

Education Market Update

Industry Consulting Team | Q2 2023

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[Short-term investment
strategy takes on new
urgency](#)

Events:

▪ MISBO Annual Meeting

October 25th-27th
Clearwater, FL

▪ NBOA Annual Meeting

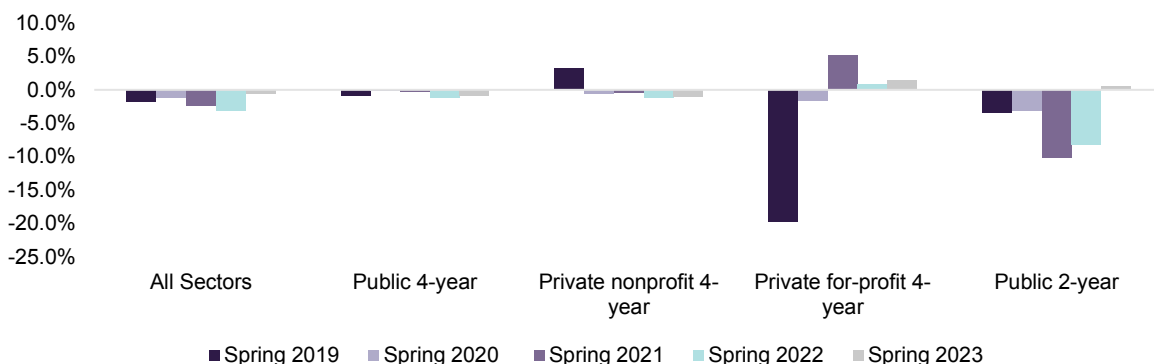
February 25th-28th
Atlanta, GA

Applications have increased for Common App member institutions, but enrollment is still down. Colleges are trying to balance revenue streams with tuition affordability.

Higher Education Enrollment Trends

While postsecondary enrollment continues to show a shortfall compared to pre-pandemic levels, recent trends indicate a stabilization in the decline. According to data from National Student Clearinghouse Research Center, undergraduate enrollment remained relatively steady during the spring semester, experiencing a modest decrease of only 25,000 students. Notably, the decline in enrollment was more pronounced in bachelor's degree programs compared to associate degree programs. Community colleges witnessed a slight rebound in enrollment this spring, following substantial declines observed over the past two years. This is particularly reflected in an 8% increase in dual-enrolled high school students. Although undergraduates at public and private nonprofit four-year institutions continue to decline, the pace of decline has slowed down.

National Enrollment by Institutional Sector 2019-2023

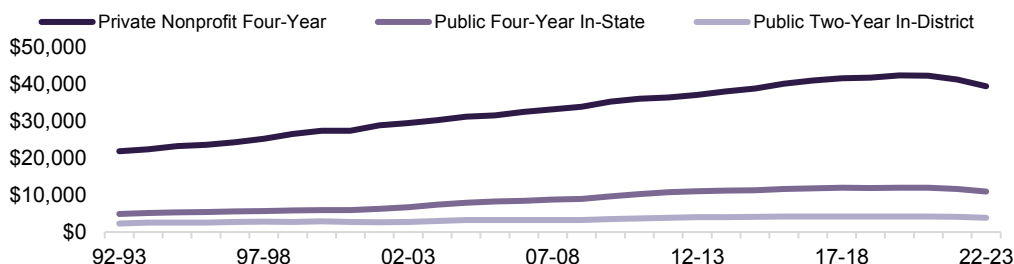


Looking ahead to future enrollment, the Common App's latest numbers show an increase in applications for Fall 2023 compared to 2019. This data, which only looks at the 841 member colleges that used the Common App in 2019, portrays a 24% increase in the number of first-year applicants and a 36% increase in the total application volume. However, these increases do not impact schools the same. The applications for public schools grew 47%, while only growing 25% for privates. While the Common App numbers imply good news for member institution's enrollment numbers, students have filed an average of 4.3 applications each, which is a 10% increase per student from 2019 to year end of 2022. Applications may be up, but institutions are still having to compete to attract the top students.

Tuition Trends

Student affordability is a major concern for colleges and policymakers. When adjusting for inflation, over the last three decades, tuition has increased 1.65 times for public two-year colleges, 2.25 times for public four-year colleges, and 1.8 times for private four-year colleges. To protect students from the rise of tuition prices, policymakers have enacted tuition freezes and limitations. The average price hike was between 2-4% for public institutions when states opted to increase tuition prices. According to Higher Ed Dive, "While tuition restrictions may make college more affordable for students, the researchers argued, it's important that states pair these policies with additional funding to help offset rising costs for public colleges." With funding support from the state, public colleges could prevent a decline in revenue.

Average Published Tuition & Fees by Sector '92-'23, Inflation Adjusted



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As private schools grapple with sector inflation, business officers are exploring ways to offer differentiated benefits to attract top teachers.

Teacher Retention

One of the biggest challenges facing the K-12 sector is attracting and retaining quality educators. This challenge highlights a major part of a school's budget: faculty and staff compensation and benefits. Looking first at employee wages, an NBOA article cites "companies are budgeting for higher pay for their workers but predicted increases of just over 4% won't match inflation, which was running at 7.1%." In 2018-21, salary increases have been higher than the inflation rate; however, with the inflation rate being at 7%, it could be financially challenging for employers to increase wages at the same rate. There are other benefits that can be offered, outside of wages, to help retain teachers. Some schools have found success in offering professional development opportunities, commuter stipends, and student loan counseling. Other schools have found success in allowing its teacher's voices to be heard, whether through a weekly survey or through discussions with leadership. Employers will have to adapt to figure out what the best method is to attract and retain great educators.

Full Time Teacher Salaries Wage Increase by % from 2018-2022

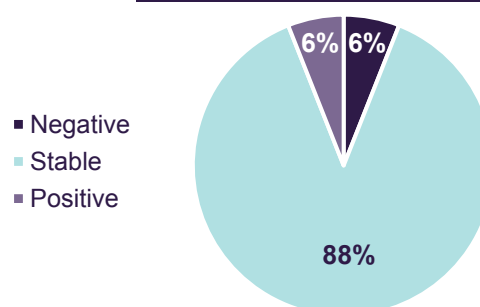
Full Time Teacher Salaries	2018	2019	2020	2021	2022
Average Base	1.8%	2.7%	1.0%	1.9%	4.1%
Starting Base	2.9%	2.3%	1.3%	2.6%	5.0%
Highest Base	3.3%	2.0%	1.5%	1.5%	3.3%
Inflation Rate	1.9	2.3	1.4	7.0	7.1*

*Data as of November 2022

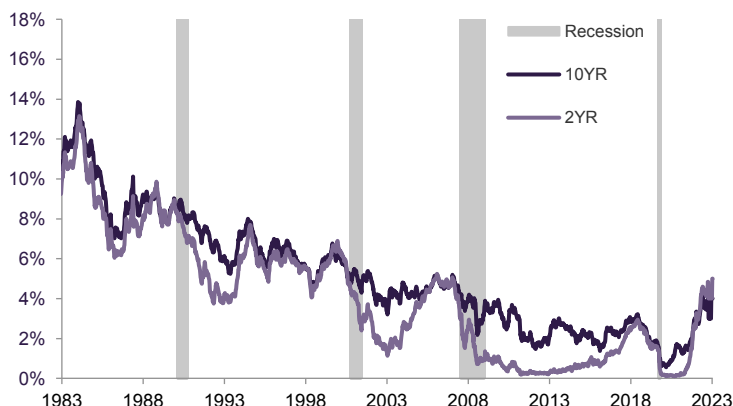
Charter School Sector Remains Strong

Financial performance has moderated in fiscal year 2022, down from a very strong fiscal year 2021. This shift is seen as a move towards a new "normal." Median expenses increased 15% per student year over year. This can be attributed to greater investments in academic programing and rising inflation that affects salary, utilities and supply costs, however state funding has helped offset many of these costs. 88% of Charter Schools in S&Ps rated universe, maintain a stable outlook. These stable outlooks are certified by growing demand for charter schools, with continued growth in enrollment and strong waitlists.

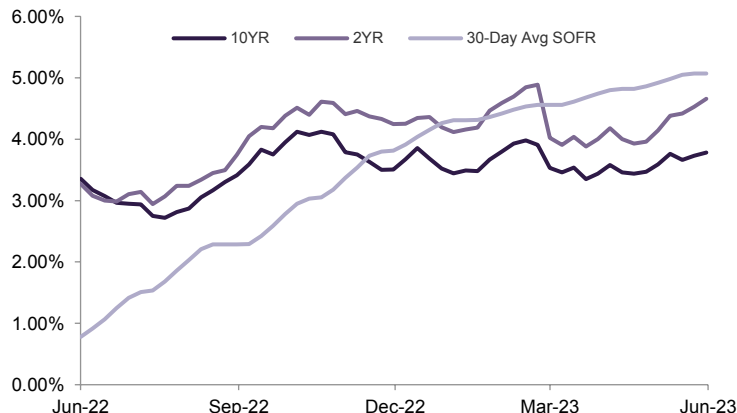
U.S. Charter School Outlook



Historical 2yr & 10yr Treasury Maturity Rate



Treasury Maturity Rates & 30-Day SOFR (Last 12M)



Sources: St. Louis Federal Reserve (FRED), National Student Clearinghouse Research Center, University Business, Higher Ed Dive, College Board, NBOA, Moody's Investors Service,