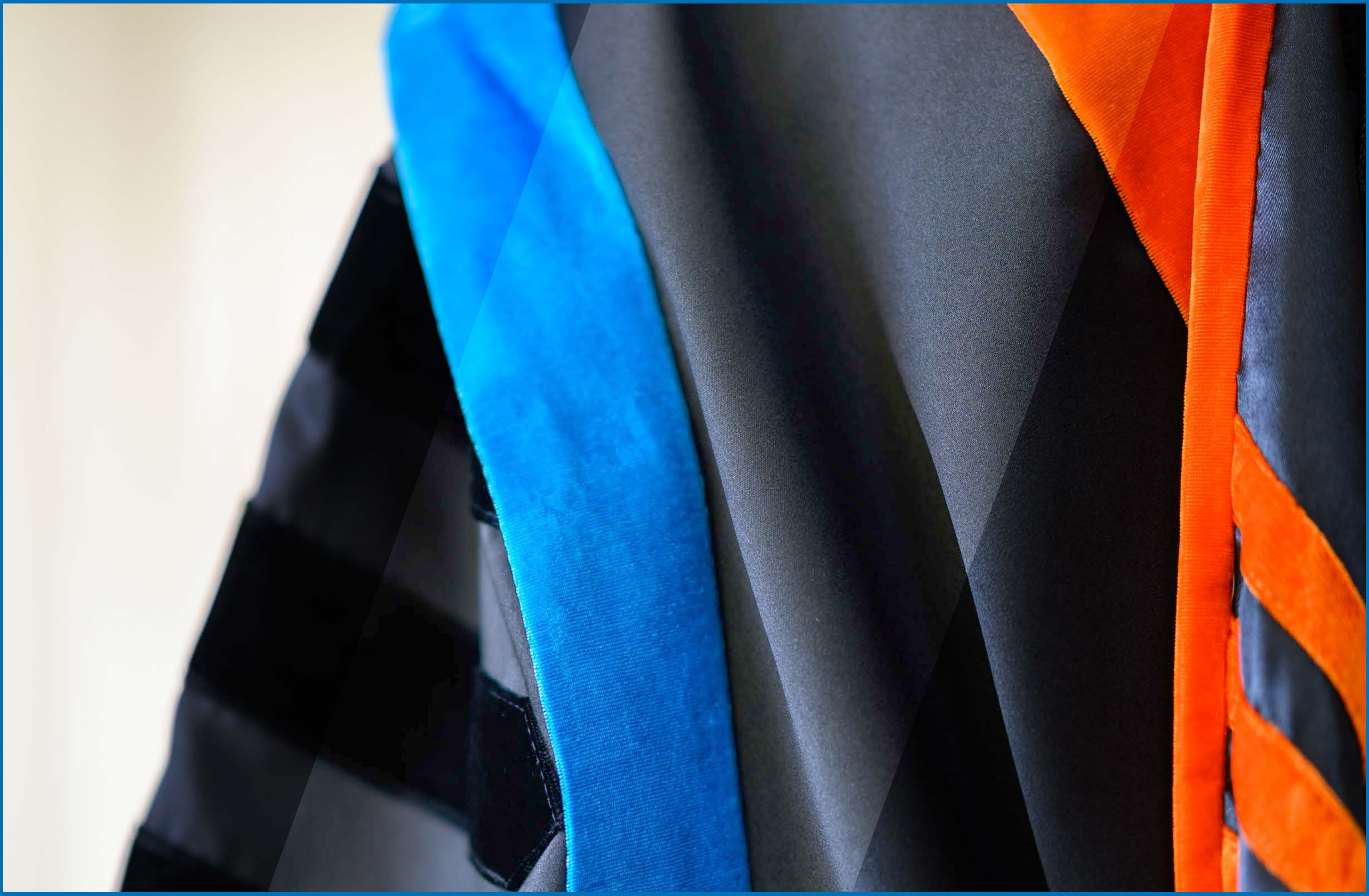


2025 Annual Higher Education Outlook

Contents

Introduction

The higher education industry experienced a series of unprecedented years that included elements of uncertainty and surprise in 2020 and 2021. Most institutions adjusted. The changes made on campuses were as diverse as the higher education system in the United States. Everyone did the best they could in their own unique circumstances. Many were creative; some were daring. Most remained positive about the future.

Currently, some public institutions are adjusting their size and scope by consolidating operations to fewer programs on fewer campuses. A steep increase in closures of private colleges has also taken place. Interestingly, there was evidence of public and private colleges hitting record enrollment milestones at the same time. Given these changes, how will the industry adapt and move forward? Our Outlook from Forvis Mazars hopes to illuminate answers to questions raised by this unique time in the history of higher education.

Whatever happens, the latest business environment will likely be influenced by political viewpoints held by the new federal leadership who took office in early 2025. Members of the new administration have discussed higher education topics like:

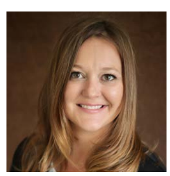
1. Reshaping accreditation by "rooting out what President Donald Trump views as ideological bias and misplaced priorities."[1]
2. Creating a national online university called the American Academy.[2]
3. Increasing the college endowment tax to 35%.[3]
4. Altering the current direction of income-driven student loan repayment plans and other plans for student loan debt forgiveness.[4]
5. Adjusting the funding priorities for federally sponsored research.[5]
6. Reorganizing the Department of Education (see below).[6]
7. Promoting alternative education opportunities, like trade schools and apprenticeships.[7]

The basis of the Outlook includes our survey supplemented by some original research and case studies. We hope to illustrate how institutions have defined their major issues, tactics, and desired changes. The obvious hard work on so many campuses is extensive but encouraging.

Schools today seek to stand up financially sustainable operations; project attractive value propositions for students, parents, and donors; and develop effective change management approaches.

At Forvis Mazars, we are "Built for Forward." We trust you will find this tool useful as you look forward with confidence and a sense of positive momentum to the months and years ahead.

Nicholas J. Wallace, CPA, CGMA
Director, Higher Education Consulting and Editor of the Forvis Mazars 2025 Annual Higher Education Outlook



Rachel Pauletti, PhD
Director & National Practice Leader, Higher Education Consulting

On March 20, 2025, President Trump announced an executive order to reorganize the Department of Education. While the full implications of this executive order are still unclear, the administration said core functions of the department, including managing Pell grants, federal student loans, and the Office for Civil Rights, will be preserved at the federal level. The potential impacts of this are currently uncertain. [6]

Executive Summary

This year's Outlook addresses three major topics in higher education:

- Chapter 1 – Financial Health
- Chapter 2 – The Value Proposition for Higher Education
- Chapter 3 – Implementing Change

Each chapter draws from a variety of sources, including:

- Secondary research and related observations
- The Forvis Mazars Survey of higher education leaders
- In-depth interviews with executives working across the industry

The Forvis Mazars Survey

The 2025 Annual Higher Education Outlook survey responses were collected over June through August 2024 through a web-based survey tool. It covered all regions of the U.S. and all sectors except for-profit higher education institutions. Most respondents were small to midsize schools (up to 20,000 students).

The survey also included 14.29% of responses from large public institutions. Over 90% of the respondents were in executive or administrative positions in their respective institutions. The survey had national reach. The following figures break down the demographics.

Figure 1

My Institution Is:

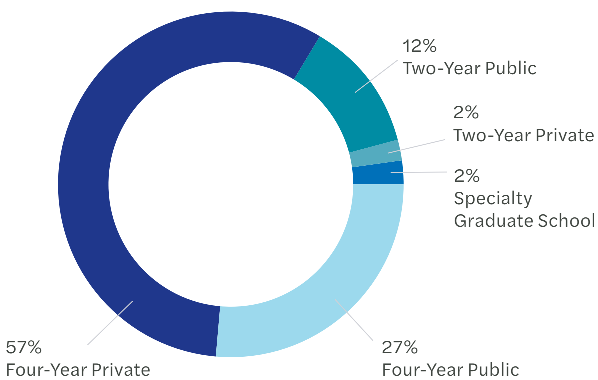


Figure 2

My Institution FTE Student Size Is:

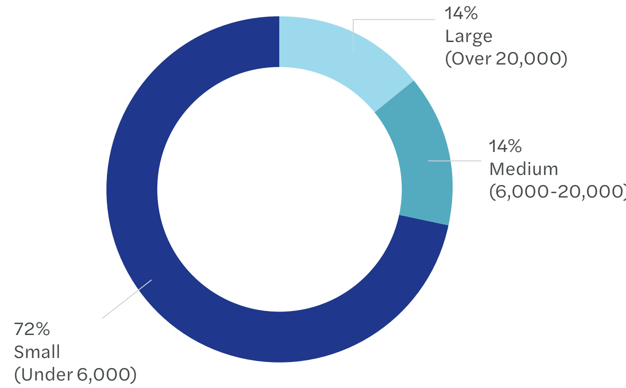


Figure 3

What Is Your Role Within the Institution?

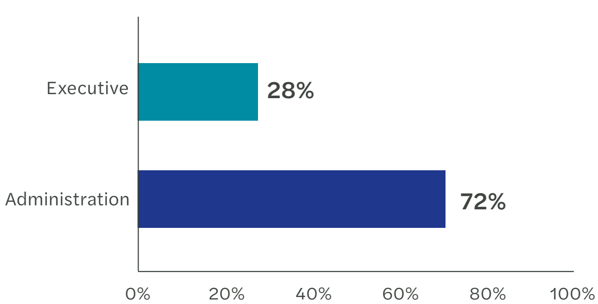
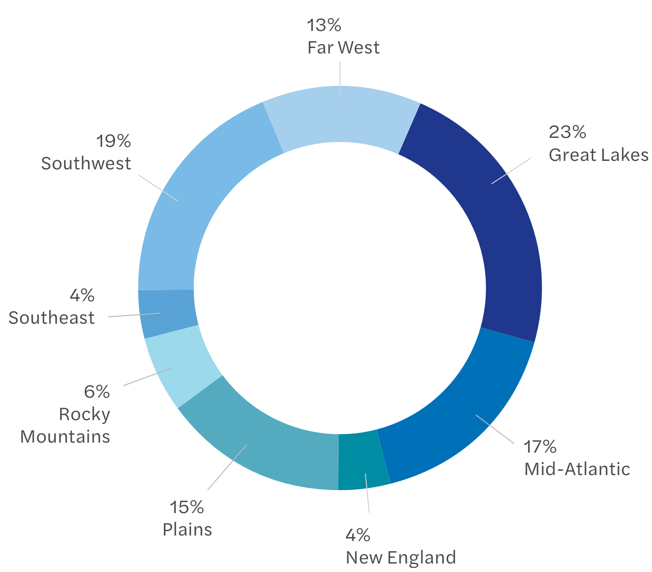


Figure 4

Survey Geographical Spread



Overview of Observations About Financial Health, the Value Proposition, & Change Management

Financial Health

As industry leaders reviewed their institution's financial performance, a growing sense of confidence about financial strength is evident in presidents and chief business officers.[8]

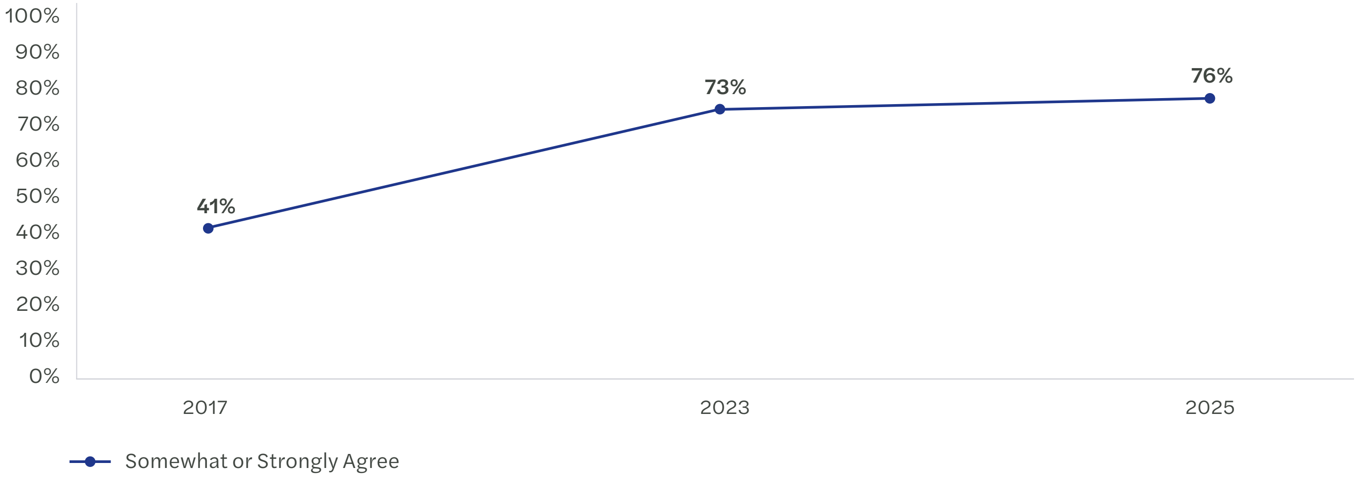
Confidence has increased over time (2014 to 2024), though this positive perception is not without a sense of necessary actions for it to come to fruition. Two insights drawn from Inside Higher Education's 2024 survey of business officers are noteworthy:

1. There is a sense that institutions are carrying too many programs, and that resources are spread too thin.
2. There is recognition that faculty must be involved in long-term decisions that affect financial health, and that they likely require additional information to do so effectively.

The 2025 Forvis Mazars survey responses on this same question returned a comparable response of 76% who agree or strongly agree they are confident in the financial stability of their institution over 10 years.

Figure 5

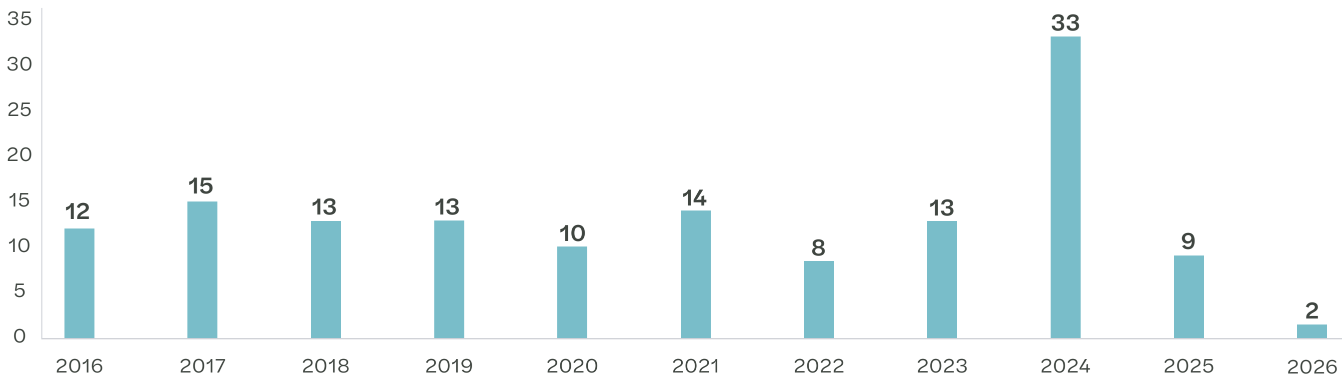
Our institution will be financially stable over the next 10 years (somewhat or strongly agree).



The confidence is striking in light of the rapid increase in the rate of closures at private four-year colleges this past year. Notably, the percentage of private colleges merging increased over the last few years. There were three mergers in 2016. The number tripled to nine in 2024. The average number of mergers each year was four, so the 2024 number was more than twice the annual average.

Figure 6

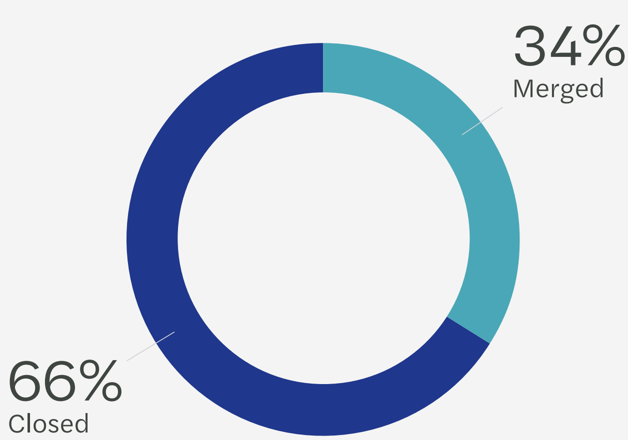
Four-Year Nonprofit Closures or Mergers 2016–2026



The latest work released in December 2024 by the Federal Reserve Bank of Philadelphia on predicting financial distress and closure forecasts that "in a worst-case scenario for the higher education sector—an abrupt 15% decline overall in enrollment from a 2019 baseline—as many as 80 additional colleges could close each year. A more gradual enrollment decrease of 15% would translate to an 8.1% increase in annual college closures from the average, representing about roughly five institutions each year."[9]

Figure 7

Type of Ending for Private Colleges 2016–2026



Comparing the latest Federal Reserve Bank of Philadelphia data noted in Figure 7 to actual private college closures, it is likely that the estimate of five college closures annually is on the low end.

In Chapter 1, we share insights on key metrics that institutions can use to track and monitor their financial health, as well as some insights from our survey results. The case study, developed through an in-depth interview with a finance team, reveals one school's story. It was selected because it represents a specific class of schools, many of which are currently thriving.

Overview of Observations About Financial Health, the Value Proposition, & Change Management

Identifying the Institutional Value Proposition: Perceptions & Challenges

Publications related to the value of a college education speak to mixed public perceptions. On the one hand, surveys indicate that Americans believe that getting a degree is associated with non-financial metrics of success. On the other hand, there is growing skepticism about whether a college degree is necessary to be financially successful or secure a good job.

The enrollment data has also revealed some surprises, and it can't all be explained by recent changes in the FAFSA process or by regional demographic shifts. Some institutions are recruiting record first-year cohorts, while others are struggling to maintain.

In Chapter 2, we provide a summary of the research. We also discuss ways that some colleges view their value proposition and how institutions are leaning into their mission or brand to attract students to a set of clearly defined educational outcomes. Here, we'll hear from one institution that has a clear vision for its future. Moving forward, we make the case that institutions will need to identify, track, and promote what makes them different from other institutions in order to clearly articulate their value to students and families.

Implementing Change

Industry news sources are filled each week with stories about program closures, state university system consolidation, and other stories about cost-cutting and revenue optimization.

A quick scan (Figure 8) of recent private and public institution financial announcements demonstrates the scope of the changes currently underway across the industry. These were just the large announcements over a short period of time during 2024. Certainly, a deeper study would increase these amounts.

Figure 8

Sector	# of States	# of Schools	Faculty/Staff to Reduce	Vacant Positions to Eliminate	Degree Programs to Eliminate	Deficits to Fund
4yr Private	11	16	433	70	92	$119,100,000
4yr Public	16	22	538	172	246	$678,159,143
Total	27	38	971	242	338	$797,259,143

These measures aren't being taken lightly. "No confidence" votes for presidents are more frequent than ever, and the average presidential tenure is now less than six years. In other words, change has come at a price, and it will be important for the industry to understand how to navigate it with more grace.

In Chapter 3, we describe some of our observations about change and provide results from the Forvis Mazars survey. We close with an inspiring case study from a public institution that is all too familiar with change. In light of these findings, we also share some concrete things that institutions can be doing to implement change effectively.

The amount of disruption to higher education over the last several years has been unprecedented, and 2025 has not produced any relief. Because we find ourselves suddenly in a highly dynamic industry, we want to acknowledge all of the other issues that may affect financial health or may require conversations about value, and that may require new and effective responses.

Other Issues

The following disruptors will continue to test leaders and their teams as they develop sustainable responses:

1. Generative AI and its role in academics and operations
2. Increasing political polarization
3. Legislative and executive actions affecting long-standing funding sources
4. Student and part-time instructor unionization
5. Evolving norms for compensating and recruiting student athletes
6. Technological and reporting requirements

Chapter 1
Financial Health

General Observations

Are there fundamental differences between the financial structures of thriving schools and those that struggle? A sample of schools in both categories led the team at Forvis Mazars to some insights about financial health.

Forvis Mazars chose a sample of schools (n=23) that were growing and had strong brands. We started with 15 financial data points, eventually settling on seven data points that helped distinguish financially healthy schools from struggling schools (n=14). Fiscal year 2022 was used as the base period for comparison. Further planned study will validate this data and demonstrate trends over time.

The seven data points included two dealing with student data, three that impacted the statement of activities, and two that were related to the statement of financial position (balance sheet):

Student Data:

- Enrollment size
- Athletes (as a percentage of student population)

Statement of Activities:

- Net Tuition Per Student
- Operational Margin (from audited financial statements without restrictions)
- Total Return on Net Assets (from audited financial statements, total net income, all sources)

Balance Sheet:

- Restricted Endowment (as a percent of expense)
- Primary Reserve (a calculation dividing expendable equity[10] by total expense that yields a fraction that indicates how many months a school could operate with existing expendable resources)

Figure 9

Successful Schools vs. Failing Schools
(Private Schools, FY 2022 Used as Base Year)

Orientation	Measurement	Scores		Variation
		Successful (n=26)	Failing (n=14)	
Student Data	Enrollment	3,231	960	2,271
	Athletes (% of Student Population)	19%	43%	-24.0%
Balance Sheet	Restricted Endowment (% of Expense)	70%	33%	37%
	Primary Reserve (CFI Component)	.9	.2	.7
Income Statement	Net Tuition Per Student	$13,982	$13,759	$223
	Operational Margin	2%	-5%	7%
	Total Return on Net Assets	2.1%	-9.0%	11.1%

Chapter 1
Financial Health

Three financial health lessons are apparent from this data:

1. Enrollment was a differentiating factor. Successful schools had a median size of 3,231 students. Failing schools had a median size of 960 students. However, small schools (under 2,000 students) existed in both samples.

   Also, part of the relevant student data was the percentage of students who participated in athletics. Successful schools limited athletes to under 20% of the student population. Failing schools had over 43% of their students as athletes at the median.

   In most schools, athletics does not drive a significant amount of athletics revenue. Thus, the main benefit is that athletes may assist the school in filling rooms and funding foodservice costs. While that is true, it may not produce enough ancillary enterprise net revenues or goodwill to justify outsized athletic programs that can get very expensive to operate with the costs of additional labor, travel, insurance, and other expenses. Knowing those costs and program margins for athletes is an important data point for struggling schools with large athletic programs.

2. Successful schools generated net income in operations as well as in total. Operational net income was in the 2% (of total revenue) range at the median. Total return on net assets in the year measured was slightly above 2%. Benchmarking data tells us that total return on net assets should be 3% above the inflation rate.

   Interestingly, the net tuition per student for both groups was within a couple hundred dollars of each other. This may indicate that the reason for losses in the failing schools had more to do with how costs were managed than the amount of net tuition revenue available.

   Net income from operations of the failing schools was negative.

3. Successful schools had advantages over their peers in the form of large percentages of expenses being covered by endowment return and enjoying more than the recommended amounts of expendable equity* to fund operating expenses. With endowment balances that totaled 70% of operating expenses at the median, successful schools were able to generate adequate endowment revenue to cover a higher portion of operating expenses and thus generate operating margin. The median for the failing schools for endowment as a percent of total expense was 33%.

   Enrollment size did not drive the endowment coverage metric (enrollment size median 70% of expenses). The top six endowment coverage schools sampled were in the bottom half of the enrollment size. The range of the endowment coverage metric was a low of 18% (a school of roughly 4,200) and a high of 255% (a school of approximately 1,100 students).

   Expendable equity also totaled nearly a year (0.9) of operating expense in expendable reserves. The recommended amount of expendable net assets starts at 0.4 (five months of expenses). Expendable equity for the failing schools was a mere 0.2 or under three months.

*Expendable equity is a term that represents total equity without restrictions plus restricted equity held for specific annual operational purposes (formerly identified as temporarily restricted), less the amount of that equity that represents the net book value of property and equipment.

The Role of Board Policies Regarding Financial Health

It seems clear from the data in Figure 9 that if trustees' set targets for the data points described and hold administrations accountable for meeting them, financial sustainability might be achieved and/or retained. Based on the findings in the short study, it seems three policy areas are appropriate:

1. **Margin** – Operational and total return on net assets
2. **Enrollment** – Growing enrollment and keeping athletic enrollment in a beneficial range
3. **Equity** – Expendable reserves and an appropriate endowment given the operating size (measured by the size of total expenses) of the institution

The Forvis Mazars Survey

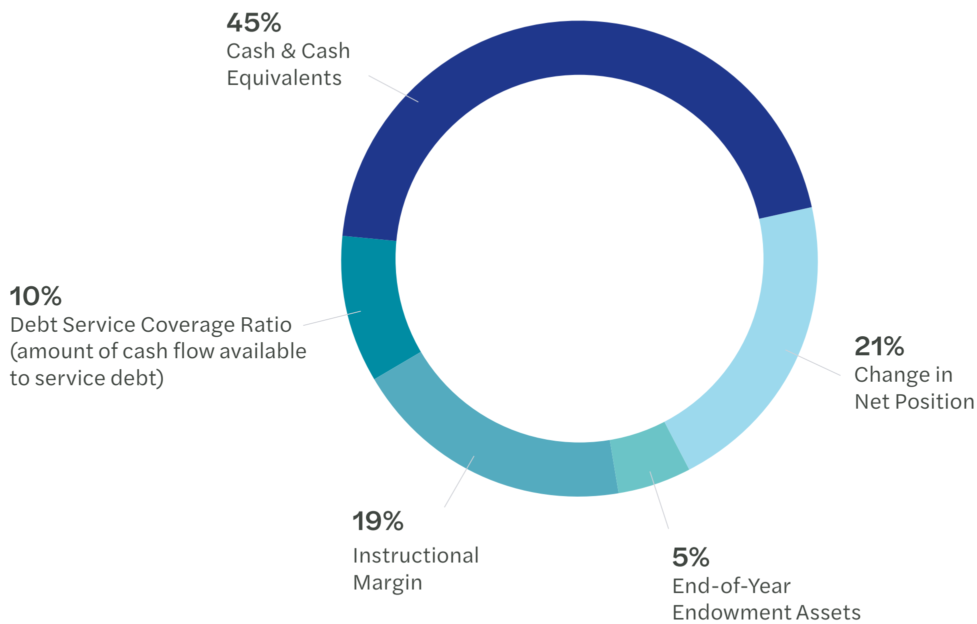
Highlights from the Forvis Mazars survey questions about drivers of financial health revealed:

1. **Cash balances, change in net assets, and instructional margin were the top indicators of financial health.**

   The presence of cash and cash equivalents was the answer that most chose to indicate financial health. It was chosen over endowment asset value and debt service coverage. This may indicate that many view generating cash flows from an operational margin as a top priority.

Figure 10

Based on your professional experience, what do you believe will be the top indicator of institutional financial health in 2025?



Chapter 1

Financial Health

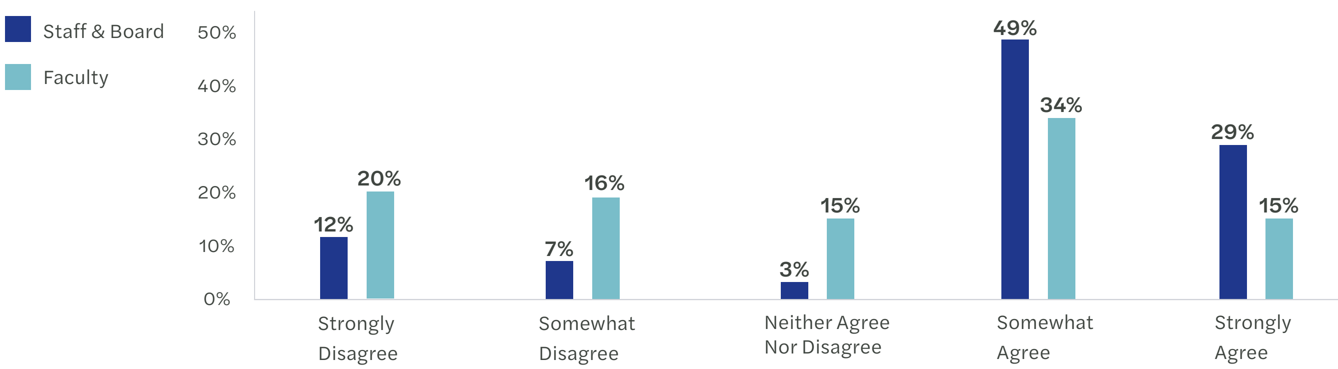
2. Financial dashboards, metrics, and related training are used strategically by many institutions to help key constituencies gain additional knowledge about the economic model of higher education.

While 78% agreed or strongly agreed they share this kind of information with staff and board members, fewer (49%) share the information with faculty. **Supplementary faculty financial literacy education can be a valuable tool to college financial officers and chief executives, especially when there is a need to optimize the economics around the delivery of instruction.**

The precise economic impact of academic programs can be known with the right tools and processes around the discovery of key economic data points. Seeing trends and benchmark comparisons can bring wisdom to otherwise difficult decisions. See the case study regarding Benedictine College's use of benchmarking and financial dashboards for an illustration on how this might be improved upon.

Figure 11

We share financial dashboards, financial metrics, and training with this group to help them become more knowledgeable on the economics of higher education.



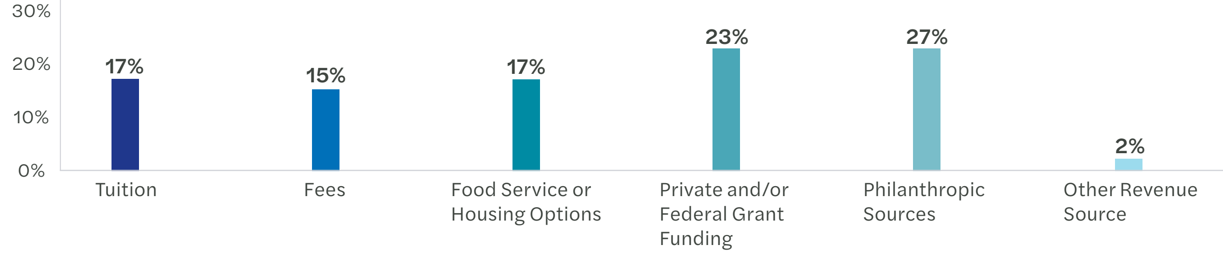
3. The top two areas in which colleges found success in generating additional revenue were philanthropic sources and private and/or federal grant funding.

These two sources were favored in finding revenue diversification even over tuition, fees, auxiliary revenues (housing and food service), or others. Given recent developments at the federal level, institutions are likely re-evaluating their focus on this revenue source.

Nearly a quarter of those responding reduced costs in other areas not listed. See the case study on Benedictine College for examples of a school widening its academic programs to increase enrollment and related tuition and fee revenue.

Figure 12

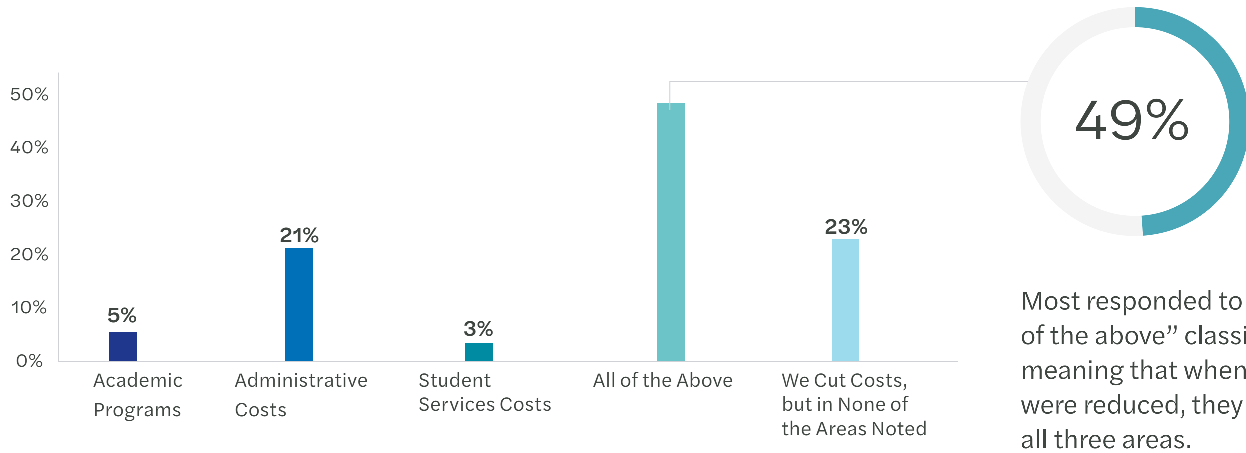
We were able to diversify revenue in the following areas:



4. **Expense areas targeted for spending reduction this past year included academic program costs, administrative costs, and student services costs.**

Figure 13

Functional areas targeted for spending reduction this past year included:



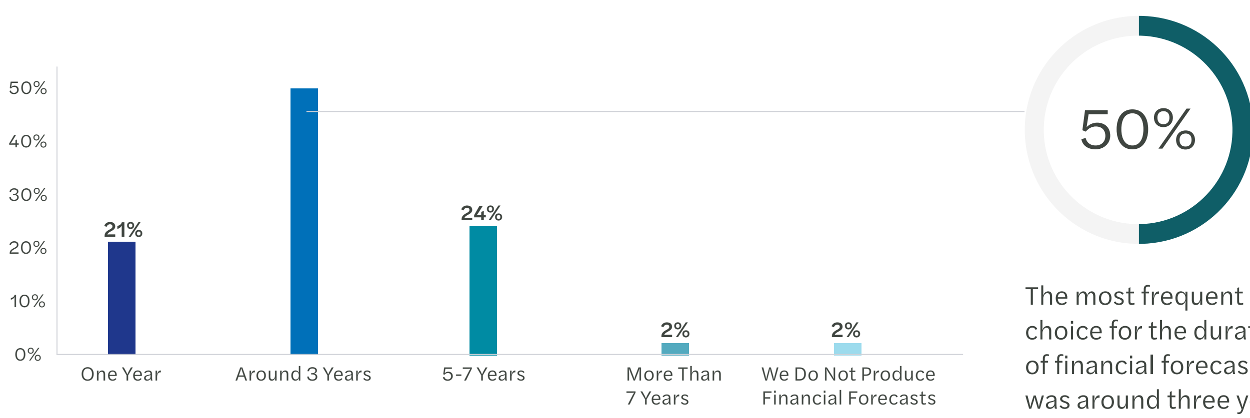
Most responded to the "all of the above" classification, meaning that when costs were reduced, they reduced all three areas.

5. **Choices for the duration of financial forecasts varied.**

   Very few schools (2%) responded that they use more than seven years for financial forecasts. In approximately a quarter of schools (26%), a forecast of only the upcoming year or no forecast was performed. Forecasting for any period can be particularly effective, especially when trying to model scenarios for various unknowns in your operations.

Figure 14

If you use financial forecasts to project likely economic outcomes into the future, what time frame do your forecasts cover?



The most frequent choice for the duration of financial forecasts was around three years.

Chapter 1
Financial Health

Lessons From Benedictine College: Driving Success Through Fiscal Discipline, Adding Value, & Consistent Leadership

Background

Benedictine College: Faith-based (Catholic) college; four-year private liberal arts

Location: Atchison, Kansas (one hour north of Kansas City, MO)

Enrollment: 2,250 and growing

Setting: Rural

Ranking: 2025 Best Colleges #6, Midwest; Best Value School #16

Key Leadership:
Dr. Stephen D. Minnis, President (2004 to Present)
Stan Sluder, Executive Vice President
Kristie Scholz, Chief Financial Officer

Overview

Consistent and creative leadership combined with good disciplines of financial measurement, mission focus, and market awareness leading to program adjustment appear to be the primary drivers of the success of this college.

Using Benchmarks

Kristie Scholz, chief financial officer, explained that the benchmarking tool they use internally is divided into five sections. The specific metrics mentioned are just a sample of the data in each section:

1. Enrollment Indicators (student headcount, retention, and graduate program credit hours)
2. Productivity Indicators (student/faculty ratios, salary cost as a percent of total expense, student/staff ratios)
3. Revenue Indicators (net tuition per FTE, tuition dependency, discount rate)
4. Profitability Indicators (operating margin, return on total net assets, auxiliary net income)
5. Financial Indicators (days cash on hand, age of facilities, primary reserve, debt service coverage, composite financial index, DOE financial viability ratio)

These ratios and other metrics are displayed over a five-year period and compared to internally developed benchmarks. External sources, like Moody's medians and peer scores, were considered to establish the benchmark targets. The board reviews this data each year and as Kristie shares, "We give them the opportunity to ask us tough questions and look at us compared to the outside world."

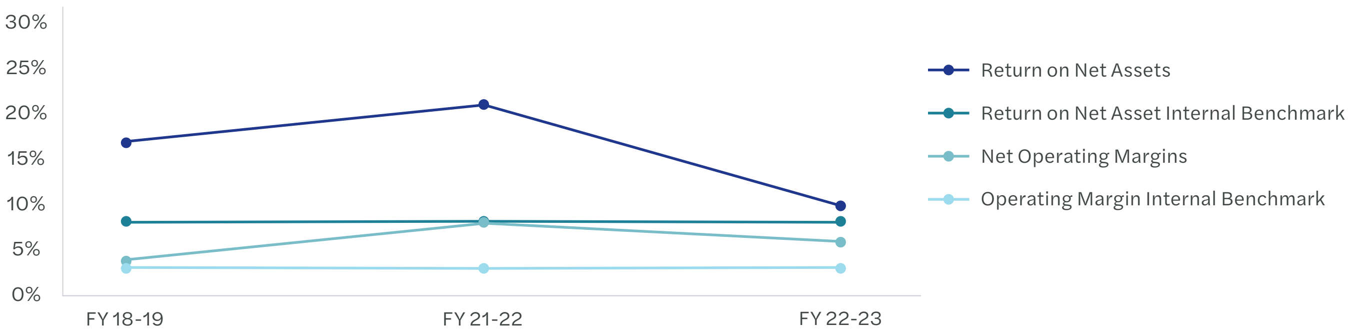
Chapter 1
Financial Health

Managing Margin

Benedictine established targets for generating margin. Figure 15 presents both the targets and the actual margins for both operational and total return on net assets. Both numbers are meaningfully above the targets set and consistently positive.

Figure 15

Margins for Operational & Total Return on Net Assets



Data Source: Benedictine College

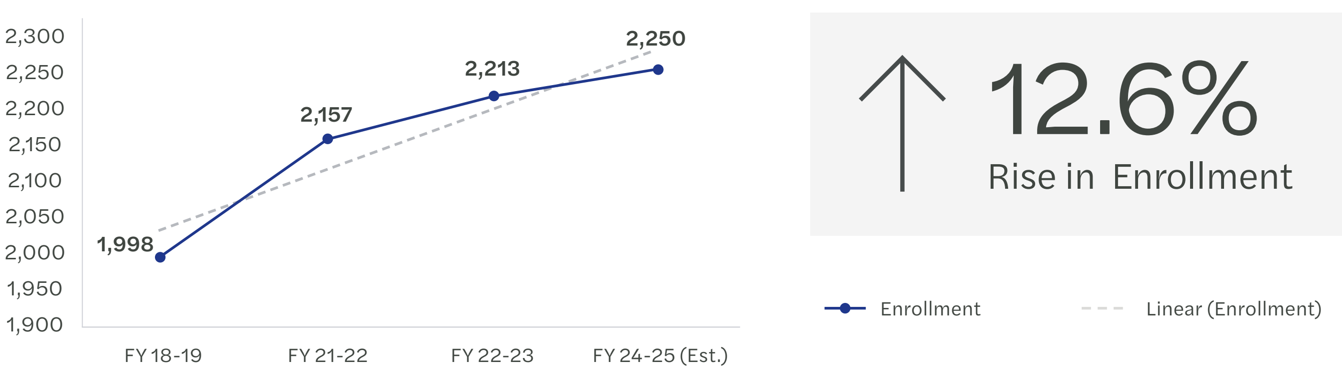
In Figure 15, it is evident that hitting margin targets has been important to this institution. They have been disciplined with growing revenues and watching costs even during growth, so costs do not eat into the margins gained each year. Margins gained exceed internal benchmarks for both net operating margin and total return on net assets.

Improving Enrollment

In Figure 16, the continued rise in enrollment is apparent. Under President Minnis' leadership, the college enjoyed unprecedented growth starting in 2004 when enrollment was approximately 1,000 students. Stan Sluder, executive vice president, added that while President Minnis' term has been impressive when discussing his 20 years of service, "it is a humble second to his transformational leadership." He added that President Minnis' "ability to lead a group and stay focused on a mission" is the root of his success.

Figure 16

Undergraduate Enrollment Increase



Data Source: Benedictine College

Summary & Conclusions on Financial Health

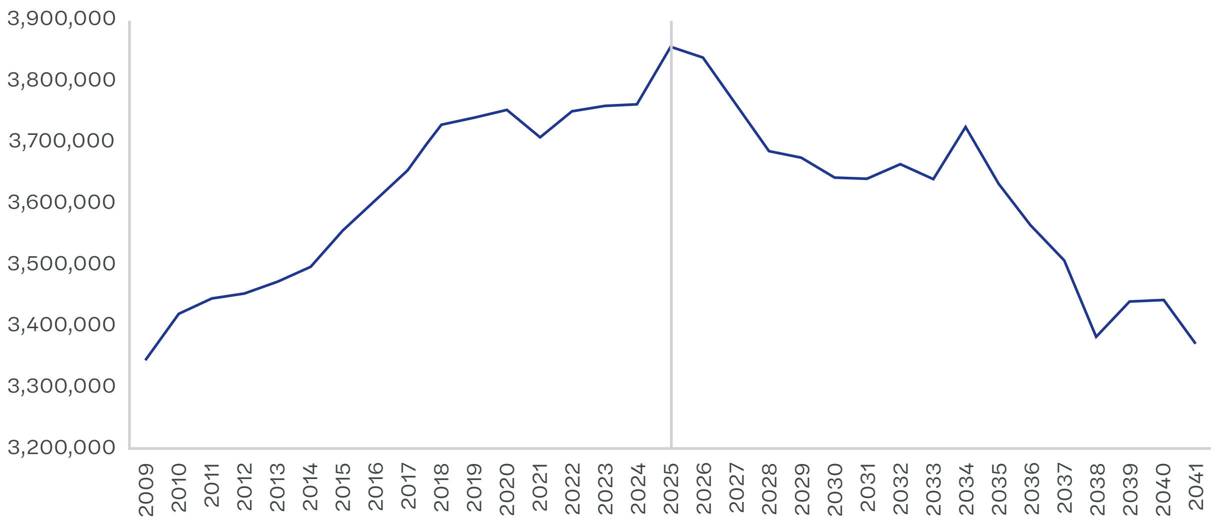
1. There are clear indicators that predict ongoing financial health. Colleges could improve financial sustainability by monitoring the predictors and establishing methods to review and manage benchmarks established for those metrics.
2. Cash balances were the financial metric getting the attention of the most college administrators. Colleges are using summary dashboards to help visualize financial targets and financial trends. This information is shared more with administrative staff and boards (78%) than with faculty (49%).
3. Revenue diversification has been an area of concern. Private and federal grant funding (23%) and general philanthropy (27%) were the two most frequent areas of revenue improvement this past year. Given recent activities at the federal level, institutions are likely re-evaluating their strategies for grant funding.
4. Expense management was also a matter of top attention. While most schools (71%) made expense reductions in all areas of operation (academic, administrative, and other), only a few schools (5%) made academic cost reductions alone.
5. Schools doing financial forecasts (95%) chose forecast time frames from three to seven years. Only 2% conducted forecasts in excess of seven years, and 3% did not do any financial forecasting work.
6. Benedictine College, the case study in this chapter, exhibited behaviors typically associated with financial health:
    - Good disciplines of financial measurement, including benchmarking financial metrics
    - Mission focus
    - Market awareness leading to program adjustment

Chapter 2

The Value Proposition for Higher Education

Figure 17

Reported Number of Graduates From 2009 to 2024 & Projections From 2025 to 2041



Source: Forvis Mazars Chart with WICHE Data

It would be impossible to separate the financial challenges described in Chapter 1 from the famed demographic cliff. The data projections in the figure above depict what the industry has read about for years – (1) there will be fewer traditional students attending college and (2) the trend will continue for quite some time. This means that recruiting for traditional students (residential, 18- to 19-year-olds, undergraduate) will be even more competitive. Residential institutions that cannot articulate their value proposition to students, families, and donors will struggle to maintain as enrollment and financial challenges come to a head.

General Observations

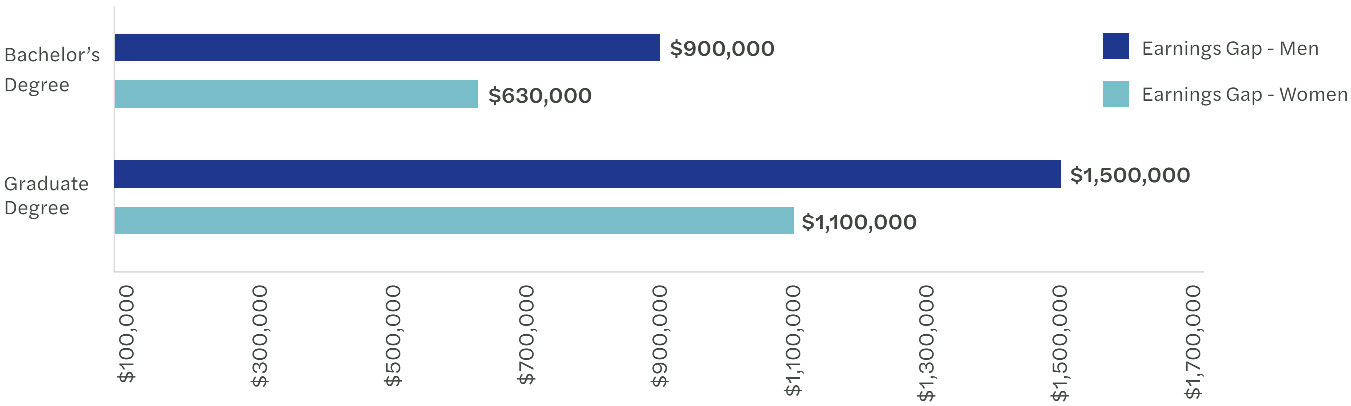
The public's attitude toward a four-year college degree has been changing. The speed of that change, however, is accelerating. There have been several well-publicized reports on this trend, including one in 2023 from Gallup showing a 20-point decline in favorability toward higher education over the last eight years.[11]

While there are several opinions about how to improve public perception of the industry, there has been quite a bit of research about both the financial and non-financial value of earning a degree. These are also well-publicized.

In total, the Social Security Administration[12] estimates the median lifetime earnings gap for degree recipients is as follows:

Figure 18

Difference in Lifetime Earnings by Educational Attainment



Source: Social Security Administration

In addition to the rising wage benefits, unique research from Lumina and Gallup delivers new findings about the advantages of degree attainment beyond wages. This new data resonates with what has been proposed as the value of higher education for many decades, and will be increasingly important to higher education as it continues to make the case for funding and public trust.

In short, the findings demonstrate that out of 52 economic and noneconomic outcomes tested in the study—greater job satisfaction, higher voting rates, and greater volunteerism—educational attainment has a meaningful statistical relationship with 50 of them. These 50 variables can be summarized into the seven factors below. Of these, civic participation, health and well-being, and work and income received the most frequent votes for a large or medium impact on society.

- Cognitive ability
- Work and income
- Civic participation
- Social capital
- Character
- Health and well-being
- Pro-societal attitudes

Chapter 2
The Value Proposition for Higher Education

Regardless of the benefits, there is increasing skepticism about the cost of college. That skepticism is driven in part by student loan debt. As of writing this piece, nationwide student loan debt sits at $1.78 trillion dollars,[13] and about 93% of that is held at the federal level. There is only one state in the union (North Dakota) where the average debt per borrower is under $30,000. Almost 43 million Americans have student loans and about 5% of them are in default on those loans.

These numbers have led recent administrations from both major political parties to call for more transparency in the cost of college, so that parents and families can make informed decisions when taking out student loans. As a solution, both major political parties have proposed legislation or regulations that would require institutions to report cost of attendance at the program level, which would then be searchable alongside average income for graduates of that institution and program. For some programs, students would be ineligible for federal loans if earnings from that institution and program will not be sufficient to pay back debt. Some newly proposed legislation[14] goes as far as to require accreditors to be stricter about student outcomes and to require institutions to pay back part of the outstanding balances when their graduates default.

Any combination of the above will require institutions to respond quickly and clearly by articulating their institution's value proposition to prospective students, parents, and donors. This may be an uphill battle for schools without national rankings or recognizable brands. The Forvis Mazars survey results below speak to some of these challenges.

The Forvis Mazars Survey

In the Forvis Mazars survey, we asked how institutions were identifying and communicating their value proposition. Key results are below:

1. Most colleges (71%) feel their value proposition is well-defined. 87% are confident their value proposition resonates with the desires of their students.

   While institutions believe they understand their value proposition, the two most-selected reasons for confidence were affordability (16%) and quality education (16%), followed by unique programs or mission (11%). While affordability and quality are noble attributes, most colleges would claim them. In other words, these are not differentiators in a saturated market. It is the uniqueness of the institutional mission or the overall program that draws potential students away from other campuses and attracts them with truly exceptional and unique institutional characteristics. Moving forward, institutions might consider which of their programs and services are true differentiators, especially in areas where there is heavy saturation.

   Also of note, there weren't many institutions who indicated that student outcomes were a differentiator. This will be relevant in the near future, as both recent administrations have attempted to link student outcomes to student aid eligibility or accreditation. We provided some additional guidance on the following page.

[13] "Student Loan Debt Statistics," educationdata.org, January 15, 2025.

[14] "H.R.6951 – College Cost Reduction Act," congress.gov, January 1, 2024.

Figure 19

Our value proposition is well-defined.

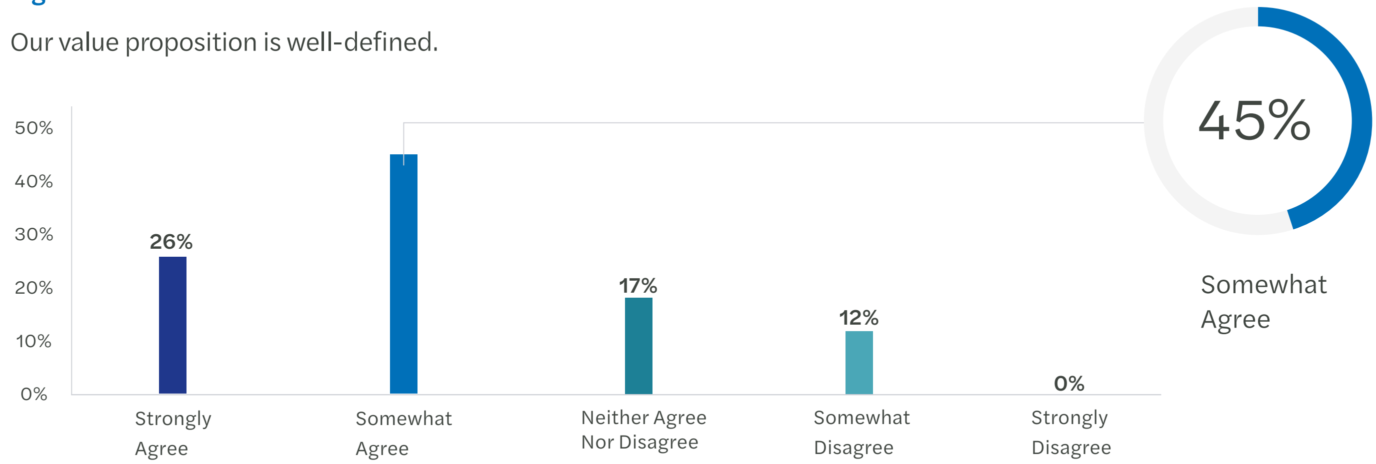
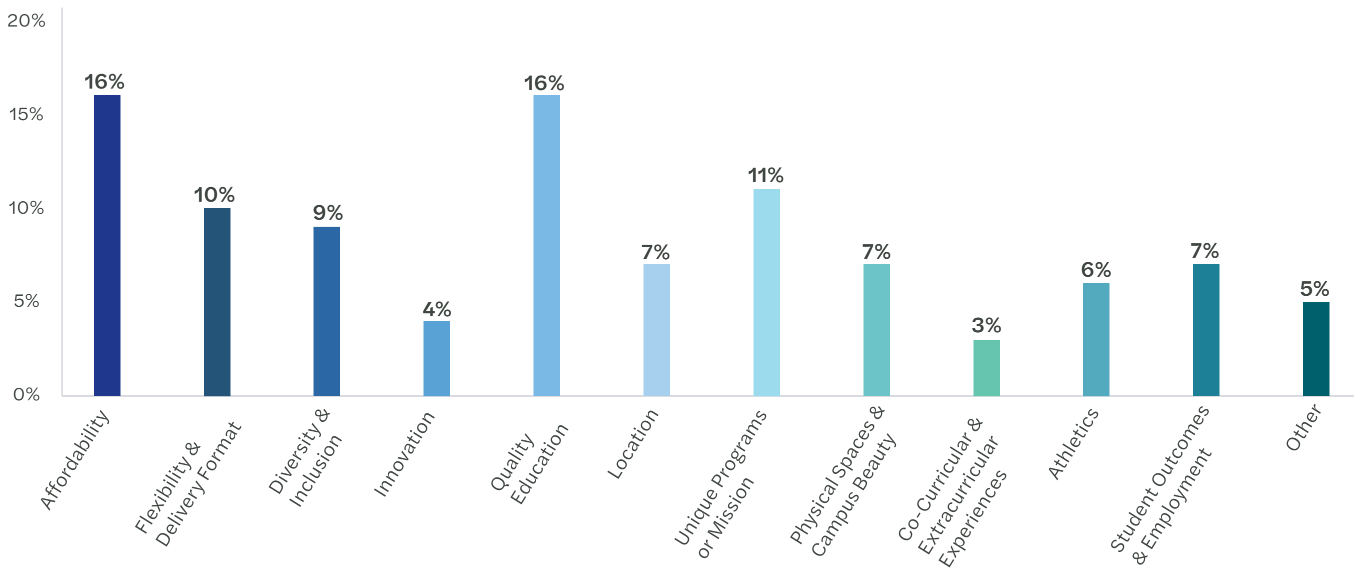


Figure 20

What are three things about your institution that positively set you apart from your peers?



Chapter 2
The Value Proposition for Higher Education

Two other findings are of note. Institutions reported that they were confident that they understood what attracted students and families. However, far fewer were confident that they had a reliable way of tracking whether that value proposition was delivered.

Given these results together, it stands to reason that many institutions aren't measuring their actual value proposition on the front end either. In other words, it is possible that institutions do not really understand their value in the market and, therefore, will have trouble articulating it.

Figure 21

We are confident our value proposition is consistent with the desires of our students and their families.

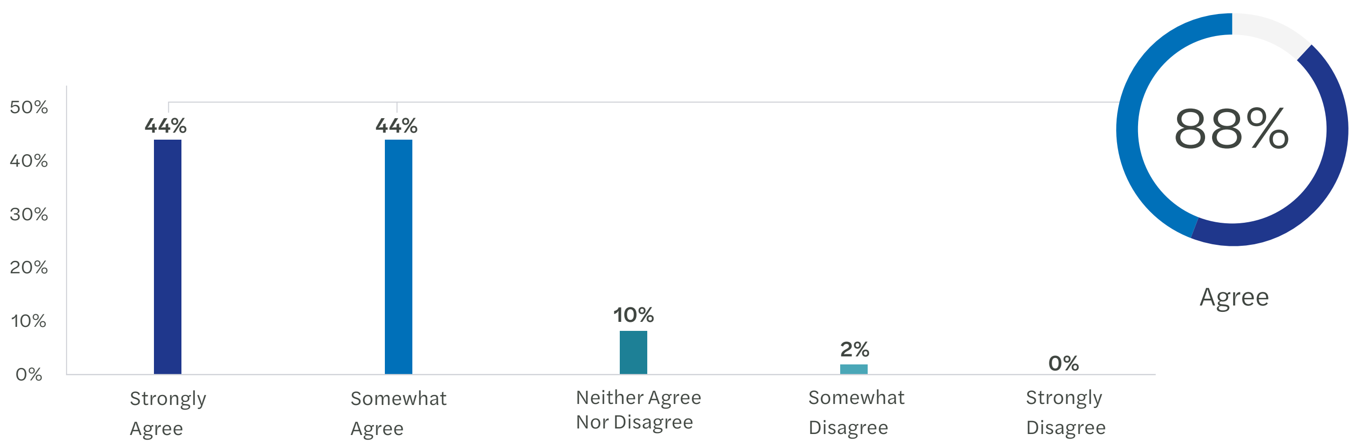
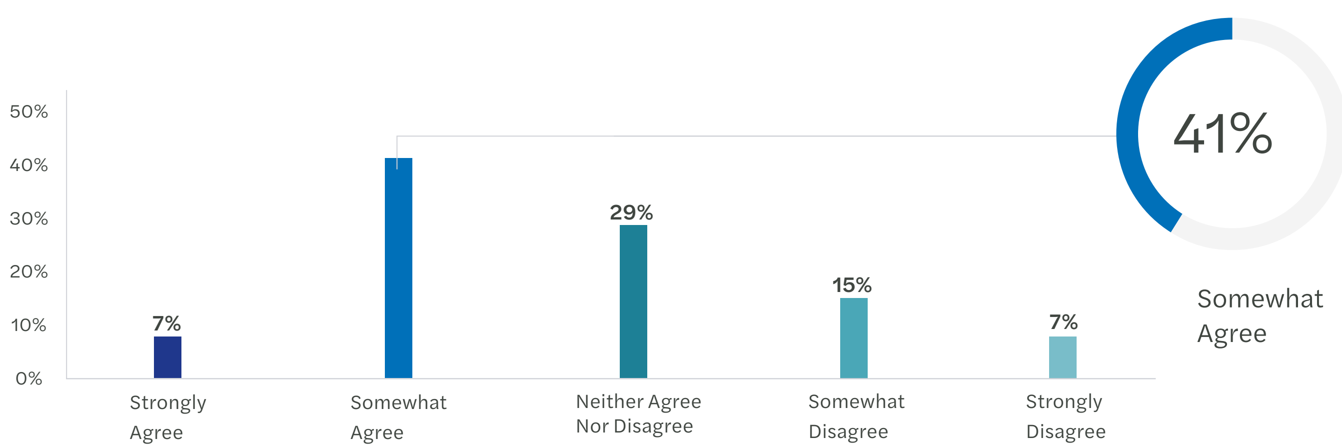


Figure 22

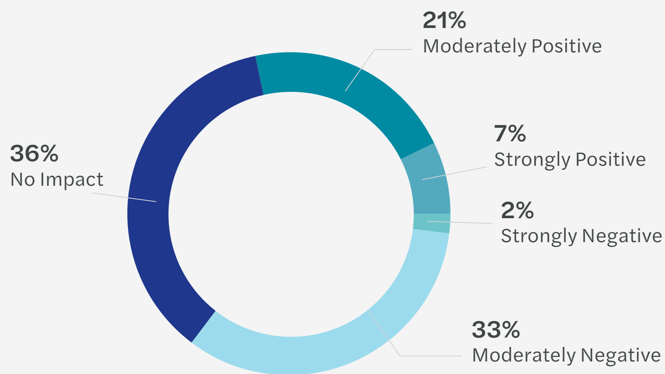
We have built a reliable tracking process to ensure our perceived value is actually delivered.



2. The Forvis Mazars survey asked about the anticipated impact of the financial value transparency (average wages compared to cost of education) and gainful employment regulations that went into effect this year (though are notably in flux with the administration turnover). The largest percentage of respondents (36%) thought the regulations would have no impact. Around that midpoint, however, a few more thought the regulations would have a negative impact (35%) than those who thought the regulations might have a positive impact (29%). As we mentioned earlier, newly proposed legislation (including the College Cost Reduction Act or CCRA) could have even stronger impacts on institutions than FVT/GE regulations.

Figure 23

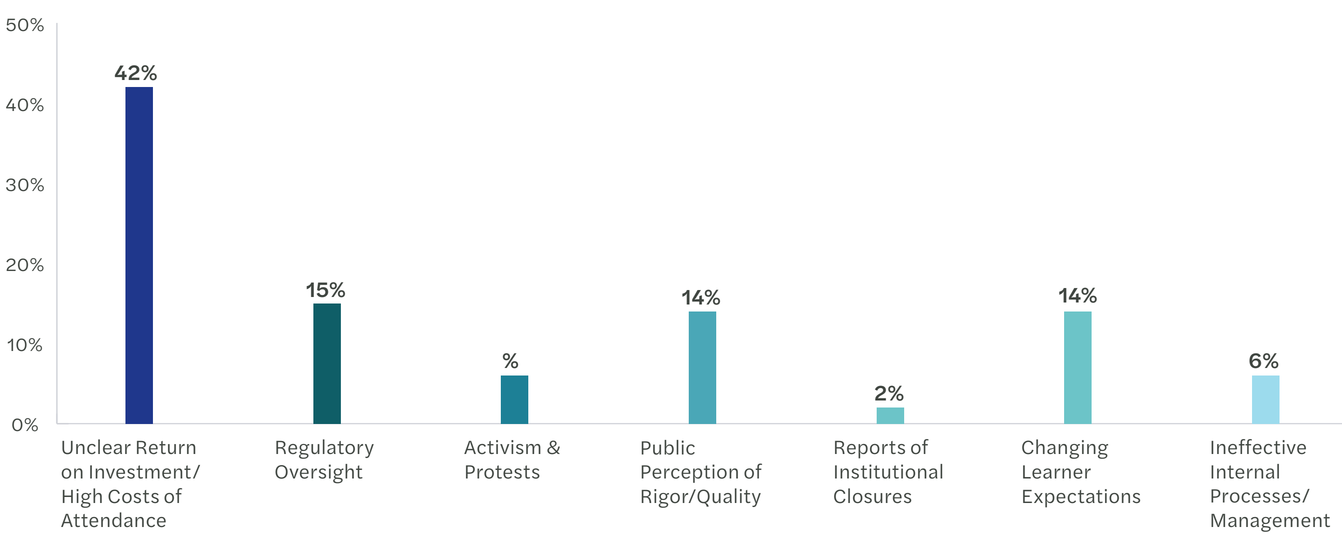
We believe the new disclosure regulations focusing on "gainful employment" and "financial value transparency" (average wages compared to cost of education) will have the following impact on the perceived value of education at our institution.



3. Our survey looked at opinions around threats to the higher education industry's reputation in 2025. A concentration of responses (42%) pointed out that unclear return on investment (ROI)/high cost of attendance are clear risk factors. This is related to one other popular response – the public perception that higher education is not producing quality graduates. These and the other responses are included in the graph below at Figure 24. We should also acknowledge that our survey results may look quite different next year, given recent and potential future disruptions to funding and the regulatory environment.

Figure 24

Looking into 2025, what do you believe are the two biggest threats to the higher education industry's reputation? (Select Two)



Chapter 2
The Value Proposition for Higher Education

Case Study

Texas Christian University is a national research university with a strong brand and reputation with even higher aspirations. It is categorized as a Carnegie Research 2 institution and was ranked #105 by U.S. News & World Report for 2025. Further, the Princeton Review also ranked TCU as #1 for Happiest Students, #4 for Best-Run Colleges, #7 for Best Quality of Life, #13 for Best Athletic Facilities, and #16 for Most Beautiful Campuses. Founded in 1873 as one of the earliest co-ed institutions, TCU now has about 13,000 students, most of whom are undergraduates. With roughly $730 million in annual revenue and $4.7 billion in total assets (and counting), the institution is the model of financial health.

Dr. Bill Nunez, TCU's Vice Chancellor for Finance and Administration, is responsible for managing the financial and physical operations of the university. He clearly places heavy emphasis on investing in strategic priorities and personnel, budgeting appropriately for student needs, including unfunded scholarships, and employing sound financial strategies in cash management and risk mitigation. Coming to TCU from a public university, Dr. Nunez has leaned into his role, which includes overseeing budget and financial planning, accounting, risk management and insurance, internal audit, facilities and campus planning, university procurement functions, as well as communicating financial matters to the rest of TCU's leadership and their 50-member board of trustees.

The university is no stranger to growth. The budget has increased over 75% in the past 10 years, 33% since his arrival in 2022. Enrollment has grown by 30%. Its 300-acre campus sits in Fort Worth, Texas, which, according to the city's website, has been the fastest-growing city in the U.S. since 2020. College football fans are familiar with TCU, which competes in the Big 12 Conference. The program has ranked in the Top 10 in four of the last 10 seasons, winning five bowl games over that time, and enjoying high-level success in many other sports. That visibility and organic population growth in the area have been important to TCU over the last 15 years.

Given the history, size, and national brand, TCU's strong financial position isn't a huge surprise. However, the sound management principles Dr. Nunez describes and employs are critical to their growth and ongoing success. According to Dr. Nunez, what is compelling about TCU is the institution's commitment to knowing its value proposition and developing strategies to position itself in the market accordingly. Specifically, TCU is known for its connected culture and unmatched student experience premised on its values of integrity, engagement, community, and excellence. The university's most recent strategic plan reflects this emphasis, with foundational themes of student-centered growth, research and creative activities, athletics, and community engagement.

To learn more about TCU's strategic approach to long-term growth, we talked to Dr. Nunez about what makes TCU unique and how that vision is driving the institution forward.

How would you describe your relationship with your Board and President? How have these collaborations contributed to some of your successes?

> **Nunez:** There's a real sense of community and collegiality here at TCU, which I think has been, and will continue to be, critical to our success. We value and acknowledge the importance of strong communication and collaboration between cabinet members, which extends to the president and board. Most complex issues require collective problem solving, understanding people's perspectives and starting points, and collaborative thought to identify the array of possible solutions. The role of the leadership team is to encourage a system of transparency, understand our individual limitations, and ask questions to build toward our collective success. Our culture is a manifestation of the people who came before us and our future success rests with the strong leaders who are here today. The president and board embrace this standard and dedicate their time and talent to TCU because they genuinely love this university.

What characteristics do you have that have set you up for growth? In other words, what is your value proposition for students and families?

Nunez: TCU is known for its connected culture and high-quality student experience. Our students and their families immediately feel this when they visit our campus. They see us as a midsize private institution, but having the benefit of being in a Power 4 athletics conference in the very cool location of Fort Worth. That combination of a connected campus, big-time athletics, and great location is a unique market niche for TCU. Our beautiful campus and low student-to-faculty ratio also help us in recruiting. In short, we know where we excel, and we know what makes us unique, and we've developed strategies accordingly. Our most recent strategic plan's foundational themes speak to what we know has resonated in the market – students getting a best-in-class, all-around experience.

How do you "do" strategy work on your campus? Is there a special approach you take to help you understand your strengths and opportunities?

Nunez: As a leadership team, we routinely align our discussions and decisions to our identified goals and strategic initiatives. We analyze the value proposition of a request or direction, prioritize resource allocation to the highest priorities in our budgeting and financial planning, and ensure our campus environment and capital projects will maximize the value to our mission. We are also consistently mindful of the impact on our current students, faculty, and staff, as well as our alumni and friends. We ensure decisions align with our mission and values and strengthen our brand. I also see a consistent desire for innovation and continual improvement.

Given your emphasis on your value proposition (it seems like it's been successful so far), what does TCU look like in 10 years?

Nunez: Our vision is to be a world-class, values-centered university. Our recently completed strategic plan is actually titled "Lead On: Values on Action." Those values are integrity, engagement, community, and excellence. It's really important to us that we double down on how we live these values and integrate them into all priorities. These are also characteristics that make our brand and our all-around campus experience unique. We will continue to innovate, focus on growth, and be dedicated to continuous improvement in our unique student experience. We know that our students appreciate our athletics programs, and we want to continue to be competitive in that space. We also want to continue to pursue distinction through designation as a Research 1 institution. But these things all take time, commitment, focus, and resources. The good news is that TCU is poised for even greater success and ready for the challenge. I am looking forward to being a part of it.

Summary & Conclusions on Institutional Value Proposition

1. The value proposition in higher education is in question, and this will affect individual institutions' ability to attract and retain students.
2. Recent actions at the federal level may make it more difficult for students to take out loans or receive grants, and these changes may affect some programs more than others.
3. Institutions that do not understand their best differentiators will be more affected by these disruptions than others.
4. Institutions should be strategic in their focus moving forward to ensure that their programs and curricula prepare students with clear and objective outcomes, that prepare them for the workforce and enable them to manage student loans. These actions might include:
    - Revising curricula to give students more opportunity for professional development.
    - Developing programs that are clearly aligned with employer demand.
    - Identifying donors to subsidize programs where students may be ineligible for loans or grants in the near future.
    - Taking an inventory of PR and marketing initiatives so that the institution's specific value proposition is clear to students, parents, and donors.

Chapter 3
Implementing Change

General Observations

Change management in higher education is unique. It does not follow typical corporate patterns. Why does the way that higher education deals with change seem like a unicorn? This definition might help. Higher education change management is the ability to implement new initiatives or adapt to a changing environment that takes into account the shared governance model of higher education.

That sounds easy enough, but seasoned industry veterans know that new initiatives, changing external environments, and shared governance all have complex meanings and require institutional understanding to successfully navigate those topics. Dr. Brian Rosenberg's 2023 book on change in higher education, **Whatever It Is, I'm Against It**, tells even the casual observer all they need to know about how hard it is to get things done in a higher education institution. In his pithy style, he points out that leaders in higher education "ostensibly foster growth and transformation in its students, yet it cannot seem to change or transform itself in ways beyond the incremental."

He points out that some of the bedrock systems of higher education functionality work against the notion of adaptability and meaningful or major change in a timely manner. Two examples of those bedrock systems that slow the rate of change are shared governance and tenure systems. Neither system encourages fundamental change. Rather, they work against it.

The survey from Forvis Mazars helps to illustrate some of these fundamental issues. The case study on Concord University (below) demonstrates a real-life example of a change management process that has worked. We chose this story for its transferrable concepts:

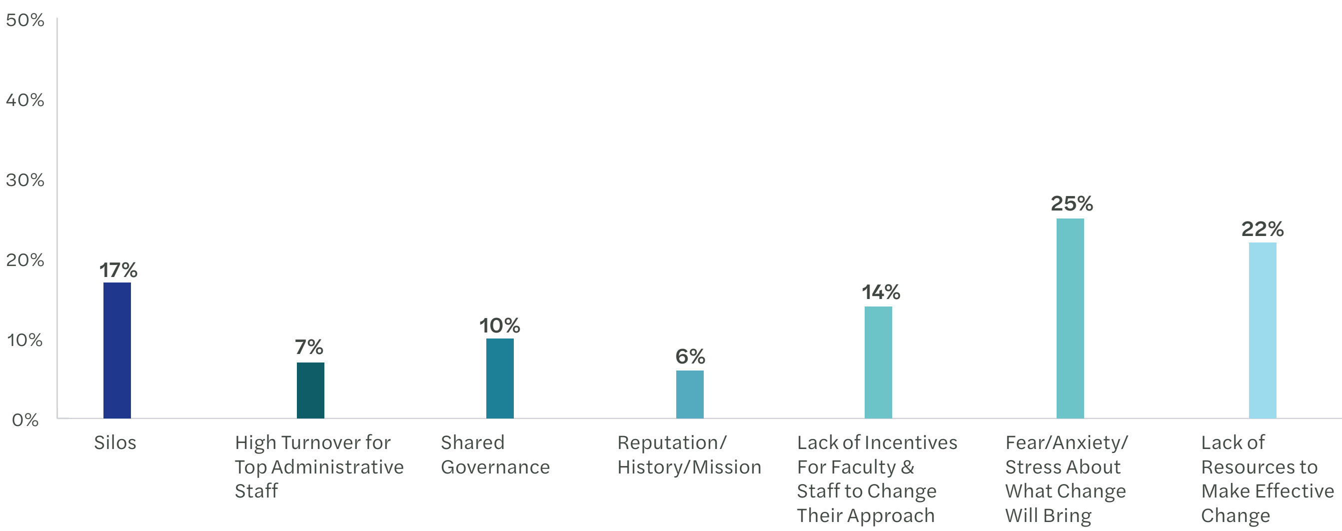
1. Internal and external collaboration
2. Mutual understanding
3. Entrepreneurship
4. Courage

The Forvis Mazars Survey

The Forvis Mazars survey starts with key questions about the nature of change. First, opinions about barriers to change were sought out. Figure 25 demonstrates administrators' opinions about their biggest barriers to change:

Figure 25

What are the biggest barriers to change at your institution?



The responses above demonstrate there is significant stress and anxiety over the unknown. The external environment is changing (including the public confidence in higher education, as we saw in the chapter on value). The fact that many institutions tend to work in silos seems to contribute strongly to the perception of big barriers. The case study on page 32 on Concord University illustrates an example of what can happen when the walls of the silo are broken down.

The next question explores opinions about what fundamental changes might be needed. Over 50% agree or agree strongly that the economic model of higher education, academic programming, and other operations (primarily the cost of administrative support and facilities) needs fundamental changes. This means that how much margin academic operations and auxiliary enterprises and research (in the case of research-heavy institutions) bring should be the subject of study and proactive decision making.

Chapter 3

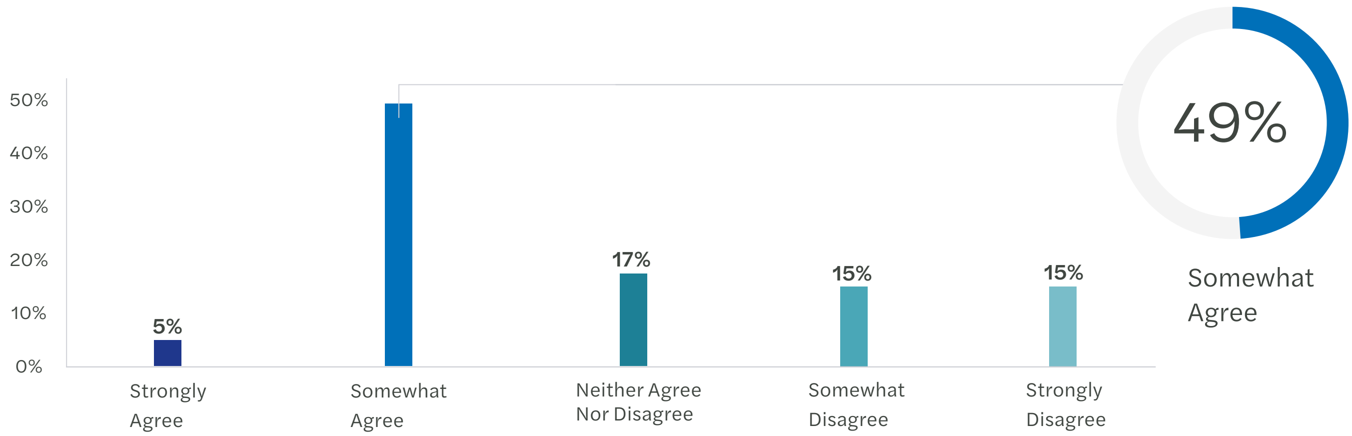
Implementing Change

The Forvis Mazars Survey

The Forvis Mazars survey starts with key questions about the nature of change. First, opinions about barriers to change were sought out. Figure 26 demonstrates administrators' opinions about their biggest barriers to change:

Figure 26

Others at my institution feel that we need to make fundamental changes to our economic model, academic programming, or other operations.

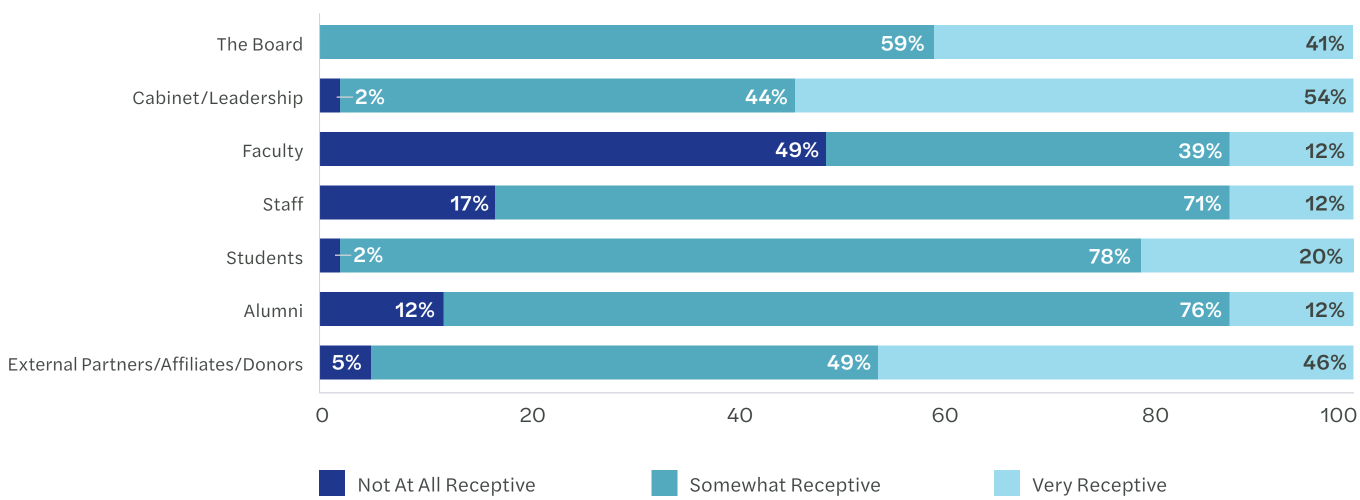


In many cases, academic program margin analysis is episodic rather than systemic and annual. While that approach has worked in the past, the pace of change is such that this approach may not achieve the results needed. The survey responses indicate agreement with that assessment. The following question focuses on that point.

Figure 27

And, of course, change doesn't happen without people. The survey also revealed that there are perceived differences between constituencies in terms of openness to change. If leaders hope to lean in and take an inclusive approach, they will need to identify ways to communicate the value of new initiatives to faculty, staff, and alumni.

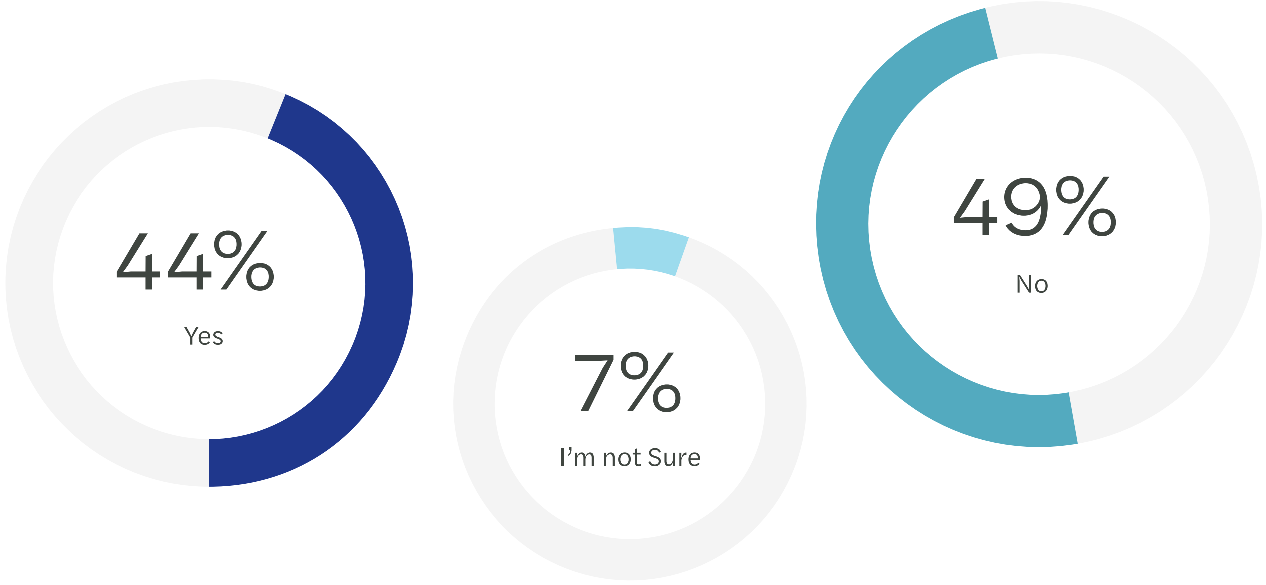
How Receptive Is Each Group on Your Campus to Change?



One final finding from the Forvis Mazars survey is below. Most institutions don't have a change management system in place and have not attempted any specific change management initiatives. In the Summary section, we provide some additional guidance to move the needle.

Figure 28

Does Your Institution Have a Change Management System in Place?



Chapter 3
Implementing Change

Case Study

Concord University

Concord University is a public institution that sits in the southeastern corner of West Virginia. Demographic shifts have not been favorable to the state, which was one of only three in the country to experience population loss between 2010 and 2020 (with additional losses estimated since). That phenomenon has been largely responsible for headline-grabbing budget cuts at the state's flagship institution, West Virginia University.

Without the benefit of doctoral programs or wealthy donors, Concord's financial challenges came to a head much earlier. The university lost 21% of its budget over four years, from 2014–2018. As President Kendra Boggess put it, "There's no elegant way to correct for that." As a response to the lost revenue, the university initiated an expense management taskforce that eventually found more than $1.7 million in annual savings, partly through effective cost-saving measures and without reductions in force. As the university headed into the pandemic in 2020, Concord initiated a layoff and reduction in force, which significantly reduced personnel expenses. As a result of these efforts, Concord emerged from the pandemic in a much stronger position than many of her sister institutions.

In addition to cost saving measures and personnel reductions, Concord has also made a series of strategic decisions to enhance their position and pave the way for the future of the institution. These have included:

- Doubling the student athlete population (from 308 in 2014 to 602 in fall 2024) – this includes an ESports program that attracts students from around the world
- Launching career-focused programs in nursing, cybersecurity, and data analytics – research on student demand for these programs was paid for by a Title III grant
- Providing professional development and incentives for grant writing of faculty and professional staff
- Fostering partnerships with government and other public universities
- Identifying and cultivating donors to support new academic and athletic programs
- De-prioritizing small programs without potential for growth

Responses to these initiatives have ranged from skepticism to complacency over the years. But as of 2024, the university is united around a shared vision for the future—one that sustainably serves rural West Virginia through innovative programming and an ongoing openness to new opportunities. This nimbleness should be enviable; it has contributed to Concord's survival and, ultimately, positions the university for the future. More importantly, the university has accomplished this without compromising core principles like shared governance and program excellence. Faculty and staff engagement in these processes is now stronger than ever, and transparency is the cornerstone of enduring relationships between the administration and those tasked with implementing this shared vision.

What makes Concord's story particularly compelling is their (successful) perspective on change management —spearheaded by President Boggess and her highly collaborative cabinet. Over 41 years at the institution, and 10 years in the presidency, President Boggess has built an energized coalition of champions for the university's mission. We spoke with this leadership team in October 2024. We wanted to focus on Concord's successes, but also wanted to hear about how they navigated the internal politics that can often stall, or significantly delay, strategic action. Big takeaways from our conversation can be found on the next page.

What have been the most important features of your leadership style and the leadership team at Concord?

Concord Leadership Team: There is no rivalry between members of our team and, therefore, no rivalry between the major units operating at Concord. Everyone is rowing in the same direction. We also have a strong open-door policy that starts with good listening from the top down. Most importantly, our high-functioning team is built on trust. Dr. Boggess does not micromanage the cabinet. Delegation is essential to our productivity.

How would you describe your relationship with your board of trustees? How have you maintained their support in your time as president and how can others build a similarly successful working relationship with their board?

Concord Leadership Team: Our board is appointed by the governor, its internal constituents are elected, and it has always been committed to our survival. It is particularly important that the president and the board chair have a good relationship and that is the case today, united behind one voice for our culture of transformation. Part of that successful relationship has been ongoing dialogue; we are candid with our board about challenges and about ongoing initiatives.

How did you prepare your constituents—students, faculty, staff, and the community—for the necessary changes on your campus?

Concord Leadership Team: The pandemic had an impact on the institution's readiness for change. It contributed to a sense of urgency to address shared struggles. But we have always prioritized transparency. Our faculty and staff know what we're doing and why we're doing it. Because of some of the financial challenges we've faced in the past, and the inclusive approach we took to overcoming them, our faculty and staff are more adept at using resources responsibly and thinking institutionally to develop new programs.

How have you identified the best ways to serve your prospective students and the community?

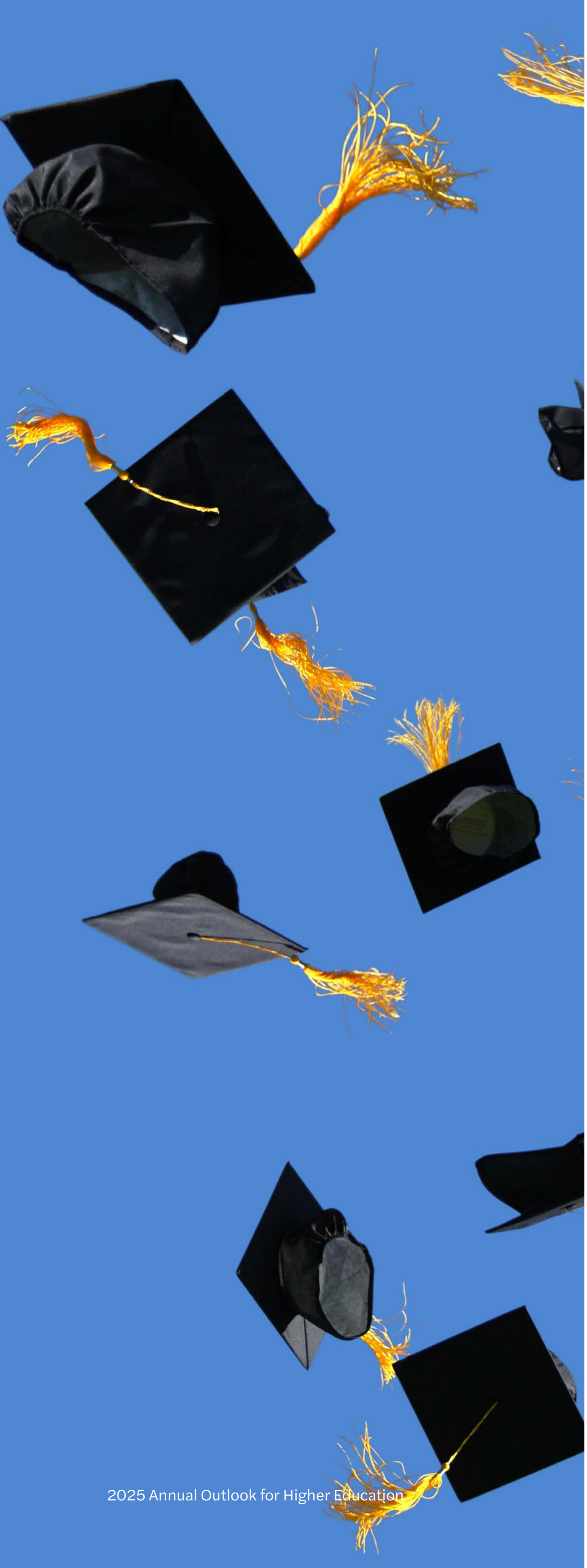
Concord Leadership Team: We have a listening culture here that is always open to new opportunities. Our Esports program was developed following a student suggestion to the president, and we were surprised at how quickly it became successful following a generous gift from a friend of the university. President Boggess understood that there is no reward without risk and has encouraged a spirit of entrepreneurship. This has led us to find additional grant-seeking training for our faculty and staff accordingly. Finally, we take pride in the relationships we've built with donors, federal agencies, and other organizations. We do our best to secure all manner of external funding to explore our best opportunities. And, we believe that bringing in outside expertise in some cases strengthens our likelihood of success.

What advice would you give to new or continuing presidents who are faced with tough decisions on their campuses? How can leaders develop and approach their vision productively and strategically?

Concord Leadership Team: All institutions benefit from a visionary leader who can communicate that vision to bring others along. That leader, and the people they serve, should be aware of their resources and know how to find new resources to accomplish their goals. Presidents must encourage their constituents toward continuous improvement, and a focus on service excellence. Try not to get ahead of your board, and make sure they support what you need to do. And finally, be courageous. Don't sit on your hands when you know that something needs to be done. Follow the logical common-sense solution to a problem. And then, let people execute!

Notable Takeaways:

- Leaders must be courageous and work with their teams to solve difficult problems. That means being open to new ideas, listening authentically, and trusting others to do the work we need them to do.
- Change can be challenging work, but it's a better alternative to waiting for something new to happen.
- Don't be afraid to part with ideas, or with people, who don't contribute to a shared vision for the future. You may not have enough time to move slowly.



Chapter 3

Implementing Change

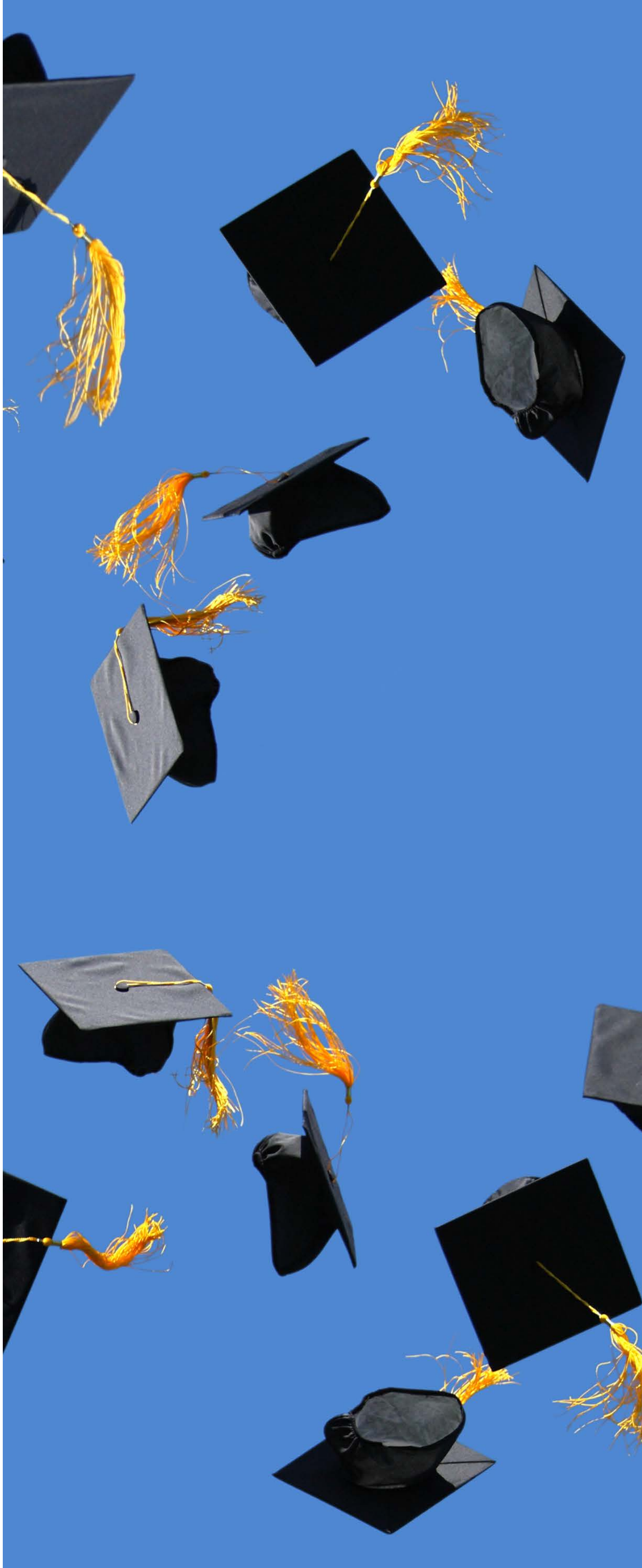
Summary & Conclusions on Effective Change Management

1. The need for change is clear in all three chapters of this year's Forvis Mazars Outlook for Higher Education.
2. Institutional leaders recognize that they must earn buy-in from all constituencies and that some constituencies are less receptive to change than others.
3. Waiting too long to make necessary changes can limit your choices and compromise your ability to operate in the long term. Institutions should always be taking a strategic approach. Look forward, not backward to what has worked well in the past.
4. The Forvis Mazars survey revealed that institutions, while recognizing the need for change, are struggling to implement effective change management strategies. We recommend the following to this end:
    - Institutions should assess their change readiness by taking an inventory of employee confidence, burnout, and agility. Knowing where these issues sit can go a long way to addressing them. There are research supported tools for doing this, including at Forvis Mazars.
    - If you're struggling to get buy-in for necessary changes, work to build trust by giving people an active voice in the decision-making process, even in a consultative role. Having a shared connection to a vision or purpose is also essential, and something many institutions take for granted or assume is already in place.
    - Strong leadership is imperative for effective change management. Know your messengers and their message.

Conclusion

Higher education has been an important contributor to the health and well-being of our American culture for centuries. It will continue to be an important part of our modern world, especially as the pace of change continues to accelerate.

Forvis Mazars is pleased to be able to produce this industry outlook. We encourage you to ask questions as you interact with the information presented. We have a robust team of advisors that can help you operationalize some of the ideas suggested in this material and help you find the way forward for your institution.



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10 Expendable equity is a term that represents total equity without restrictions plus restricted equity held for specific annual operational purposes (formerly identified as temporarily restricted), less the amount of that equity that represents the net book value of property and equipment.

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Contacts

Nicholas J. Wallace, CPA, CGMA
Director, Higher Education Consulting
nick.wallace@us.forvismazars.com

Rachel Pauletti, PhD
Director & National Practice Leader,
Higher Education Consulting
rachel.pauletti@us.forvismazars.com

forvismazars.us

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