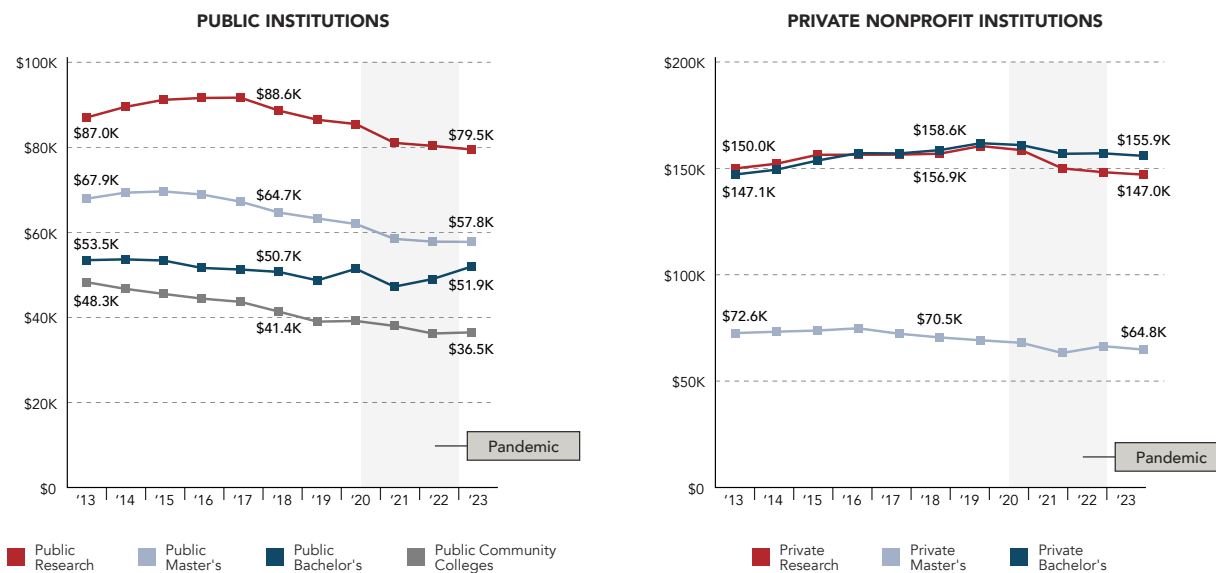
Degree and Certificate Efficiency

As higher education institutions look to ensure their business model is financially sustainable, a fundamental question they should consider is: “What are we producing for the resources we are spending?” Degree and certificate production provides insight into how effectively institutions are meeting their educational mission. Efficiency measures, including the cost per completion (degree or certificate), assess whether institutions achieve outcomes cost-effectively.

Ideally, colleges should produce more completions at the same or lower cost. Efficiency metrics focus on education-related spending, excluding non-instructional expenditures, allowing accurate comparisons across institutions with different missions.²²

Over the decade, public and private research and master’s universities produced credentials more efficiently, particularly in the latter half of the period (see Figure 18). Pandemic-related reductions temporarily reversed rising costs per completion at private research universities, which continued to persist afterward.

Figure 18. Outcomes Efficiency: Education and Related (E&R) Spending per Completion, FY13-FY23



²² 'FTE' is full-time equivalent. Years are shown as fiscal years ('23 = 2022-23). Grey bar represents pandemic impacted years. Data are shown in 2023 dollars. E&R spending includes instruction and student services, as well as a portion of the administrative and academic functions that support those activities. Research, public service, and all auxiliaries are excluded. Source: rpk GROUP analysis of IPEDS, 2013-2023.

22. Education and related (E&R) spending focuses on resources devoted to the academic mission. E&R spending includes instruction and student services, as well as a portion of the administrative and academic functions that support those activities. Research, public service, and all auxiliaries are excluded.

Public community colleges achieved the largest efficiency gains, as spending declined while completions increased. Public bachelor's colleges followed a similar path early in the decade but abruptly shifted course around the pandemic, as spending slowed and credential production slowed faster. Private bachelor's institutions mirrored efficiency trends at private research universities until the pandemic, when declines in completions outpaced spending cuts, leaving private bachelor's as the least efficient institutions, on average, in FY23.

So, what's the overall outcomes assessment for higher education?

- **Public research, master's, and community colleges have excelled in degree and certificate production, productivity, and efficiency**, achieving strong outcomes under varying financial circumstances. Public bachelor's colleges began the decade on a similar trajectory but emerged from the pandemic facing more challenging conditions.
- **The least affordable types of higher education institutions showed the weakest productivity and efficiency.** Private bachelor's colleges display the slowest growth in degree and certificate output, and along with private research universities, the highest costs per completion. Addressing enrollment, spending, and efficiency challenges will be essential for these institutions to sustain long-term financial and educational performance.



FINAL CONSIDERATIONS

Over the past decade, higher education has entered a period of profound transition defined by changing student demand, shifting public expectations, and mounting financial pressures. Demographic changes, evolving workforce needs, and growing skepticism about the value of a degree have combined to erode the traditional enrollment base on which many colleges and universities depend. For many institutions, particularly smaller, tuition-dependent privates, these headwinds have exposed structural vulnerabilities that predate the pandemic but have intensified since. Yet while the sector's challenges are formidable, they also present a critical opportunity for higher education leaders to redefine institutional sustainability around strategic focus, efficiency, and adaptability.

To thrive in an era of constrained resources and fluctuating demand, colleges and universities must become far more intentional in aligning their missions, programs, and operations with market realities. This means understanding not just who their students are, but who they will be, and designing programs that meet both individual and societal needs. It also means reevaluating long-standing assumptions about growth, program breadth, and spending patterns. The institutions that will succeed in the next decade are those that embrace data-driven decision-making, regularly assess program performance and outcomes, and are willing to redirect resources toward areas of proven demand and high impact. Efficiency must be viewed not as a retreat from academic quality, but as a strategy to strengthen it, by focusing on core priorities, reducing redundancy, and ensuring that every dollar and every position contributes meaningfully to institutional goals.

Ultimately, the future of higher education will hinge less on external forces than on the choices institutions make now. Colleges and universities cannot control demographic decline or macroeconomic trends, but they can control how they plan, invest, and adapt. The path forward calls for strong leadership, disciplined resource management, and a willingness to innovate in both academic and administrative arenas. Institutions that take the wheel—by confronting difficult tradeoffs, optimizing academic portfolios, strengthening student success, and leveraging operational intelligence—will be best positioned to sustain their missions and serve students effectively in the years ahead.



REFERENCES

- Bauman, D. (2025, September 8). How the U. of Chicago's financial strains are a warning for higher ed. *The Chronicle of Higher Education*. <https://www.chronicle.com/article/how-the-u-of-chicagos-financial-strains-are-a-warning-for-higher-ed>
- Desrochers, D. M., Staisloff, R., & Hagan, K. (2025, February). The financial sustainability of higher education: Bright spots & challenges, 2012–2022. *rpk GROUP*. https://rpkgroup.com/wp-content/uploads/2025/02/rpk-GROUP-Financial-Sustainability-of-Higher-Ed_Feb2025.pdf
- Goldin, C., Katz, L. F., & Kuziemko, I. (2006). The homecoming of American college women: the reversal of the college gender gap. *Journal of Economic Perspectives*, 20(4), 133–156.
- Higher Ed Dive (2024, September 16). A look at trends in college consolidation since 2016. <https://www.highereddive.com/news/how-many-colleges-and-universities-have-closed-since-2016/539379/>
- Knox, L. (2023, September 7). What does it take to buck downward enrollment trends? *Inside Higher Ed*. <https://www.insidehighered.com/news/admissions/traditional-age/2023/09/07/what-does-it-take-buck-downward-enrollment-trends>
- Lane, P., Falkenstern, C., & Bransberger, P. (2024, December). Knocking at the college door: Projections of high school graduates. *Western Interstate Commission for Higher Education*. <https://www.wiche.edu/wp-content/uploads/2024/12/2024-Knocking-at-the-College-Door-final.pdf>
- McLean, D. (2025, July 29). More Catholic colleges are merging amid demographic pressures. What does it really take? *Higher Ed Dive*. <https://www.highereddive.com/news/catholic-college-mergers-consolidation-demographics/754117>
- Moody, J. (2023, December 21). A look back at college closures and mergers. *Inside Higher Ed*. <https://www.insidehighered.com/news/business/financial-health/2023/12/21/look-back-college-closures-and-mergers-2023>
- Moody, J. (2024a, February 28). Mississippi bill would mandate 3 college closures. *Inside Higher Ed*. <https://www.insidehighered.com/news/quick-takes/2024/02/28/mississippi-bill-would-mandate-three-college-closures>
- Moody, J. (2024b, December 13). 2024 has seen more college closures than last year. *Inside Higher Ed*. <https://www.insidehighered.com/news/business/financial-health/2024/12/13/2024-has-seen-more-college-closures-last-year>
- Moody, J. (2025, May 27). Penn State board approves 7 campus closures. *Inside Higher Ed*. <https://www.insidehighered.com/news/quick-takes/2025/05/27/penn-state-board-approves-seven-campus-closures>
- National Center for Education Statistics. (2021). *Integrated Postsecondary Education Data System (IPEDS) Winter 2020–21 Graduation Rates component*. U.S. Department of Education.
- National Center for Education Statistics. (2022). *Digest of Education Statistics*. U.S. Department of Education (Table 326.10).
- National Student Clearinghouse Research Center. (2023, November 30). *Completing college national and state reports*. <https://nscresearchcenter.org/completing-college/>
- National Student Clearinghouse Research Center. (2025, May 22). *Current term enrollment estimates*. <https://nscresearchcenter.org/current-term-enrollment-estimates/>
- Sanchez, O. (2024, January 12). Experts predicted dozens of colleges would close in 2023—and they were right. *The Hechinger Report*. <https://hechingerreport.org/experts-predicted-dozens-of-colleges-would-close-in-2023-and-they-were-right/>
- Unglesbee, B. (2025, November 21). Higher education outlook remains negative for 2026, Moody's says. *Higher Ed Dive*. <https://www.highereddive.com/news/moodys-negative-outlook-higher-ed-2026/806097/>

APPENDIX

Financial Health & Stability, FY20-FY23

	UNHEALTHY		HEALTHY			
	Accreditor Monitoring Recommended in FY23 Weak (CFI <1)	Financial Review Recommended in FY23 Challenged (1 <= CFI <3)	Meets Minimum Financial Health Ratio in FY23 Strong (CFI >=3)	Institutions with a Decline in Financial Health Between FY20 and FY23	Institutions that were Healthy in FY20 but Unhealthy in FY23	Institutions that were Financially Strong in FY20 but Weak in FY23
Industry Total	13%	22%	66%	33%	7%	1.2%
Public Sector	12%	24%	64%	29%	6%	0.7%
Public Research	10%	31%	60%	27%	8%	0.0%
Public Master's	19%	31%	50%	30%	9%	0.5%
Public Bachelor's	19%	30%	51%	27%	7%	2.1%
Public Community Colleges	9%	20%	71%	29%	4%	0.8%
Private Sector	14%	18%	69%	39%	8%	2.0%
Private Research	9%	19%	72%	30%	6%	2.0%
Private Master's	16%	19%	65%	43%	8%	1.6%
Private Bachelor's	14%	16%	70%	41%	10%	2.4%

'CFI' is the Composite Financial Index, which is a commonly used measure of financial health. Years are shown as fiscal years (FY23 = 2022-23). Source: rpk GROUP analysis of IPEDS, 2012-2023.



rpk GROUP | **MGT**
from mission to market

rpk GROUP is a leading consulting and advisory firm in higher education, supporting institutions and organizations with their growth and reallocation strategies by focusing on Mission, Market, and Margin® opportunities.