

Higher Education

The COVID-19 pandemic has resulted in short and long term impacts on higher education institutions. Institutions will need to be strategic on how they deal with recruitment in the future and how endowment spending policy might be impacted due to lower returns in FY2020.

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Highlighted Events

SACUBO Annual Meeting

April 19th-20th, 2021

Virtual

NACUBO Annual Meeting

July 27th-30th, 2021

Virtual

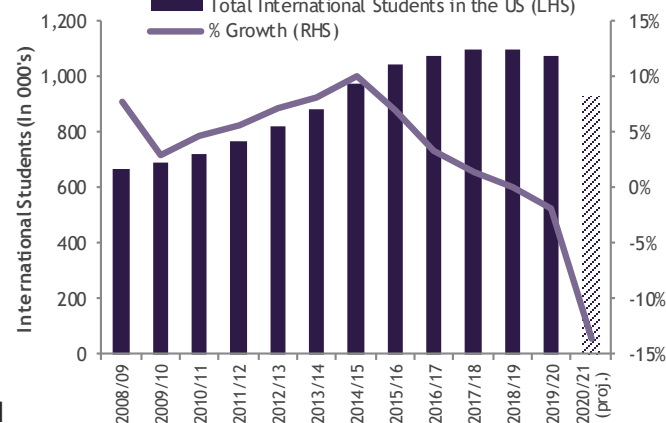
EACUBO Annual Conference

October 31st-November 3rd, 2021

Philadelphia, PA

International Student Enrollment Decreased in the 2019 / 2020 School Year

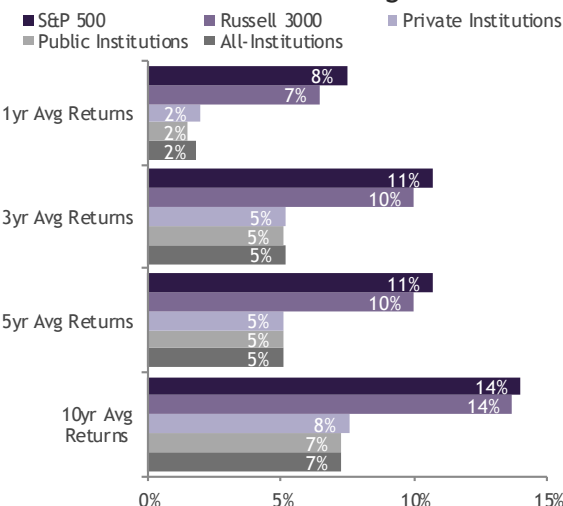
In data compiled by The Institute of International Education, for the first time in over a decade, the total international student enrollment in the U.S. decreased, falling 1.8% in the 2019/2020 school year. This coming one year after the international student enrollment hit an all time high of 1.09 million in 2018/19. For the fourth consecutive year, new international student enrollment decreased. Just over 34% of all international students in the U.S. are from China, and out of the top 5 countries of origin that have students in the U.S., only the number of students from China increased from the 2018/19 totals (about +3000 students).



According to a recent article from Moody's, this past fall, "international students at four-year colleges and universities declines by 13.6%" primarily due to the coronavirus halting travel and closing visa offices, as well as more stringent U.S. immigration and post-education policies. If this trend continues, then colleges and universities that rely heavily on international students could face challenges to hit enrollment goals and could face issues due to the loss of tuition dollars as international students typically pay higher tuition.

FY 2020 Investment Returns Through the Pandemic

In data compiled by NACUBO & TIAA, higher education endowments generated an average return of 1.8%. This marked a step down from FY19 when the average return for all institutions was 5.3%. Public Colleges and Universities endowments had an average return of 1.5% while Private Institutions had average returns of 2% in FY20. "The first half of FY2020 (i.e., 3rd and 4th quarters of calendar year 2019) saw many asset classes post solid returns as markets generally were supported by consumer strength, interest rate cuts and easing of trade war concerns despite slowing global economic growth." The endowment gains that were made during the 1st half of FY20 were hit hard when the pandemic almost completely shut down economic activity around the world. The lower average return is in part due to many institutions having a fiscal year end of June 30th and the fact that most economic markets had not fully recovered.



K-12 Independent Schools

Strong and highly rated private schools with financial flexibility were able to stave off many of the negative effects of the pandemic. Schools that rely more heavily on net tuition revenue could face pressure due to changes demographic trends and increased pressure on value proposition and tuition affordability.

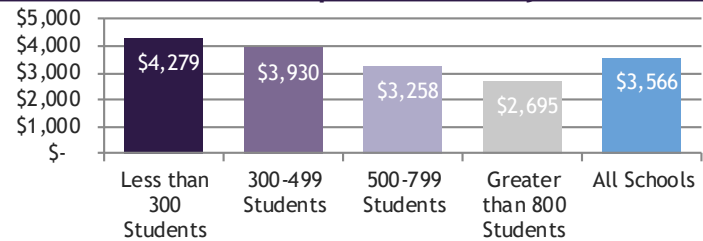
Weathering the Pandemic Storm

According to data compiled by NBOA, schools with less than 500 students enrolled had higher median financial aid than the median financial aid for all schools. In data provided by S&P Global Ratings, net tuition revenue will likely continue to be constrained as over the last 10yrs tuition dependence, tuition discounting and financial aid burdens have increased across most rated categories.

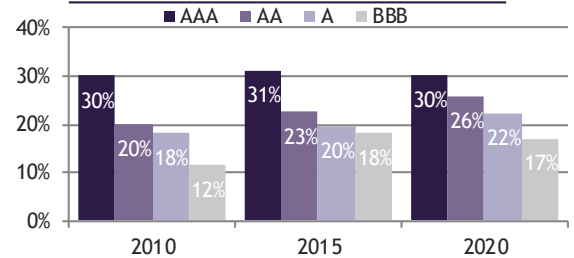
Median tuition and fees for the 2020-2021 school year increased by an average of 3% year over year and as the economy slowly recovers from the pandemic, affordability will be on the forefront of schools' and parents' minds for the future. This pandemic put increased pressure on smaller schools, "where each student is critical to sustaining operating margins and financial flexibility, particularly for those schools with declining enrollment, weaker demand, or modest resources. Generally, higher-rated schools have maintained stable-to-growing enrollment this school year, while lower-rated issuers have faced challenges."

U.S. Census data projections indicate that the U.S. under 18 population is expected to increase but at a lower rate than in previous decades. The percentage of the total U.S. population under the age of 18 has steadily decreased over the last century, in the 1900s an estimated 40% of the population fell into that category, and that number is now estimated to be closer to 22% and is expected to decrease going forward. This means that schools can no longer look for large population boosts to help bolster any enrollment shortfalls as the pool of possible applicants is expected to only increase by a relatively small margin.

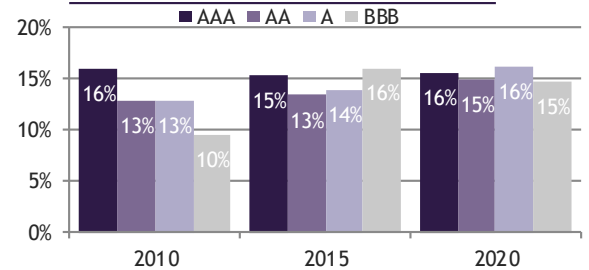
Median Financial Aid per Student by School Size



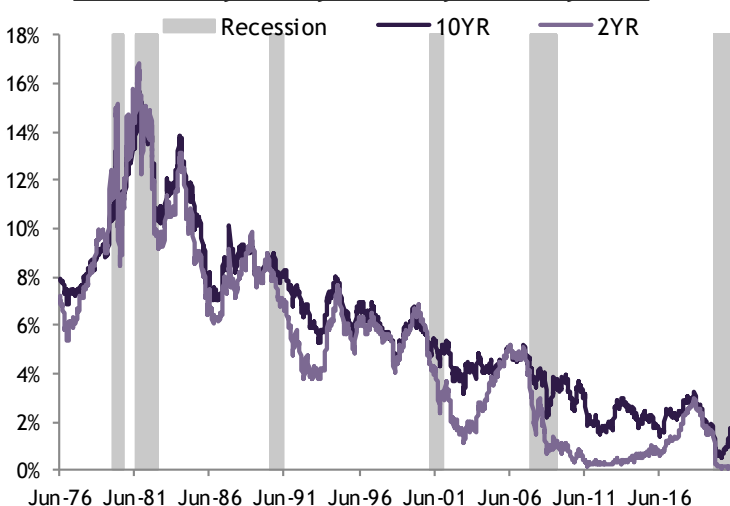
Median Tuition Discount Rate



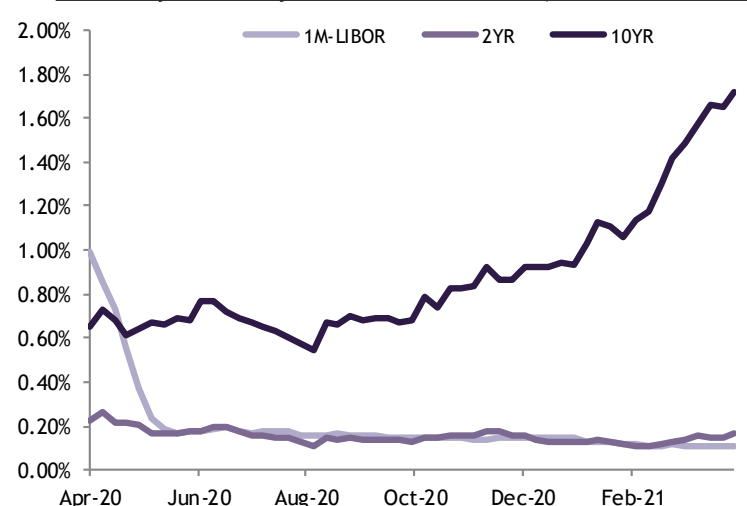
Median Financial Aid Burden



Historical 2yr & 10yr Treasury Maturity Rate



Treasury Maturity Rates & 1M LIBOR (Last 12 Months)



Sources: S&P Global Ratings; NBOA Financial State of the Industry 2021St. Louis Federal Reserve (FRED); U.S. Census Bureau