

# Education Market Update

Industry Consulting Team | Q3 2022

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## Events

### MISBO Annual Conference

October 26<sup>th</sup> – 28<sup>th</sup>  
Savannah, GA

### EACUBO Annual Meeting

October 30<sup>th</sup> –  
November 2<sup>nd</sup>

New York City, NY

### NBOA Annual Meeting

February 19<sup>th</sup> – 22<sup>nd</sup>  
Los Angeles, CA

### SACUBO Annual Meeting

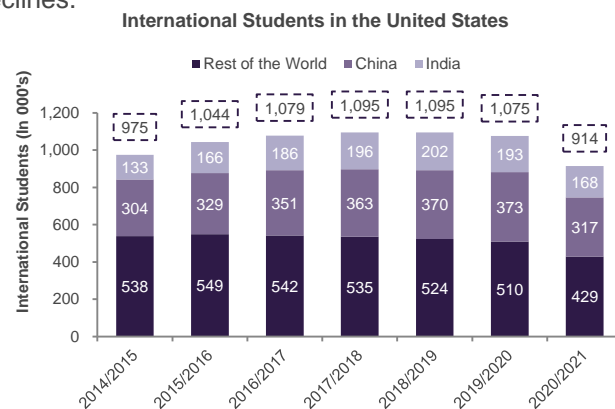
April 23<sup>rd</sup> – 25<sup>th</sup>  
Tampa, FL

Inflation impacts, regional/international population trends, a strong labor market and other employer initiative programs will continue to impact enrollment pressure for the Higher Education industry. Institutions will continue to be agile and improve their recruitment and retention strategies to showcase improved student outcomes and career preparation.

## Continued Enrollment Pressures Expected for US Higher Ed

As the pandemic recedes, U.S. Higher Education will continue to feel the effects of weakening enrollment. A recent article from Fitch Ratings explains that the enrollment pressures will impact institutions unevenly, most selective universities are expected to see continued demand, but less selective universities are unlikely to rebound to pre-pandemic levels. Total enrollment at 4-year institutions declined by approximately 3% from 2020 to 2021, and according to Fitch and the National Center for Education Statistics (NCES) "This is a deviation from projected growth expectations from the NCES. Enrollment is projected to decline a further 1.6% yoy in fall 2022, according to NCES, which would reflect an improvement against declines in both prior-year and spring 2022 enrollment, which fell 4.1% yoy." Fitch expects population trends to further impact and create enrollment disparities between regions of the U.S., the South, West and Southwest saw population inflows during the pandemic, while the Northeast saw declines.

Adding to the enrollment pressure facing the Higher Education sector, international student enrollment in U.S. Higher Education institutions dropped 15% from 2019-2020 to the 2020-2021 school year. Students from China and India make up nearly 53% of the international enrollment in the U.S., and year over year student enrollment from China decreased nearly 15% and students from India decreased around 13% according to data from IIE OpenDoors.



As enrollment and other external pressures like inflation and a strong job market continue to impact Higher Education, institutions will need to adapt their recruitment and retention practices in order to stay competitive.

## Student Satisfaction and Preferences

Anthology recently published a white paper titled "Opportunities to Grow Student Success & Career Preparation" diving into the sentiment of college students about technology needs, career preparation, and other areas of student success. The pandemic forced many institutions to pivot to online learning, and with that transition came several different challenges. 55% of respondents to the Anthology survey indicated that mental or emotional wellbeing was an area of concern, and 43% identified financing their education as a challenge. An encouraging data point is that "regardless of the difficulties students have faced over the last year, the majority of students (63%) responded that they are either moderately or very satisfied with their college's response to their challenges."

When students were polled based on preference of course structure, 37% of respondents indicated that fully online asynchronous courses were their top preference, followed by 28% preferring a mix of online and in-person courses. According to the white paper, "There is clear interest on the part of respondents to see more flexibility in how courses are offered, while there are also a number of concerns and factors that may impact their likelihood of completing their degrees. However, there was also good news for institutions related to how pandemic challenges were addressed, the level of career preparation of students, as well as the importance placed on attaining their degrees."



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Schools need to adapt to changes from the pandemic to retain students, grow enrollment and attract top teachers. Institutions should understand how their operating expenses are covered by net tuition and fees.

## Enrollment Outlook

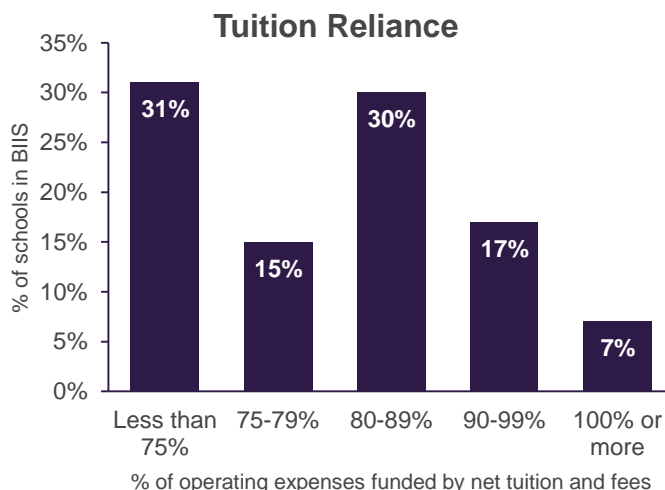
Long-term trends and projections in independent schools' enrollment have been increasingly difficult to predict. Independent schools lost enrollment during the first full pandemic school year, but mostly recovered in FY 2021 and have kept growing enrollment in the last 12 months. This is in line with other K-12 schools, with the exception of public charter schools, which saw enrollment growth through the pandemic consistent with a decade-long growth pattern. With this in mind, independent schools need to focus on student retention, access and affordability, global recruitment, and an "easy-to-use" admissions process to face challenges in their sector. Student success remains the main part of enrollment management.

## The Future of Teacher Hiring is Ambiguous

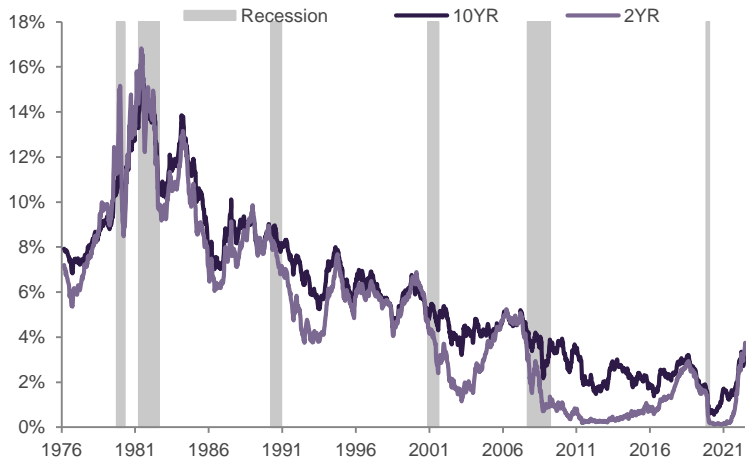
Teacher shortages continue to be an issue with the two main concerns being short-term staffing shortages and teacher burnout. While there were record high quit rates in November 2021, the overall quit rate for state and local public education employees was lower than the overall rate for all industries. However, the American Association of Colleges for Teacher Education (AACTE) found that enrollment in education programs, both undergraduate and graduate-level, continues to decline. With the demand for teachers being greater than the supply, schools are forced to find solutions to educator burnout and current compensation models. Independent schools will need to focus on these data points to turn the negative trending data around.

## Business Intelligence: How Tuition Reliant Is Your School? (Net Assets Sept/Oct 2022)

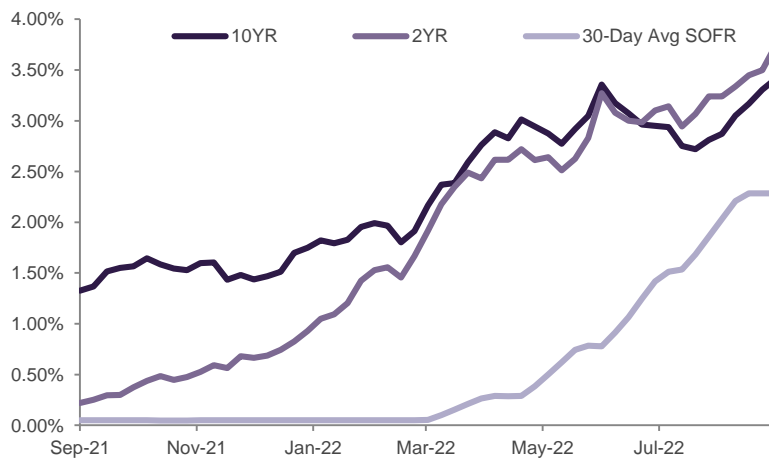
Independent schools' business models typically rely on net tuition and fees to be the primary source of revenue. One way to see this is by looking at the percentage of operating expenses funded by net tuition and fees. On average, 80.2% of operating expenses were covered by net tuition and fees. Schools with smaller enrollments saw lower averages than schools with larger enrollments. Schools in the western US, New York, and New Jersey covered higher than average percentage of operating expenses. Utilizing this ratio can help schools better understand how to manage expenses. Seeing low or declining percentages can be a signal of financial challenges. Schools that covered less than 75% of their operating expenses with net tuition and fees were more likely to rate their overall financial health as below average. On the other hand, this metric can also help schools that budget for a surplus in operating expenses. The data shows that 7% of schools covered 100% or more with tuition and fees. While reserves can be useful, other opportunities could exist for the surplus like further investing in enhanced programs and facilities.



Historical 2yr & 10yr Treasury Maturity Rate



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



Sources: Fitch Ratings; IIE OpenDoors Fast Facts 2014-2021; Anthology: Nationwide Student Survey "Opportunities to Grow Student Success & Career Preparation"; St. Louis Federal Reserve (FRED); NBOA, NAIS