



2026 Financial State of the Sector

Prepared for Research-Intensive Universities

Strategic Advisory Services



2025 Could Have Been Much Worse

Most Severe Proposals Tempered or Blocked by Congress or the Courts

Policy Reform Targets	Key Attempted Changes and Current Status (Not Exhaustive)			
Student Loans and Financial Aid	New student loan borrowing caps	Repayment plan reform and collections	Pell credit requirement increases	FWS/SEOG/TRIO funding cuts
Immigration and International Enrollment	Visa cancellations	Enhanced visa app vetting	Travel bans/asylum program cuts	H1-B/OPT Program Changes
Research Enterprise Funding	Forward funding policy	Grant cancellations/review boards	Non-defense agency budget cuts	15% "F&A Cost" Cap
Accreditation and Accountability	Accreditor change streamlining	New endowment tax brackets	Earnings accountability tests	Risk Sharing
DEI and Civil Rights	OCR investigation expansion	Title IX Rule reversion (to 2020 standards)	NCAA transgender restrictions	Cancelling fed funding due to "Illegal DEI"

Implemented
 Tempered
 Blocked

...But We're Not Out of the Woods



Policy Changes With Major Impacts in 2026



Student Loans & Aid

Grad PLUS elimination;
Graduate and Parent PLUS
loan caps take effect July 2026

Financial Implications

- **160K** students may be unable to find alternative sources of financing
- More pressure to raise institutional aid and discount tuition, or shrink high-cost programs
- Increased enrollment volatility and net tuition risk for tuition-dependent institutions



Earnings Accountability

Federal aid eligibility tied to
program-level earnings
threshold starting July 2026

Financial Implications

- **5.9%** of programs estimated to fail, certificates and associate's degrees most vulnerable
- Failing programs lose Title IV access, triggering enrollment collapse, immediate revenue loss
- Increased compliance, restructuring, and program exit costs



Research Funding Cuts

Trump budget proposal once
again takes aim at research
funding, priorities

Financial Implications

- NIH cut of \$5B, or **13%**
- NSF cut of \$4.8B, or **55%**; also proposes cuts to social sciences and economics research
- AI and quantum applied (not basic) research protected
- DOE may lose \$1.1B in Office of Science, harming climate research

- 1 The Trump Effect and Threats to Research Funding
- 2 Enrollment Trends at Research-Intensive Institutions
- 3 Cost Pressures and Action Planning



The Trump Effect and Threats to Research Funding

SECTION

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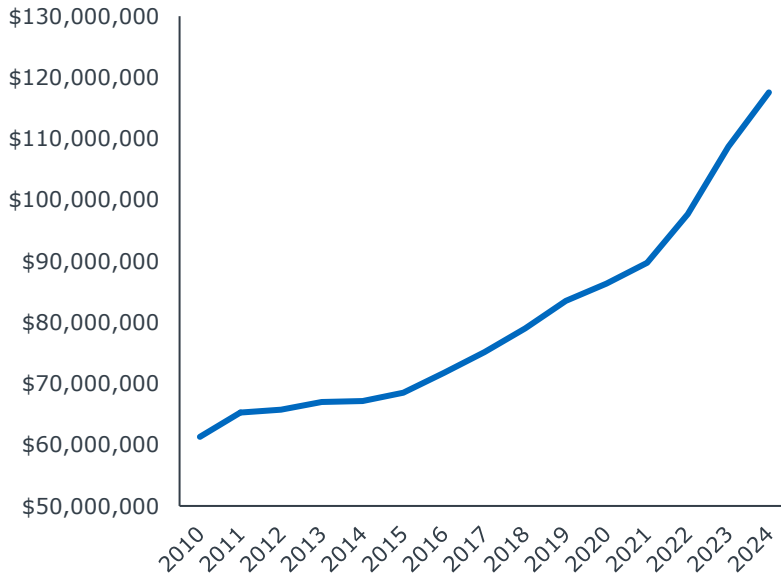
Research Funding Trends at a Quick Glance



The Last Decade Plus is a Story of Across-the-Board Growth

US Research Funding for Universities

FY2010-FY2024, in Millions USD



Behind the Numbers

+73%

Federal expenditure growth

+56%

State expenditure growth

+153%

Institutional expenditure growth

+99%

Industry expenditure growth

But What About Now?



FY2026 Appropriations Post-January Budget Battle and Shutdown

Table 1: Estimated R&D in FY 2026 Appropriations

(budget authority in billions of dollars)

	FY 2025 Estimated	FY 2026 Request	FY 2026 House	FY 2026 Senate	FY 2026 Final	FY25 Change	
						Amount	Percent
Basic Research	43,780	29,533	44,009	44,592	45,513	1,734	4.0%
Applied Research	51,388	32,934	43,499	45,920	45,891	-5,497	-10.7%
Development	95,054	88,825	92,056	91,641	99,250	4,196	4.4%
R&D Facilities	5,112	3,950	4,355	4,175	4,257	-855	-16.7%
Total R&D	195,334	155,242	183,920	186,328	194,912	-422	-0.2%
Defense R&D*	96,117	88,813	92,433	92,332	100,807	4,690	4.9%
Nondefense R&D	99,217	66,429	91,487	93,995	94,105	-5,112	-5.2%

Estimated R&D in FY 2026:

Percent Change from FY25



DOD: +4.9%



Energy: +9.2%



USDA: +7.2%



NSF: -6.6%



HHS: -4.3%



NASA: -0.3%

Dollars Come In, But They Don't Come Out



Trump Admin Slow-Rolls Award Process

NIH Funding Trends

(As of 4/5/26)

33%

Reduction in cumulative number of awards between FY26 and FY24¹

30%

Reduction in cumulative obligations between FY26 and FY24¹

87%

Fraction of FY25 awards obligated by EOY

NSF Funding Trends

(As of 4/6/26)

76%

Reduction in cumulative number of awards between FY26 and FY24¹

70%

Reduction in cumulative obligations between FY26 and FY24¹

100%

Fraction of FY25 awards obligated by EOY

1) Analysis uses year-to-date comparisons, i.e., compares performance at same point in year.

But What Does All of That Mean?



Qualitative Overview of Research Funding Trends



Federal Funding Is Still on the Rise

- Congress overwhelmingly still supports fundamental research
- Federal funding not rising equally across all agencies (see below)



Non-Federal Still Outpacing Federal

- Universities are the second largest funders
- Industry and Non-Profit growing too but smaller and slowing down



Defense, Mission-Driven Agencies Loom Largest

- More funding for DOD, DOE, USDA, Veterans
- NSF, NIH adopting award principles from mission-driven agencies



NSF, NIH Cuts Mostly Backend

- Neither agency saw large direct research cuts; cuts mostly on staffing, operations side
- Indirect cost fights still a factor going forward

Group Discussion



Where in these trends do you
see **opportunities** for
research at your institution?
Where do you see **threats**?



What Thriving Schools Will Do



Focus on Bets, Not Breadth

Concentrate on a few research clusters that are proven strengths aligned with external opportunities



Rightsize PhD Programs

Realign with demand and funding supply, shifting excess capacity to professional/instructional tracks



Purposely Limit Submissions

Direct effort and limited resources to fewer, well-aligned proposals where win odds are highest



Reward Impact, Not Volume

Shift faculty incentives away from publications/citations toward public value and real-world outcomes



Deepen Regional Impact

Expand applied and community-centric research that addresses local workforce and societal needs



Become a Preferred Partner

Collaborate with peers who are better-resourced or possess adjacent strengths and valuable infrastructure



Enrollment Trends at Research-Intensive Institutions

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Finally, Some Good News



No Shortage of Record-Setting Classes



NIU total enrollment up 4% from last year, with a big jump in new freshmen

+22%



UK sets enrollment record with nearly 39,000 students in Fall 2025

+7.7%



Salem College Reports Record-Breaking Enrollment Growth for Fall 2025

+19%

Recent Enrollment Wins



Total enrollment up **2%** in fall 2025, compared to fall 2024



Older undergrad enrollments are rebounding post-COVID, **3.3%** for 25-29 and **2.7%** for 30+



FAFSA completion increased **17.5%** (through June 2025)



Graduate enrollments up **3.3%** in fall 2024, but stagnated in fall 2025

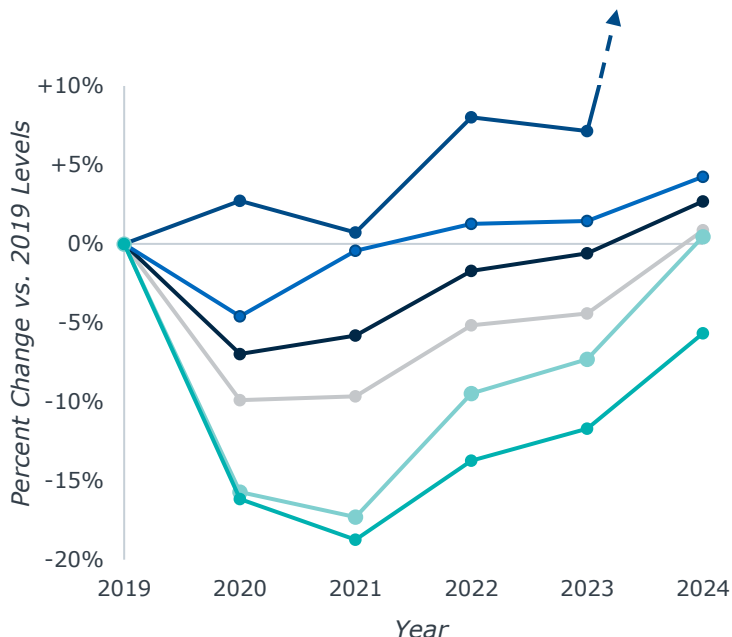


Undergraduate certificate enrollments up **7.6%** YoY in 2024 and **6.6%** YoY in 2025

We're (Almost) Back to 2019 Enrollment Levels



Percentage Change in First-Time Undergraduate Enrollment Levels¹ Compared to Fall 2019 Levels



Percent and Total Change by Segment, Fall 2019-Fall 2024

- Private For-Profit 4-Year
+35% **+14K**
- Private Non-Profit 4-Year
+4.3% **+19K**
- Public 4-Year
+2.7% **+25K**
- All Institutions
+0.9% **+21K**
- Public PAB²
+0.5% **+1K**
- Public 2-Year
-5.7% **-47K**

1) Includes all full-time and part-time undergraduate enrollments.

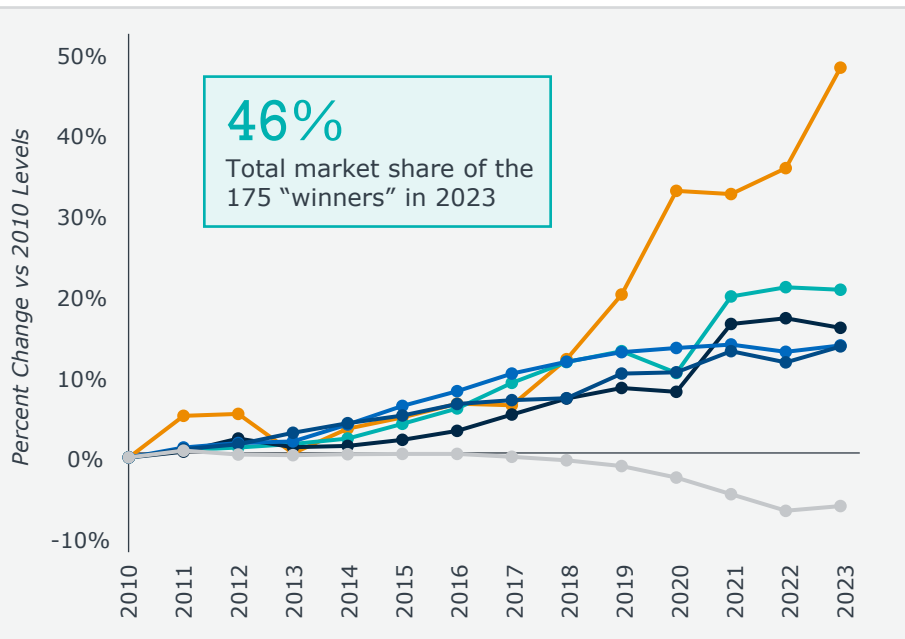
2) Primarily Associate's Granting Baccalaureate Institutions.

Who Is Winning in This Market?



Growth in Total Enrollment Highly Concentrated in Five Groups of “Winners”

Percent Change in Total Enrollment (Undergraduate and Graduate), IPEDS, 2010-2023



Online Giants¹
N=29

Ivy Plus²
N=14

Large Selective Privates³
N=18

Large Urban Publics⁴
N=60

State Flagships⁵
N=54

All Other 4-Year Institutions
N=2,117

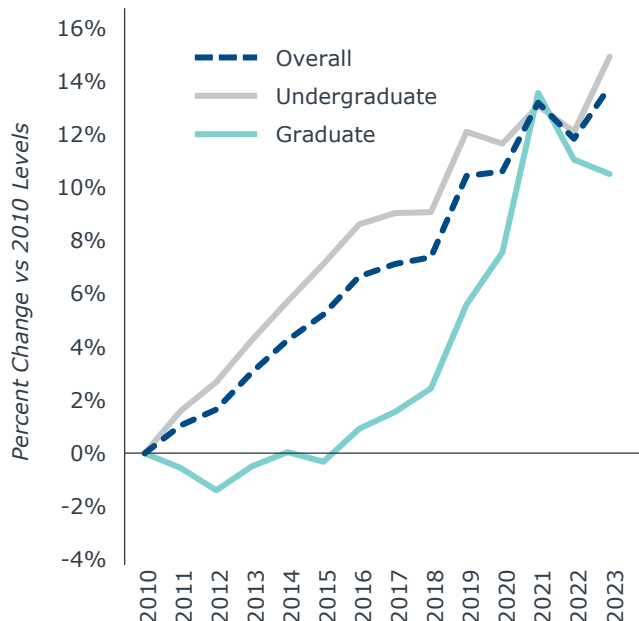
1) >10,000 UG and G, >75% online.
 2) Ivy League institutions plus Johns Hopkins University, Stanford University, University of Chicago, Duke University, MIT, and CalTech.
 3) >8,500 UG and G, <25% selectivity.
 4) >20,000 UG and G, <75% online, in a city.
 5) Includes dual flagships in Texas, California, Virginia, and New York.

Undergrad a Bigger Growth Driver for Flagships



State Flagships¹ Up 14% Overall

Percent Change in Total, Undergraduate, and Graduate Enrollment, IPEDS, 2010-2023



Winners Among the Winners



50%

Increase in overall enrollment since 2010



UNIVERSITY OF
ARKANSAS

50%

Increase in overall enrollment since 2010



THE UNIVERSITY
OF ARIZONA

36%

Increase in overall enrollment since 2010

Key Drivers of Winner Success

Expanded capacity at a lower price point while preserving the breadth and flagship experience students seek

1) Includes dual flagships in Texas, California, Virginia, and New York.

Ivy Plus Recalibrating Strategy for First Time in Years

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Reaching Deeper Into the Undergraduate Pipeline



Hitting the Gas on the Master's, Professional Market



Recalibrating PhD Admissions and Spending



President Levin's remarks on expanding the undergraduate class



Brown plans to expand online master's programs to reduce budget deficit



Columbia proposes cutting majority of 2025-26 GSAS Ph.D. cohort, union says



Columbia admits largest class in University history amid admissions reform



Seeking Revenue and Reach, SEAS Sets Its Sights on Expanded Professional Education Programs



UChicago to Cut Some Ph.D., Master's Admissions for 2026-27

Yale

Yale to increase undergraduate enrollment



The Johns Hopkins MBA expands to Washington, D.C., launches new programs



Penn Medicine graduate programs instructed to cut Ph.D. admissions by 35% due to funding uncertainty

Lurking Beneath the Surface

Positive Enrollment Headlines Obscure Underlying Structural Challenges

K-12 Pipeline



Demographic cliff will hit in 2026, increasing competition for fewer high school grads

Non-Consumption



High school grad rates rose 3.3% since 2012, but **college-going fell** by 8.6%

Tuition Discounting



NTR growth has not kept pace with **discount rates**, hindering margins

Federal Policy



Federal **loan caps** will reduce ability to pay, especially for high-cost schools and programs



NAEP scores continue to decline, meaning fewer high schoolers are academically prepared for college



Men are opting out of higher ed at higher rates than women, exacerbating the **gender divide**



The market of **“full pay” students** is tiny, and students and families are increasingly less *willing* to pay

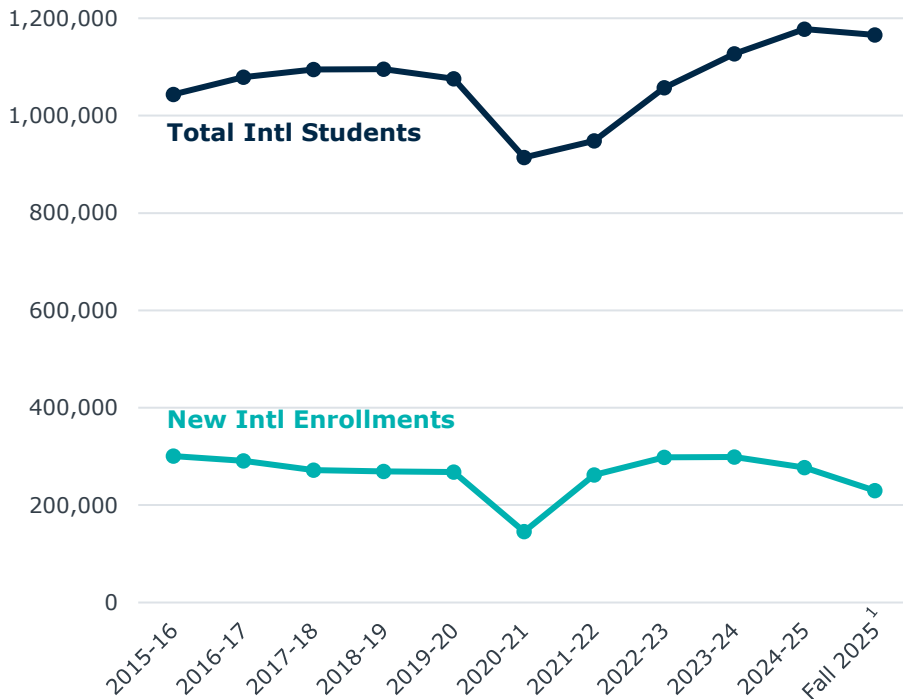


International losses lead top-of-market schools to expand domestically, disrupting regionals' pipelines

Future of International Enrollment in Jeopardy



Total International Student Numbers Overshadow Drops in New Enrollments



Percent Change in Total Intl Students

+12% Fall 2015-Fall 2025

-1% Fall 2024-Fall 2025

Percent Change in New Intl Enrollments

-24% Fall 2015-Fall 2025

-17% Fall 2024-Fall 2025

1) Based on the IIE's responses from 828 U.S. higher education institutions.

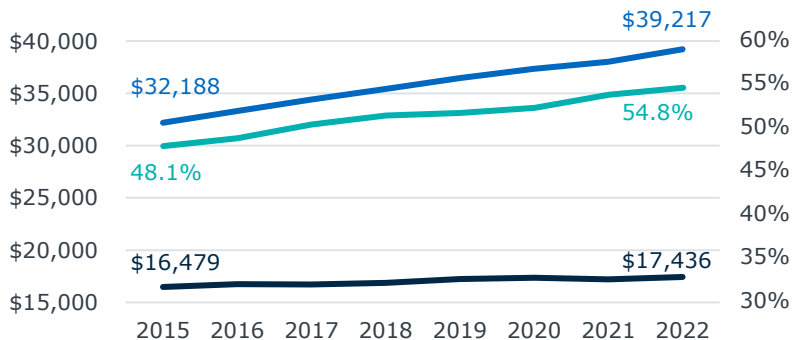
Discounting: Growth Lever or Margin Killer?



Growth in NTR¹ Not Keeping Pace With Discount Rate

Private Institutions, Entering Class, 2015-2022

— Avg Tuition and Fees — Avg Discount Rate — Avg NTR Per Enroll



+22% Tuition and Fees

+14% Tuition Discount Rate

+6% Average NTR Per Enroll

At the Same Time, Families Show Less Willingness to Pay

Changes in Attitudes Toward College, Sallie Mae, 2017-2025

85% → **57%**

Strongly agree college is an investment in their or their child's future

57% → **44%**

Strongly agree they are willing to stretch financially for the best opportunities

1) Net tuition revenue.

Group Discussion



Is any one enrollment factor
(discounting, international
enrollment, etc.) **hitting the
bottom line most acutely?**





Cost Pressures and Action Planning

SECTION

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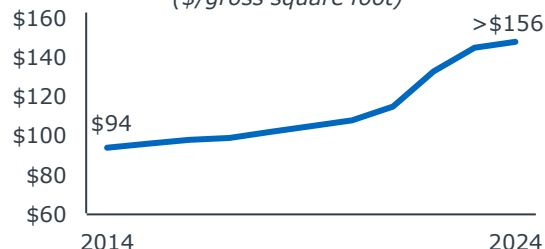
Converging Cost Challenges Squeeze Budgets

Cumulative Nature of Costs Means Even Declines Wouldn't Be Felt for Years

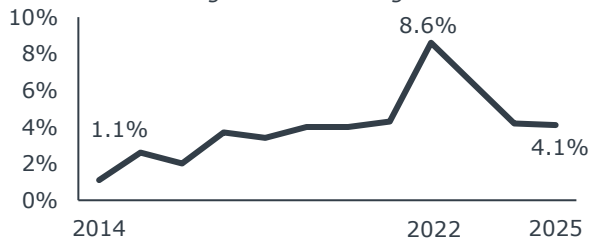
Average Yearly Increase in Higher Ed Inflation Rate



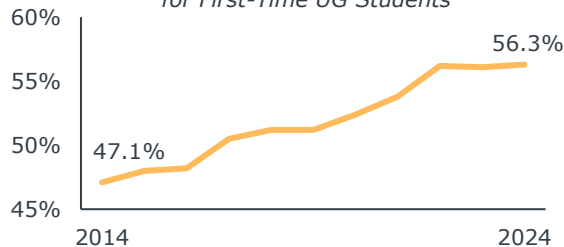
Total Asset Backlog (\$/gross square foot)



Average Yearly Increase in Higher Ed Staff Wages



Average Tuition Discount Rate for First-Time UG Students



An Aside on Athletics



Athletics Subsidies Plus NIL¹ Cost Pressures Means Ballooning Expenses

 **Ethan Sandweiss**
@the_real_sand

In case you missed my story yesterday, IU sent \$25 million directly to athletics last year from university unrestricted funds. This happened despite ongoing financial woes at the College of Arts and Sciences @WFIUWTIUNews

 ipm.org
IU funneled \$25M directly to athletics last year
The money came in direct transfers of unrestricted university funds that can otherwise be used anywhere at I...

11:16 AM · Feb 19, 2026 · **233.3K** Views

39 65 242 40

1) Name, Image, Likeness.

Pressure Reaches the Top Tier



Undisciplined labor growth

- **Harvard University FAS¹** announces 25% reduction in non-tenure track faculty spending to address \$365M structural deficit
- Tenure track faculty ranks grew by >60% over past two decades despite holding enrollment steady
- Institution undergoing administrative restructuring after accumulating 1,500+ unique job titles and dozens of duplicative back-office systems



Rising costs and tax burden

- **Washington University in St. Louis'** operating surplus shrunk 58% over two years, while total expenses rose 25% over the same period
- Chancellor announced that institution will face endowment tax of ~\$37M when new bill takes effect
- In 2025, university laid off 316 employees and cut 198 unfilled positions as part of \$52M reduction in spending



NIH funding cuts

- **Duke University** suffered a \$108M freeze in NIH funding and 18% decline in awards over the past year and a half
- University announced \$364M in institution-wide budget cuts over five years
- Already froze hiring, fired 45 employees, and extended voluntary separations to 939 staff members, with 599 accepting (5% of total workforce)

Source: Gerstein, A and Mahajan, A, "[FAS Slashes Non-Tenure-Track Faculty Budgets by 25% Amid Financial Strain](#)," *Harvard Crimson*, 3 March 2026; Park, S, "[Duke set out to cut \\$364 million. Here's where it stands at the end of 2025](#)," *Duke Chronicle*, 27 December 2025; Unglesbee, B, "[Washington University lays off over 300 employees](#)," *Higher Ed Dive*, 2 October 2025; EAB interviews and analysis.

1) Faculty of Arts and Sciences.

Higher Ed: The Balance Wheel of State Budgets



Recent State Funding Trends



Appropriation gains bolstered by stimulus



More strings attached to state investments



Funding formulas tilting from headcount to outcomes and wages



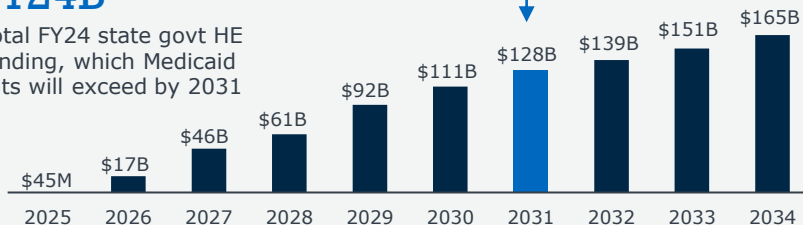
New dollars flowing to students and select sectors, not operations

Combination of Medicaid Reductions and Shifted SNAP Responsibility Onto States Will Cut Into State HE Budgets

Federal Medicaid Cuts in the Enacted Reconciliation Package

\$124B

Total FY24 state govt HE funding, which Medicaid cuts will exceed by 2031



SNAP Benefit Cost-Sharing for Select States

	Louisiana	Michigan	Pennsylvania
SNAP Cost Shift	5%	10%	15%
SNAP State Benefit Responsibility	\$95.1M	\$306M	\$640M
Higher Ed Budget	\$1.67B	\$3.47B	\$2.26B
SNAP Cost Share As % of HE Funding	5.69%	8.81%	28.31%

Scenario Planning Means Prepare for Scarier Future

Plan for Future At Least One Scenario Ahead of Current State



Stewardship



Proactive



Concerned



Crisis



**Existential
Threat**

Institutional Financial Status Worsening

Growing,
investing in
future efficiency

Stable, but facing
increased
pressure

Operating at
a structural
deficit

Struggling to
meet financial
obligations

At-risk
of closing

Cost Management Strategies

- Create 5-year Budget Plan
- Organizational Review Committee
- Process Improvement Team

- Position Control
- Travel Restrictions
- Interinstitutional Partnerships

- Benefit Evaluation
- Hiring Freeze
- Shared Services

- Layoffs
- Restructure Units
- Reduce Leases






- Sell Assets
- Program Cuts
- Mergers

Download the infographic [here](#).

Making Progress on the Playbook



Administrative Edition

OPPORTUNITY	STATUS QUO	CASE STUDY
Centralization	Merged or collapsed select units, without systematically reviewing broader opportunities to centralize work across campus	 <p>Consolidated 55 independent units into a single structure. Generated a €1M budget surplus in 2024 despite 18% federal funding cut; reduced admin staff by 27%.</p>
Workflow	Digitized some processes to streamline workloads, but many workflows remain manual, duplicative, and/or paper-based	 <p>Built TritonGPT, a suite of task-specific AI assistants, to automate routine tasks. Cut job description drafting time by 60% and NDA¹ revisions by 70%.</p>
Vacancy Review	Increased vacancy review before backfilling a position, but few mandated hold-open periods to evaluate roles in aggregate	 <p>Instituted quarterly vacancy reviews, creating a natural hold period of up to three months. Saved \$4.5M annually in salary costs.</p>
Energy	Improved visibility into energy drivers and set sustainability goals without replacing legacy systems with energy-efficient technologies	 <p>Created a Deep Energy Retrofit Program, upgrading 1-2 buildings per year. Cut GHG² emissions by 60-80% per building and utility costs by 40% in latest project.</p>
Purchasing	Increased enforcement of on-contract spending without automating procurement processes to enhance compliance	 <p>Built a centralized procurement platform and automated all purchasing operations. Saved \$2.5M annually and cut invoice processing time from 30 to 5 days.</p>

1) Non-disclosure agreement.

2) Greenhouse gas.

Making Progress on the Playbook








Academic Edition

OPPORTUNITY

STATUS QUO

CASE STUDY

<p>Space Utilization</p>	<p>Expanded space utilization data collection without creating incentives for departments to relinquish underused space</p>	 <p>Incentivizes units to release 2,500 sq. ft. of space in exchange for \$25K annually for three years plus 60% of moving costs. Saved \$2M+ in annual lease costs.</p>
<p>Academic Program Review</p>	<p>Collected data on enrollment, cost, outcomes, and other metrics, but rarely divested from low-performing programs</p>	 <p>Assessed all programs on market demand, academic quality, and sustainability. Cut 10 programs and redirected resources to expand 14 high-demand programs.</p>
<p>Instructional Capacity</p>	<p>Reduced underfilled sections and small courses, without optimizing faculty workloads or reducing overall curricular complexity</p>	 <p>Raised max course capacity in one college from 22 to 25 students, consolidating 60 sections. Saved \$200K with no impact on faculty and student learning outcomes.</p>
<p>Departmental Reorganization</p>	<p>Aligned departmental evaluation with institutional priorities, but comprehensive redesign remains rare and typically crisis-driven</p>	 <p>Reorganized four schools and 26 departments into three colleges and 10 ID¹ schools. Cut overhead costs by 50% and boosted credit hour production by 18%.</p>
<p>Course Sharing Consortia</p>	<p>Launched selective course-sharing partnerships, but shared instruction remains supplemental rather than a core strategy</p>	 <p>Launched the HBCU-MSI² course sharing to expand access to online learning with 24 members. Shared 1,461 seats in year one and saved \$900K+ in adjunct costs.</p>

1) Interdisciplinary.

2) Historically black colleges and universities and Minority-serving institutions.

Source: Acadeum, [How the SREB HBCU-MSI Course Sharing Consortium Increases Student and Institutional Success](#); Eastern Kentucky University, Richmond, KY; Inside Higher Ed, [How an Academic Restructuring is Creating Interdisciplinary Opportunities](#); Monmouth College, [Academic Program Prioritization](#); University of California, Davis, [Space Release Program](#) and [Savings Targets](#); EAB interviews and analysis.

Group Discussion



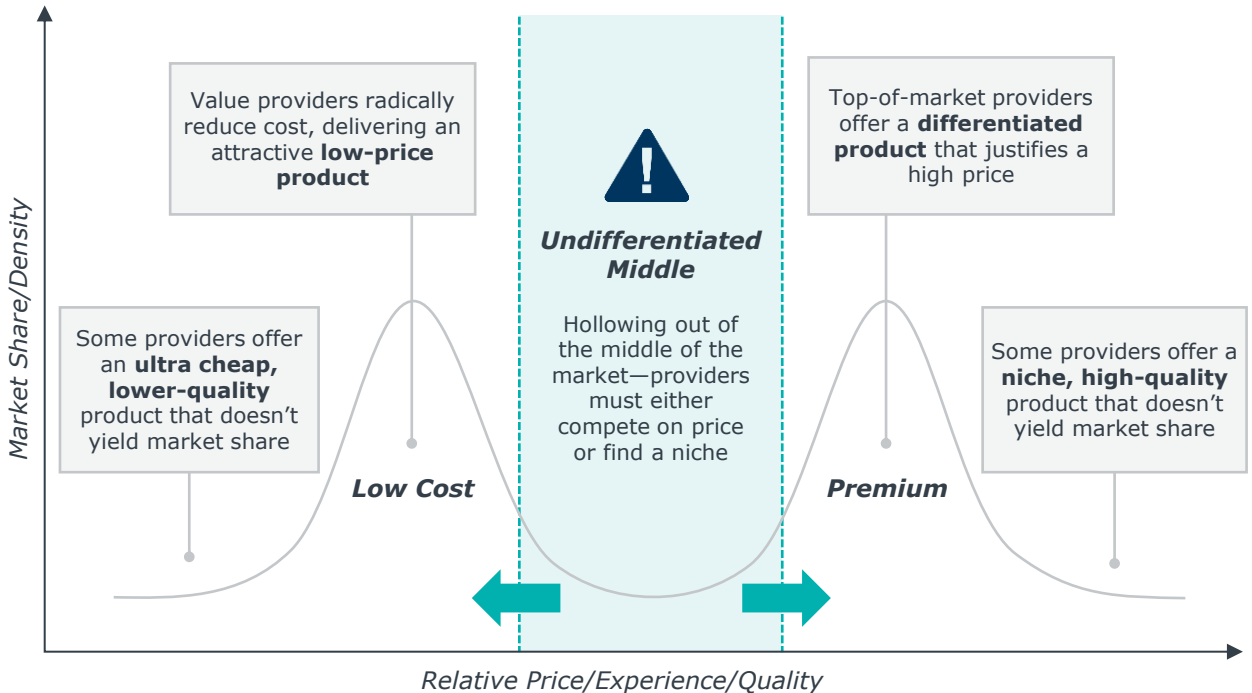
Which opportunity is **most important** for your institution to pursue in the next two years? Do cabinet members agree?



Towards an Increasingly Bimodal Future



Market Rationalization Yields Fewer Dominant Players With Big Market Share

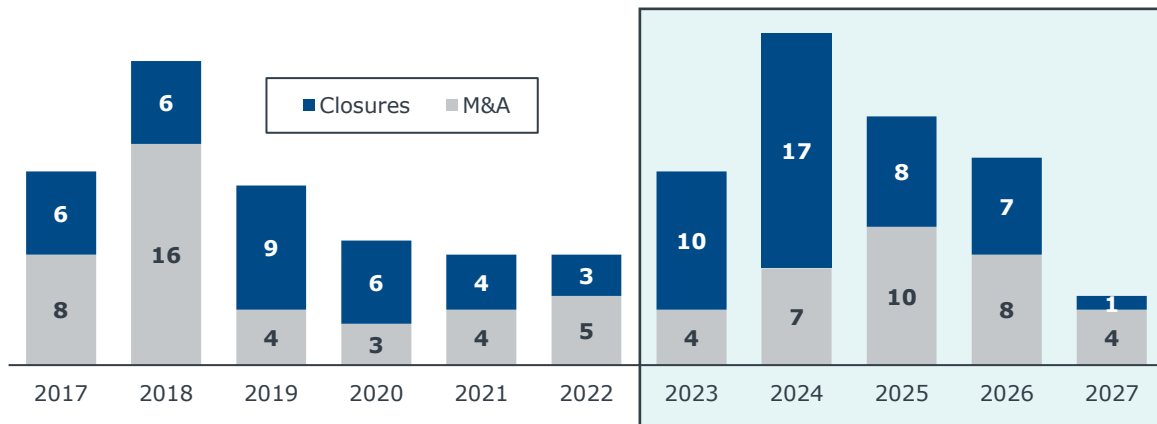


Consolidation by the Numbers



No Major Wave, But a Rising Tide of Consolidation Activity

Closures and M&A¹ Transactions at 4-Year Non-Profit Institutions, 2017-2027²



Recent Patterns in Closures and Consolidations

57%

Of changes have been closures

100%

Of institutions that closed were private

941

Average enrollment of institutions that closed

1) Merger and acquisition.
 2) 2026 and 2027 data represent M&A and closures that have been announced and that have occurred.

Population and University Count Comparison Table

US Leads Peers in Universities Per Capita

	US	Canada	UK	ANZ ¹	Global
Total Population (in millions)	342	41	69	32	8.2k
College-Age Population, 18-22 ² (in millions)	21	2.4	3.8	2.1	610
Percent of Global College-Age Population	3.4%	0.39%	0.62%	0.34%	--
Four-Year Non-Profit Universities ³	2,318	109	164	50	22,000+
Percent of Global Universities	10.5%	0.49%	0.74%	0.22%	--

Universities per 100k College-Age Adults	11	4.5	4.3	2.4	3.6
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1) Australia and New Zealand.

2) Estimates based on available data.

3) Non-profit, public and private institutions granting primarily Bachelor's level degrees of non-career/technical focus.

Will It Be Enough?



Activity: Assess how this expense and revenue snapshot compares to your institution’s current financial reality. **What three sources would you like to inflect? What about your board?**

Institutional Expenses

Source	Outlook	Pressures
Instruction		Salary growth outpacing revenue; static workload and delivery models
Academic & student support		High labor costs; growing demand for high-touch support
Institutional support		Escalating compliance, legal, and technology costs
Research & public service		High-cost infrastructure; new compliance mandates, federal cuts
Auxiliaries		Capital renewal and deferred maintenance burdens
Financial aid		Rising aid demand amid discounting wars; waning federal support

Institutional Revenues

Source	Outlook	Pressures
Tuition & fees		Demographic decline; global volatility; ROI skepticism
Government funding		Federal policy pressures (especially research), weakened state budgets
Auxiliaries		Margins compressed by inflation; uneven across units
Private gifts		Major donors holding steady; political scrutiny and fatigue looming
Investment returns		Endowment taxes; inflation; market volatility reducing real value
Private grants & contracts		Dependent on federal flows; shifting priorities post-election



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