

Secular Changes and Endowment Implications Facing Higher Education Today

SUBOA Annual Meeting
May 31, 2023

Anita Hariton, Head of Client Engagement, Commonfund OCIO



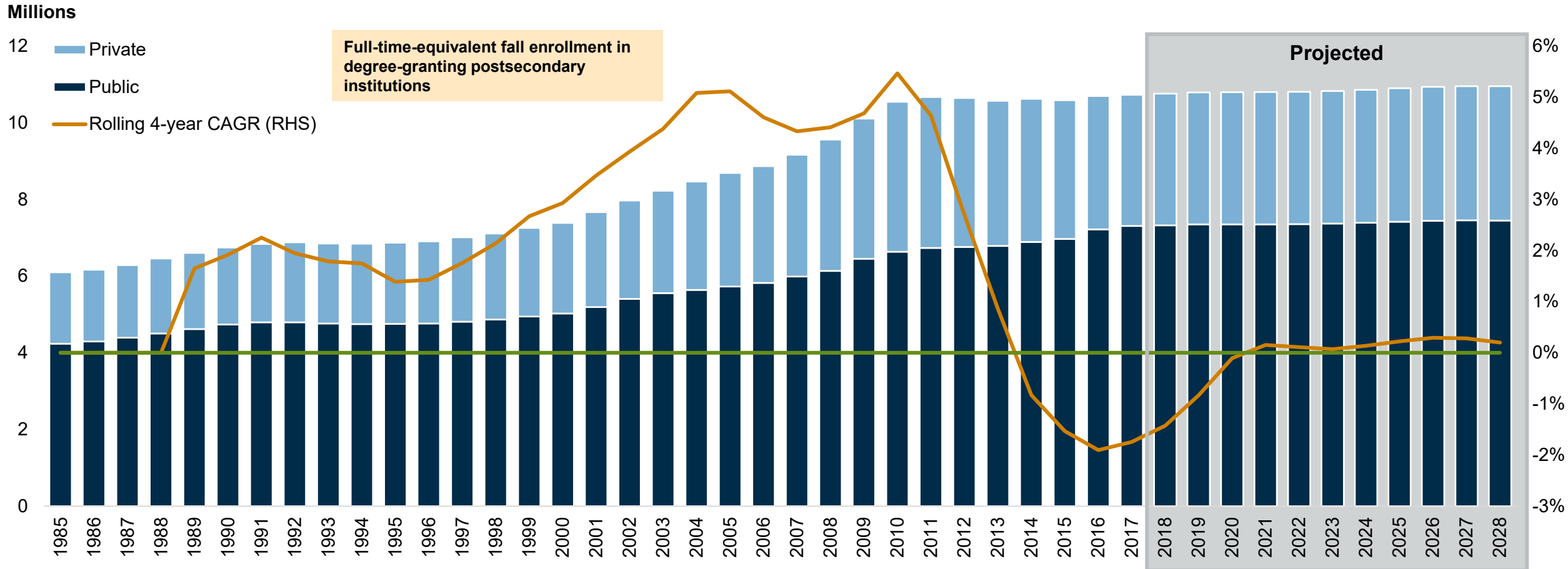
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Agenda

- Status of Higher Ed Pre-COVID
- COVID Impacts
- The Path Forward

Enrollment was Already Slowing

Fall 1985 – 2026



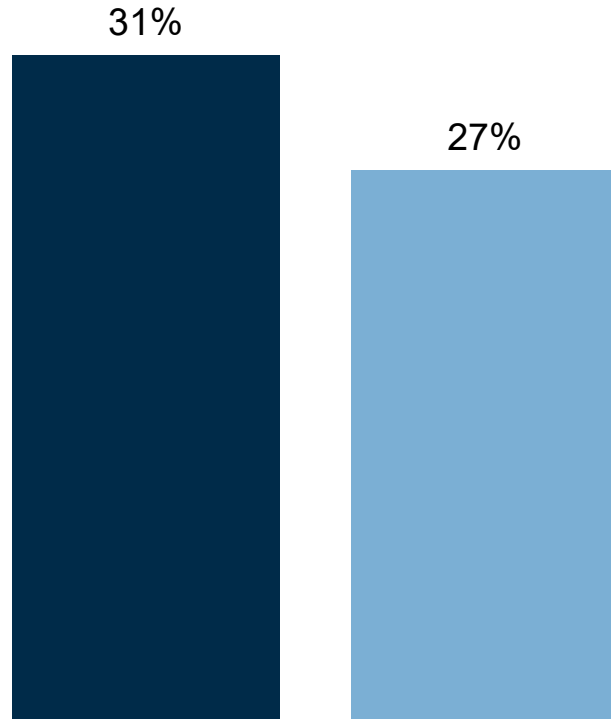
Full-time-equivalent enrollment is the number of full-time students enrolled, plus the full-time equivalent of the part-time students. Data through 1995 are for institutions of higher education, while later data are for degree-granting institutions. Degree-granting institutions grant associate's or higher degrees and participate in Title IV federal financial aid programs. The degree-granting classification is very similar to the earlier higher education classification, but it includes more 2-year colleges and excludes a few higher education institutions that did not grant degrees. Some data have been revised from previously published figures. Detail may not sum to totals because of rounding. Source: U.S. Department of Education, National Center for Education Statistics, Higher Education General Information Survey (HEGIS), "Fall Enrollment in Colleges and Universities" surveys, 1967 through 1985; Integrated Postsecondary Education Data System (IPEDS), "Fall Enrollment Survey" (IPEDS-EF:86-99); IPEDS Spring 2001 through Spring 2018, Fall Enrollment component; and Enrollment in Degree-Granting Institutions Projection Model, 2000 through 2028. (This table was prepared March 2019.)

Higher Ed Was Challenged Before the Pandemic

FY 2019*

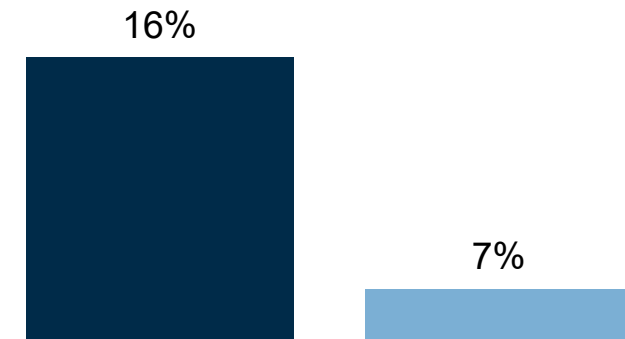
% of Moody's Universe with Operating Deficits

■ Public Universities ■ Private Universities



% of Moody's Universe <90 Days Cash on Hand

■ Public Universities ■ Private Universities



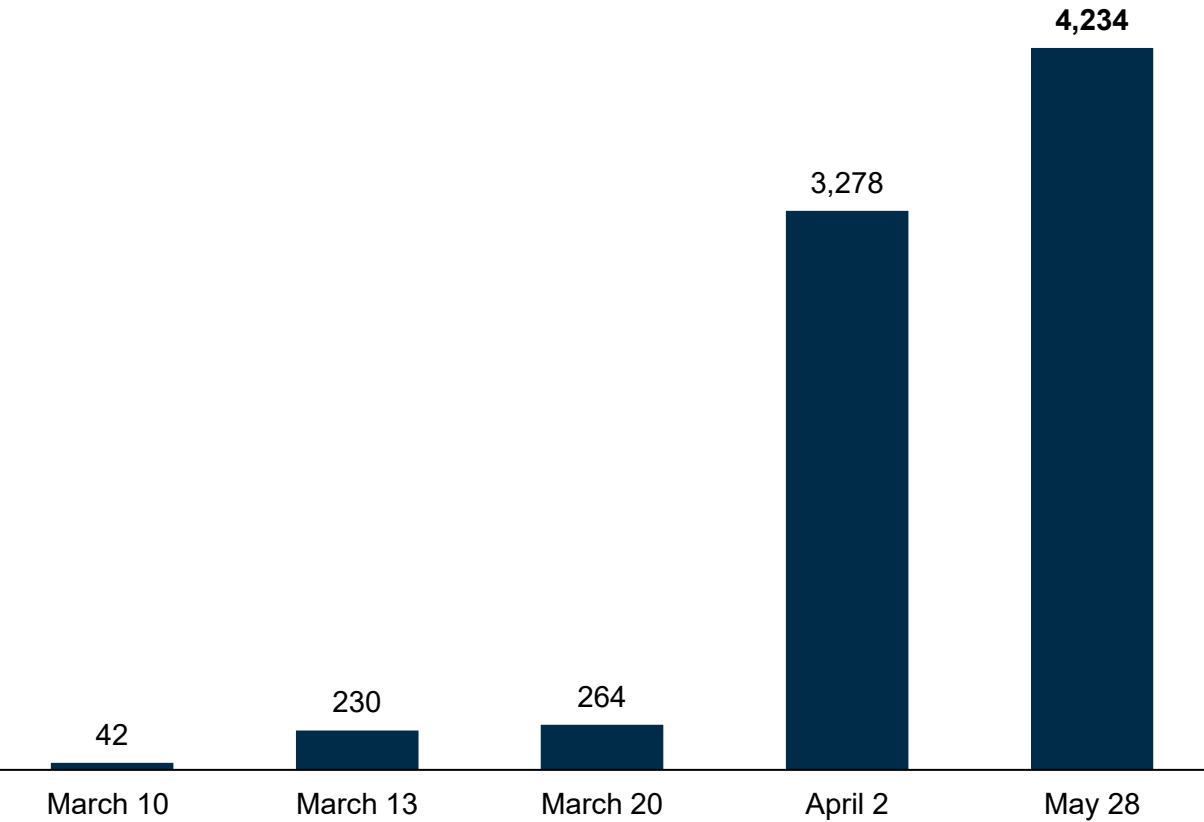
Source: Moody's Investor Services. Outlook March 2020

* Where available, FY 2018 where not available

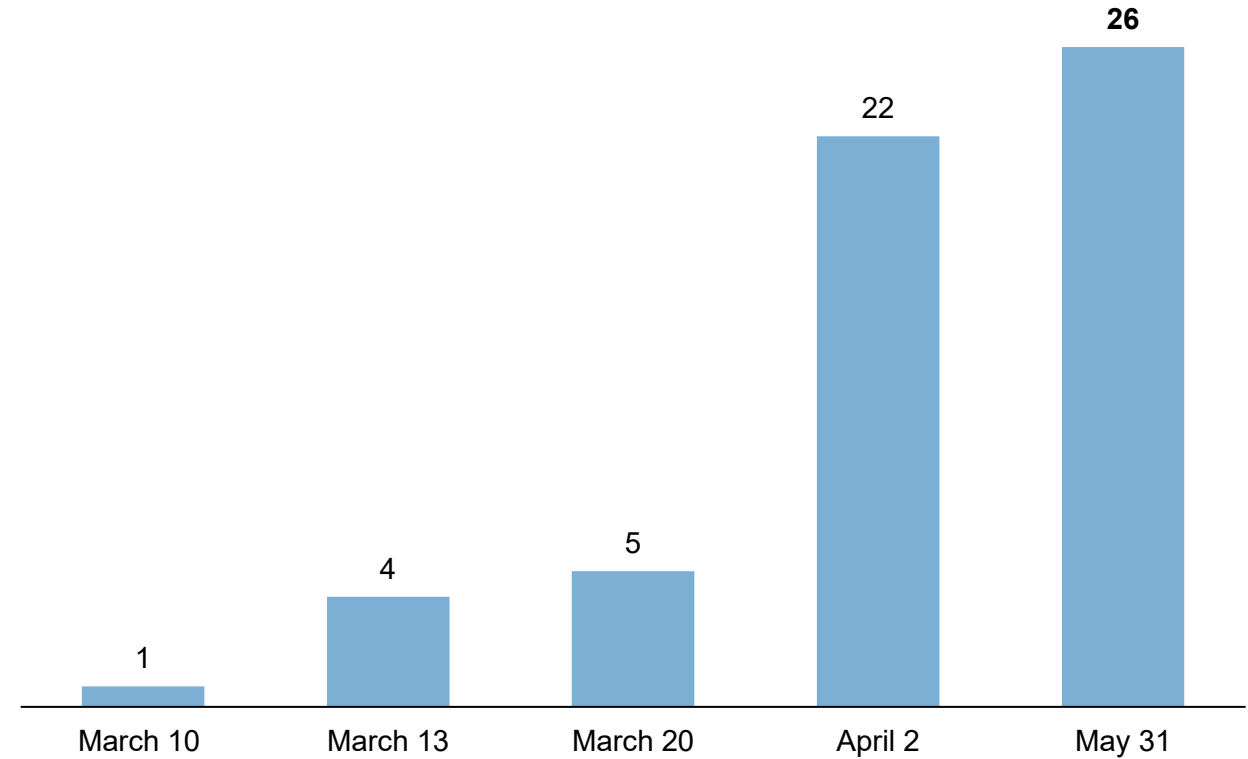
Impact of COVID-19 Was Rapid, Deep, and Broad

Institutions that Closed, Postponed, and/or Shifted to Remote Learning in 2020

Number of Institutions

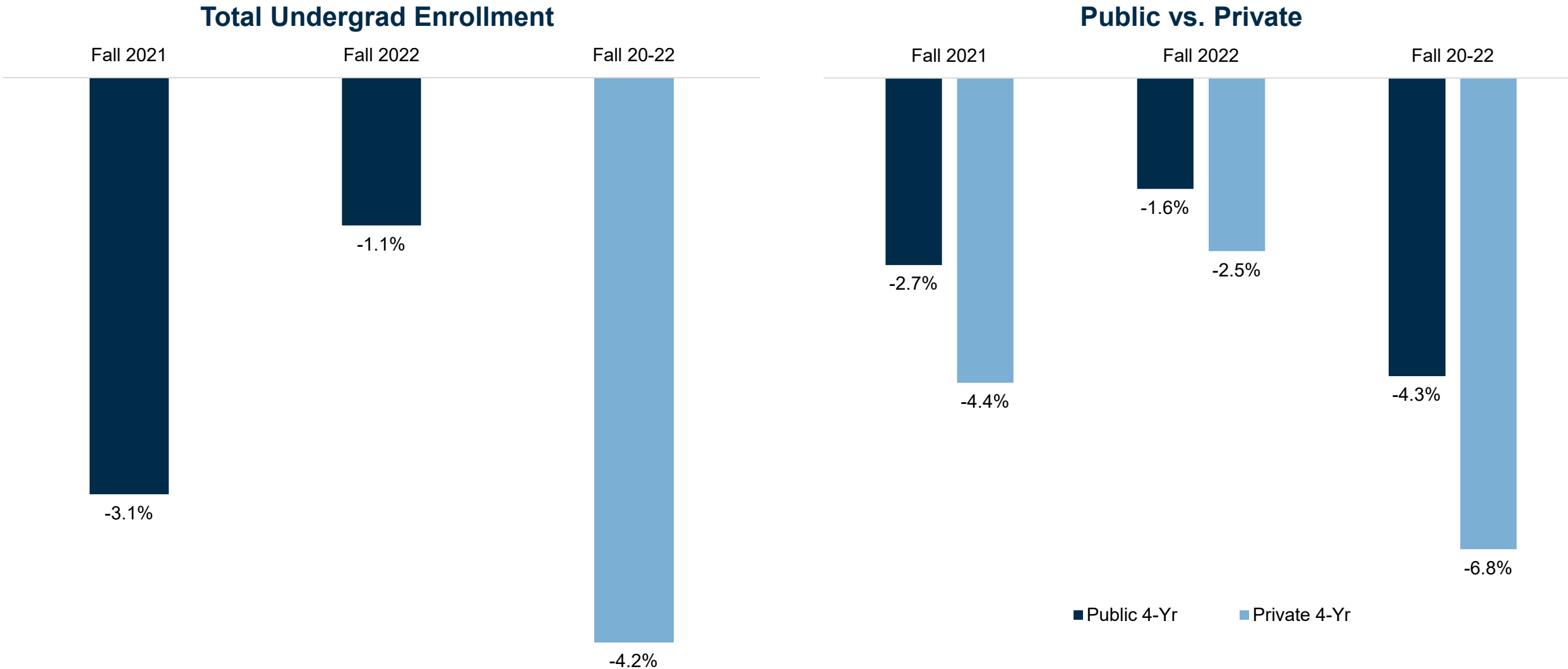


Number of Students (millions)



The Pandemic Exacerbated a Negative Trend

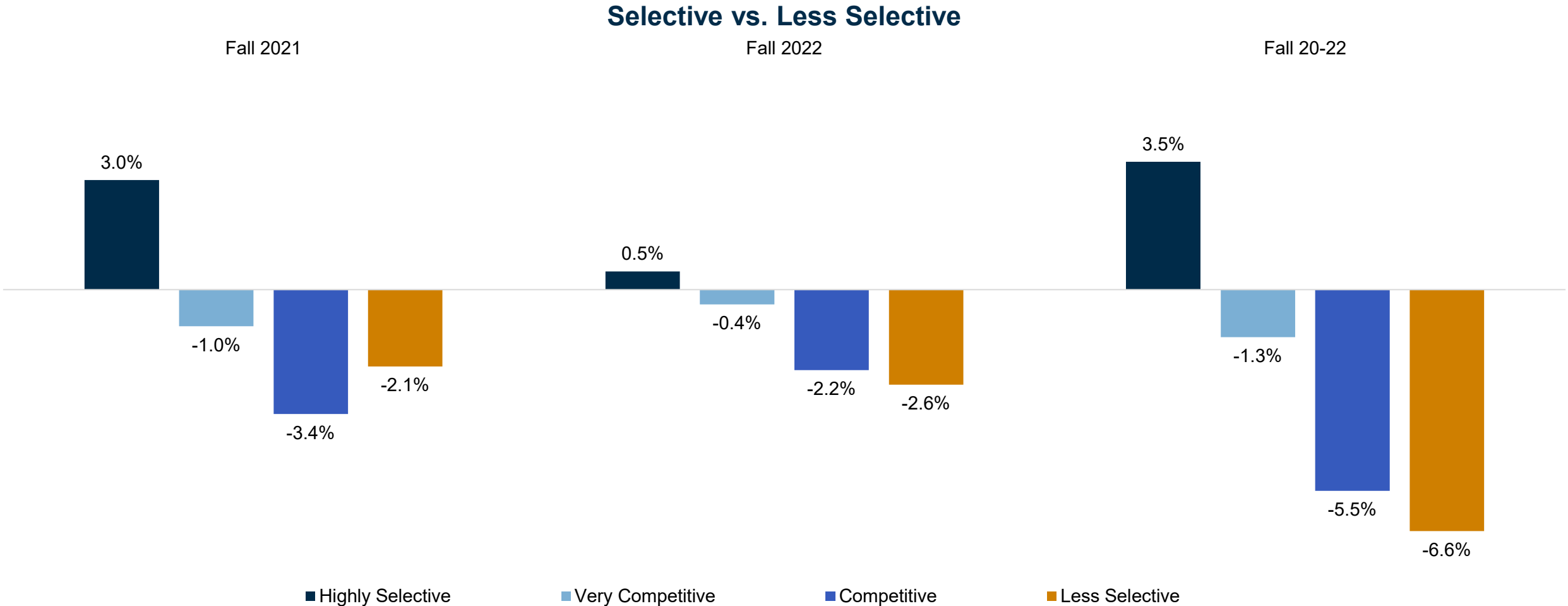
Enrollment Change Fall 2021-2022



Source: National Clearinghouse Research Center

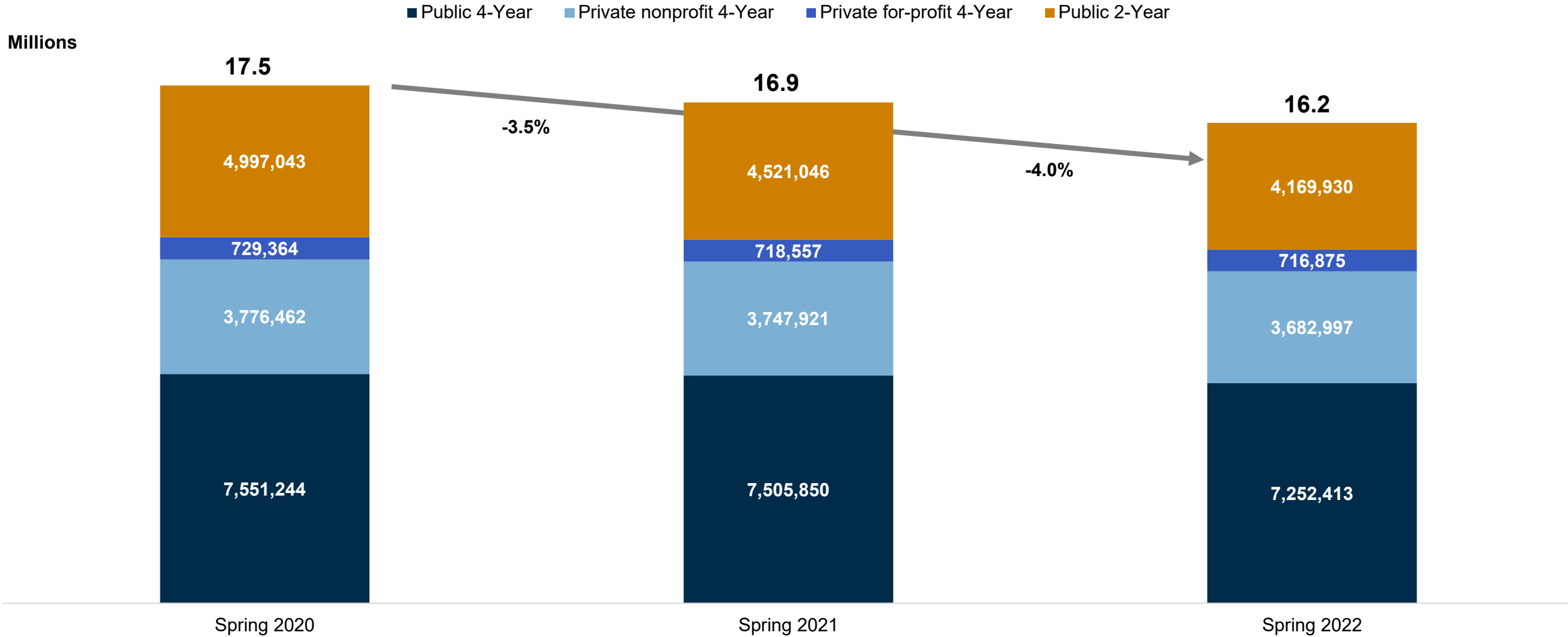
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Enrollment Change Fall 2021-2022



There are 1.3 Million Fewer Students

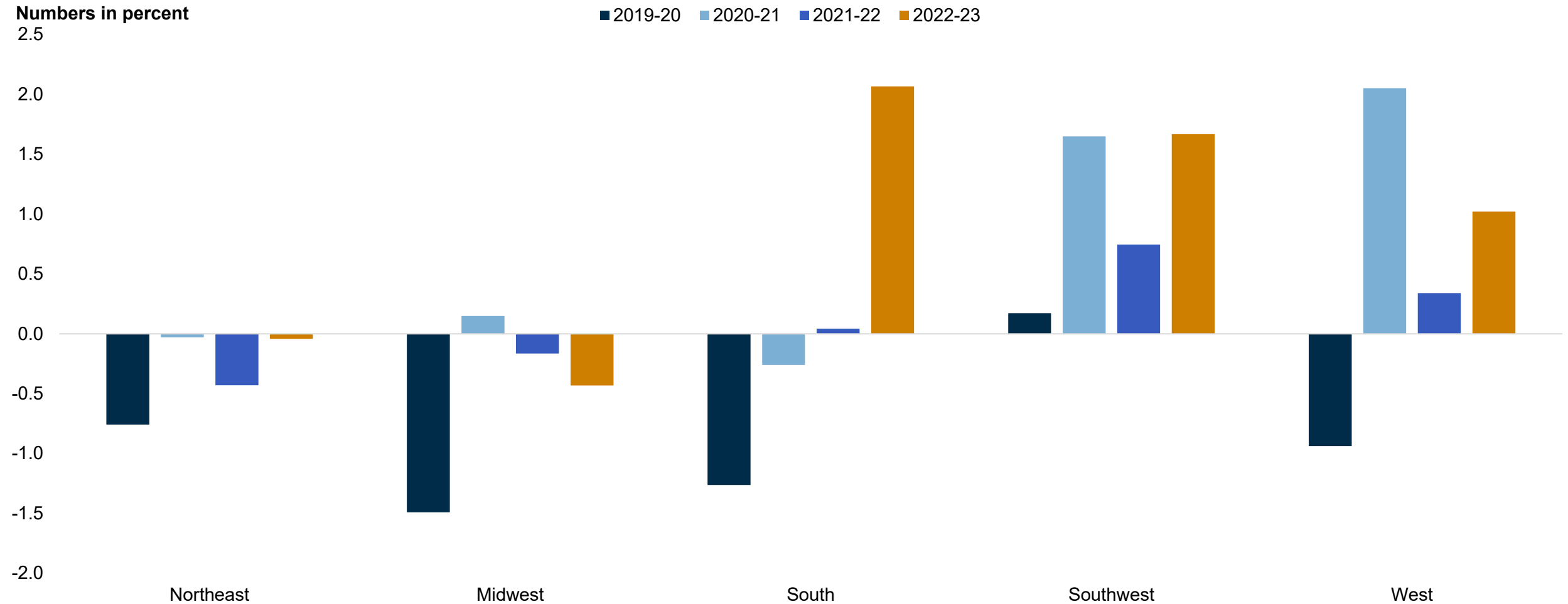
Estimated National Enrollment by Institutional Sector: 2020 to 2022



Source: National Student Clearinghouse Research Center
May 31, 2023

Regional Dispersion

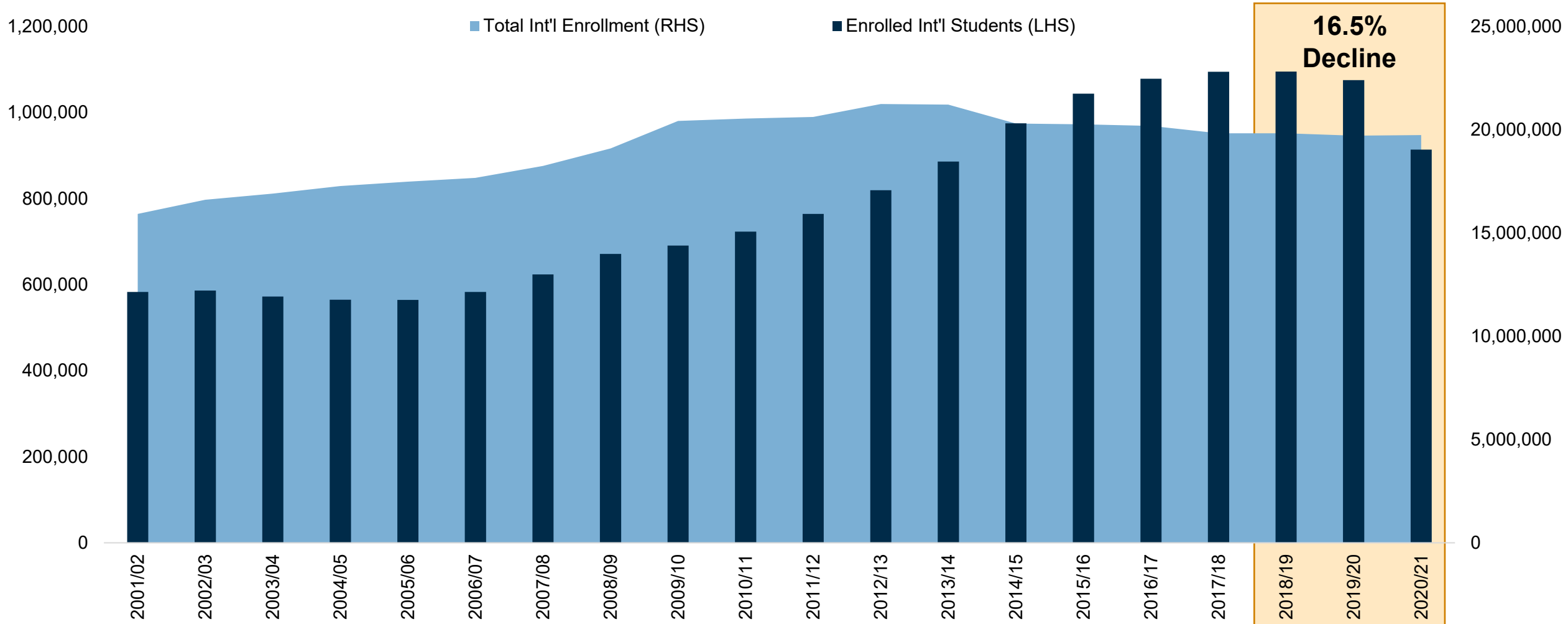
Challenges Most Acute in the Northeast and Midwest



Note: Data for graduates is based on projections
Source: Fitch Ratings; Western Interstate Commission for Higher Education, Knocking on the College Door, Projections High School Graduates, 2020

International Students

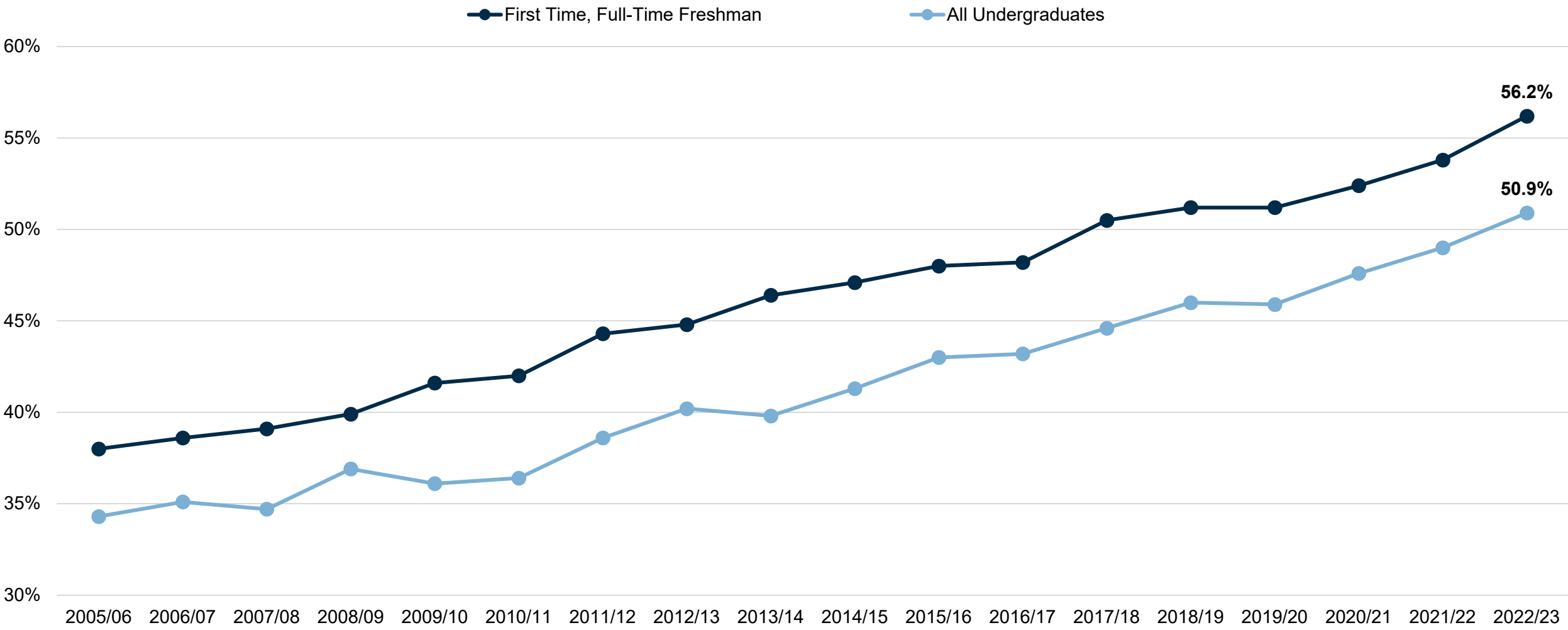
Sharp Drop-off in Enrollment



New international student enrollment represents students enrolling for the first time at a U.S. educational institution in the fall of that year.
Source: Institute of International Education. (2021). Data from the National Center for Education Statistics. Retrieved from www.iie.org/opendoors

A More Competitive Environment = Higher Discount Rates

Average Institutional Tuition Discount

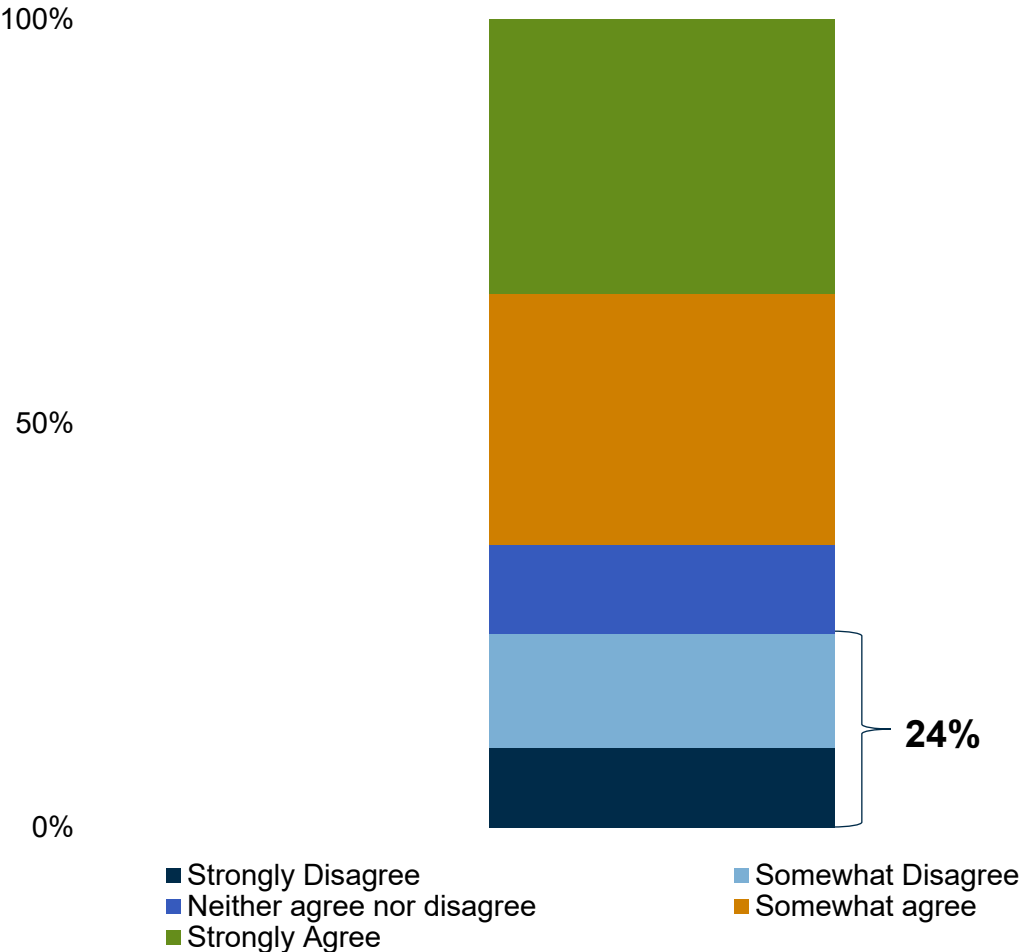


Source: NACUBO Tuition Discount Study, data as of April 2023; 2022/23 preliminary estimate; data are as of the fall of each academic year;

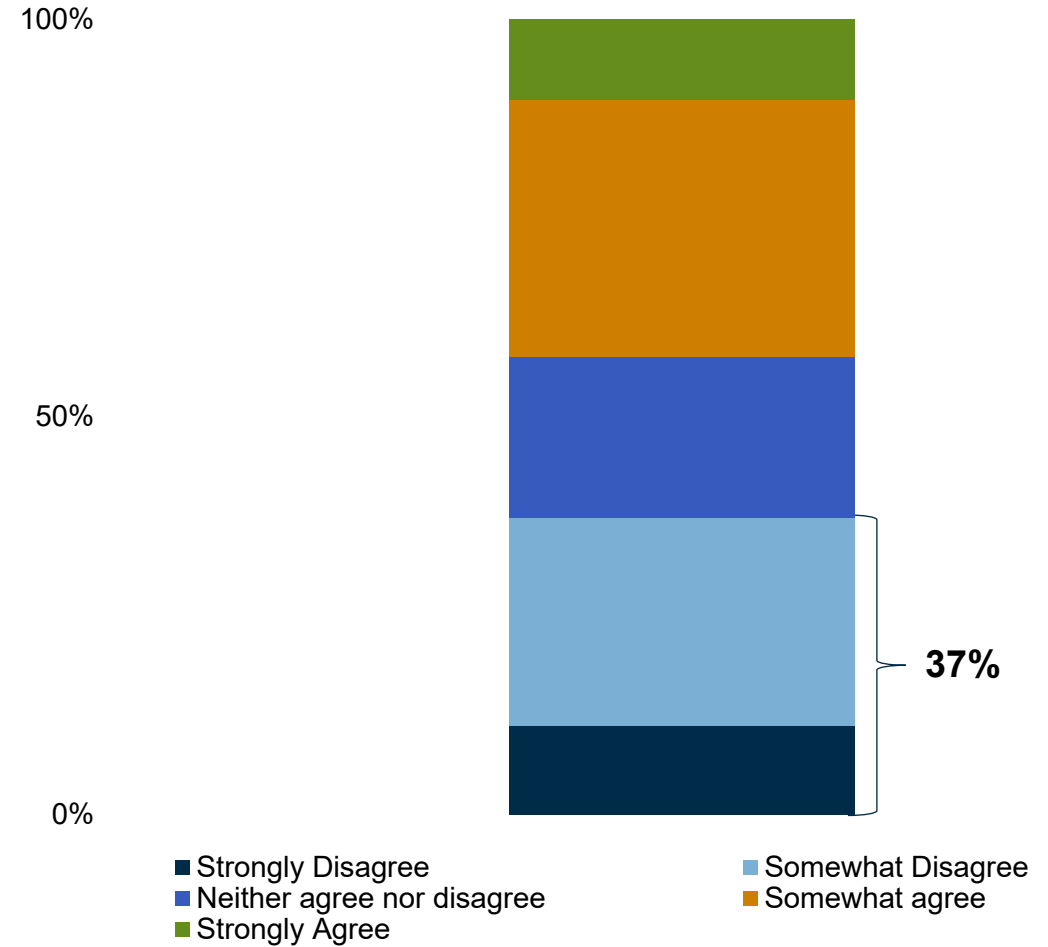
Expectations for Financial Stability Have Deteriorated

“My institution is in better financial shape now than...”

Better Financial Shape than Last Year

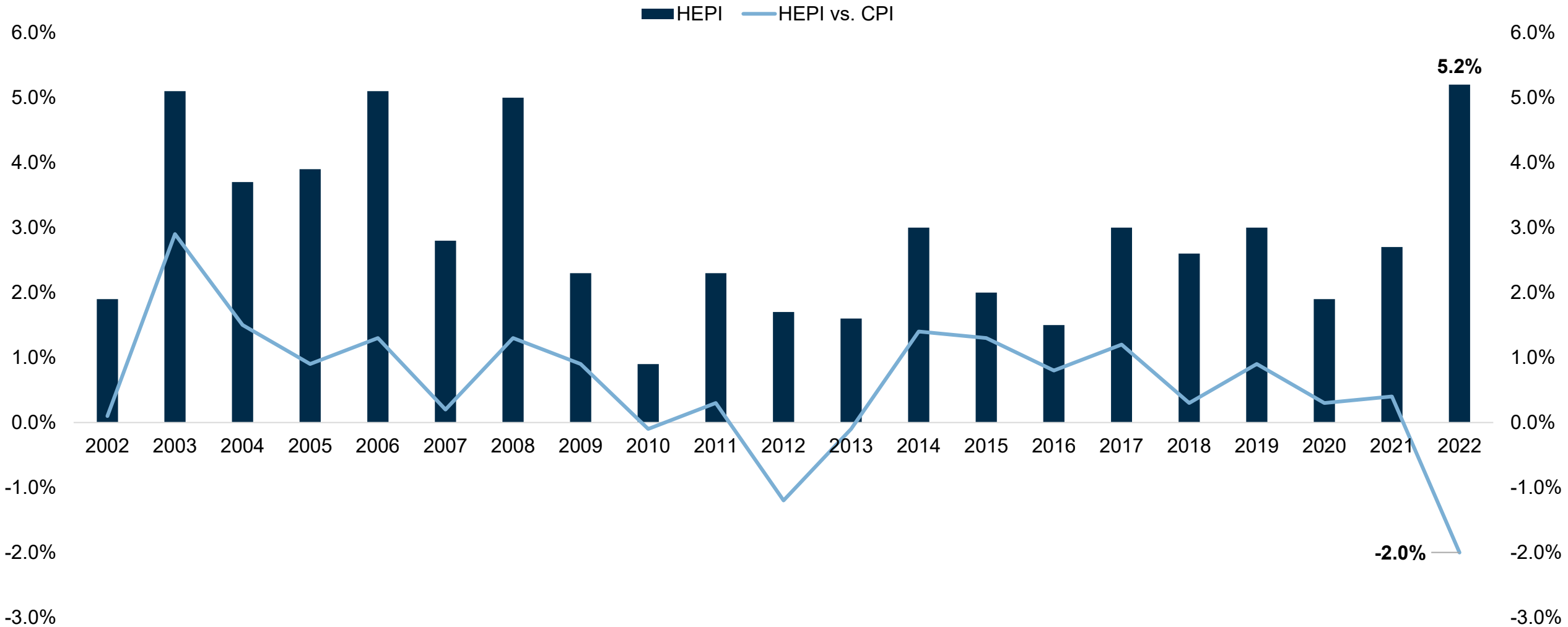


Better Financial Shape than Next Year



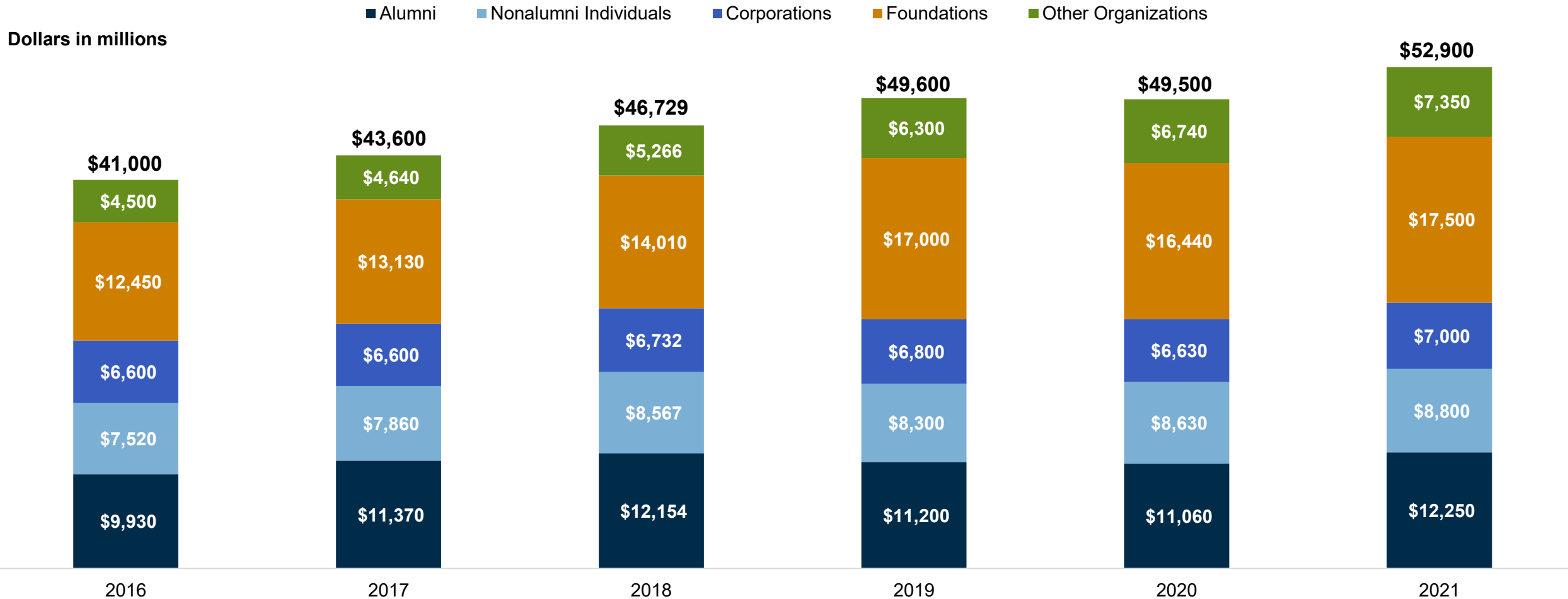
Running a College/University Isn't Getting Cheaper

Commonfund Higher Education Price Index (HEPI)



Strong Giving in FY 2021 Despite COVID-19 Headwinds

Estimated Voluntary Support of Higher Education by Source



Source: CASE Voluntary Support of Education: Key findings from data collected for the 2020-21 academic fiscal years for U.S. higher education institutions

Where are we now?



How Do you “Thrive?”

Strategic Plan

Shift from
Short-Term View

Utilize Resources

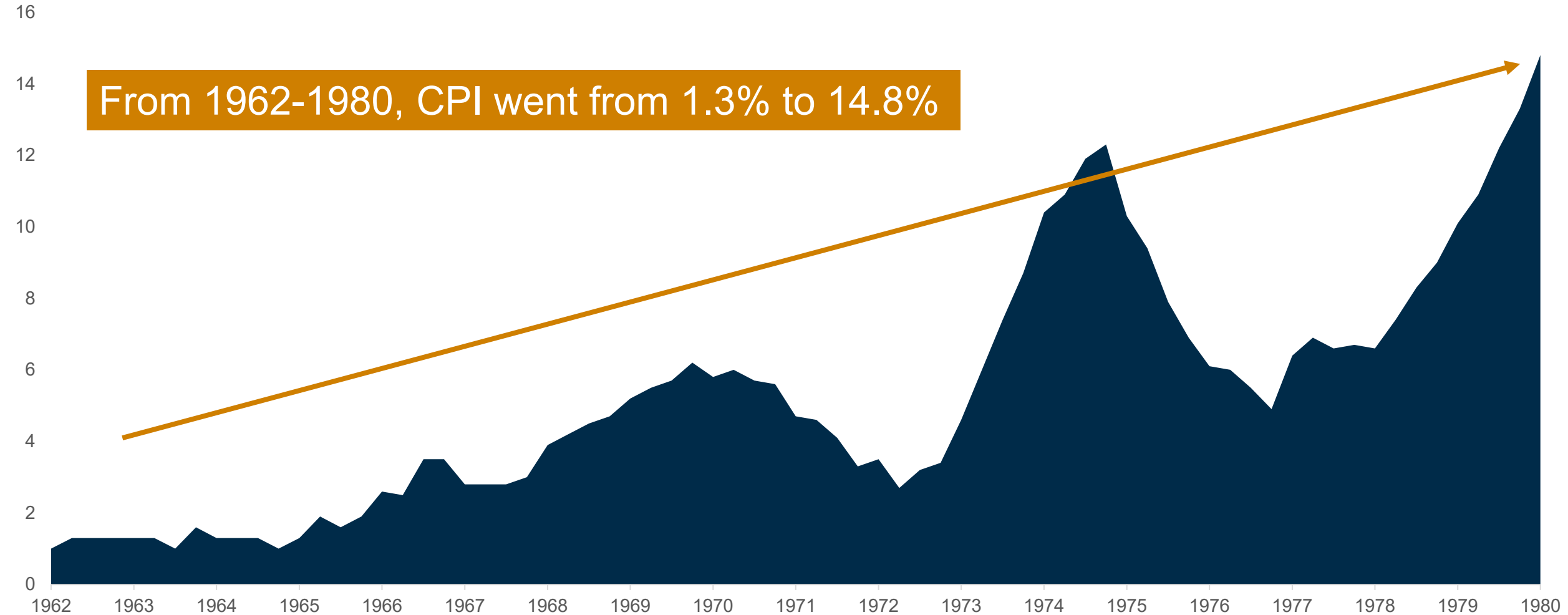
Consideration of Mega Trends

- These mega trends have reversed
- These mega trends are neither inherently negative or positive

How you navigate these megatrends will determine how successful you are in thriving over the next 20 years

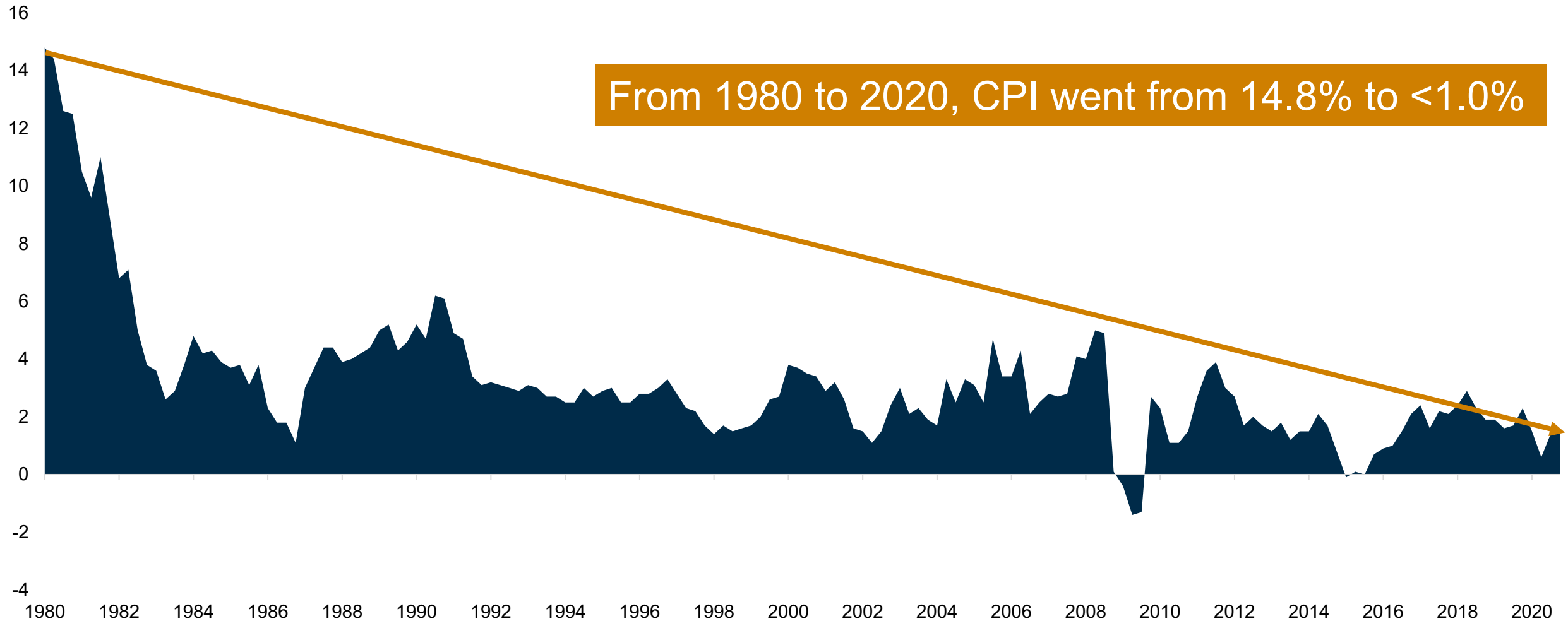
What are the Mega Trends?

Mega Trend #1



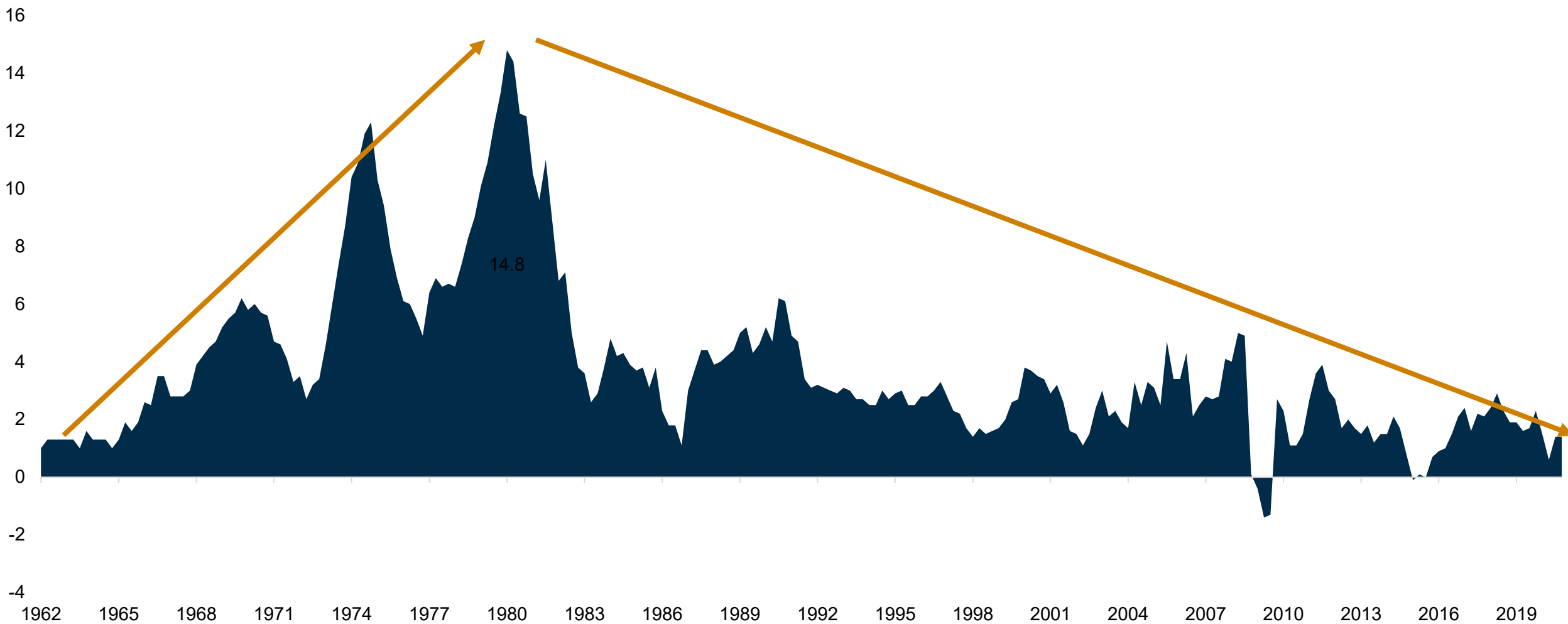
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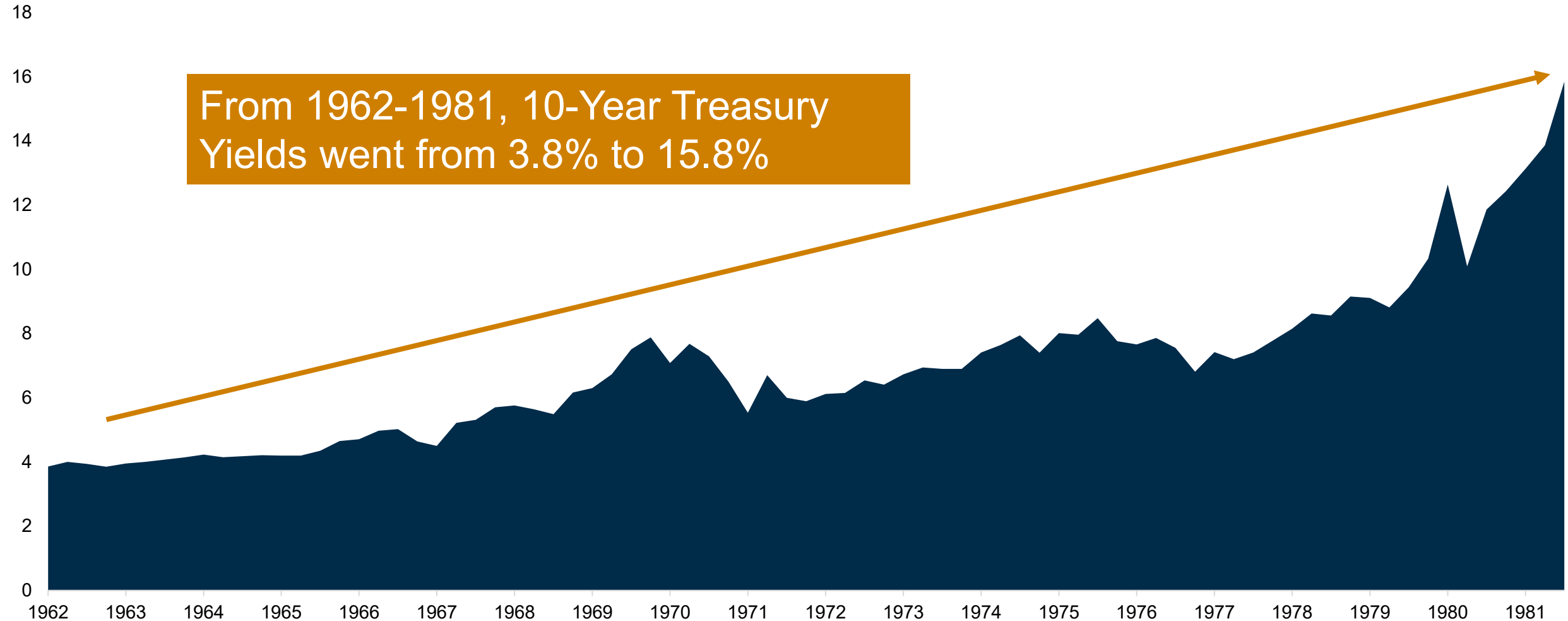
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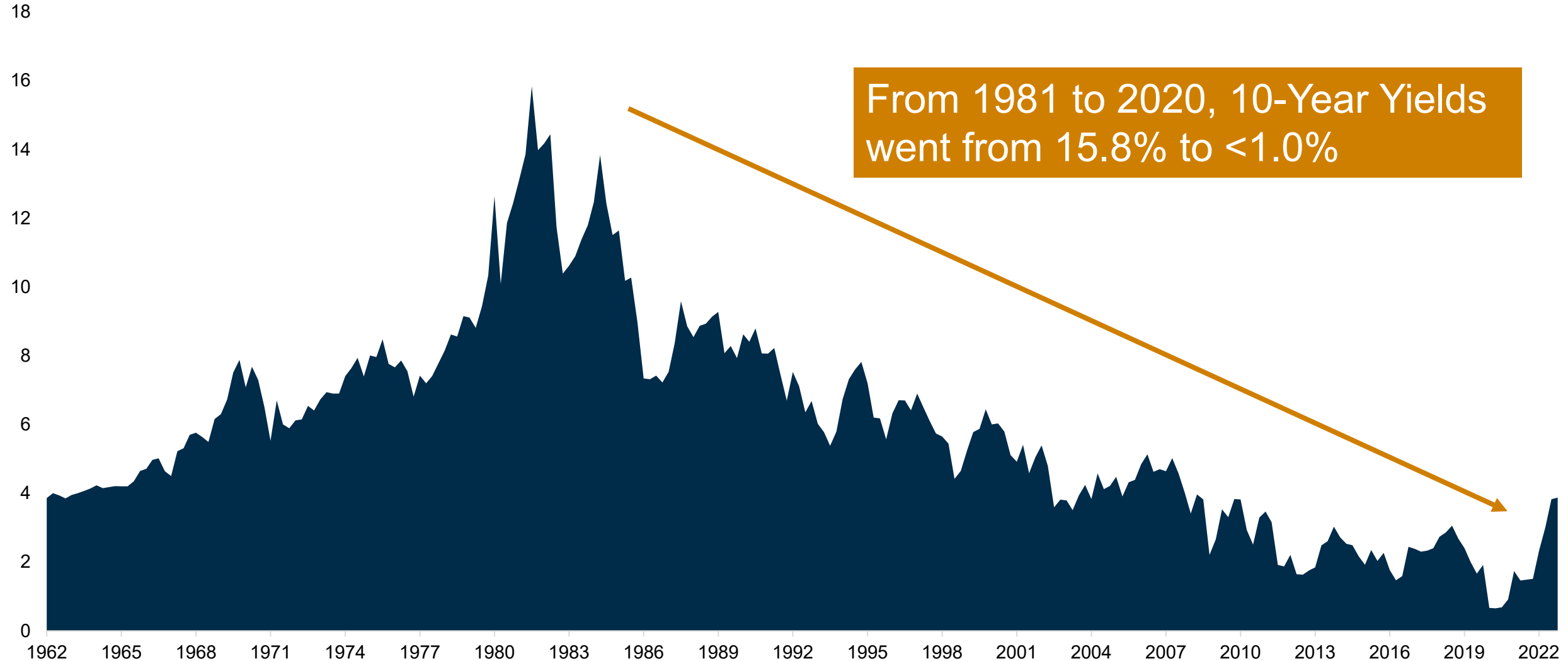
What are the Mega Trends?

Mega Trend #2: A Corollary to the First Mega Trend



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Mega Trend #2: A Corollary to the First Mega Trend



How do the megatrends impact these factors?

Operations

Mission

**Endowment
Management**

**Pursuit of
Intergenerational
Equity**

How does this impact the endowment going forward?

Commonfund approach to long-term investing in pursuit of achieving CPI + 5%

Three Principles of Capital Stewardship

Equity Bias

Liquidity Premium

Diversification

Thank You!

Questions

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