



Navigating Upheaval on Four Fronts

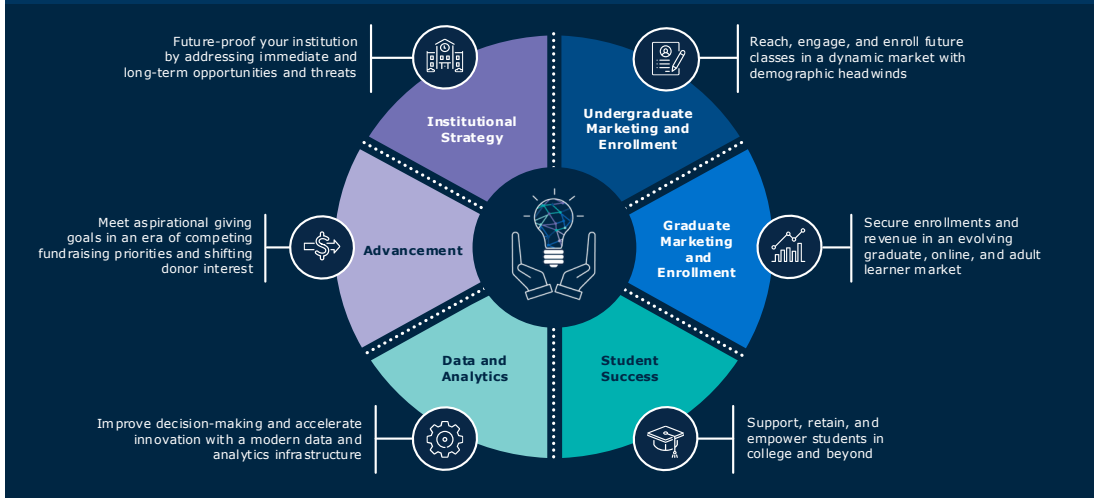
EAB's 2026 State of the Sector

Prepared for NSHE Board of Regents
June 22, 2026



Education's Trusted Partner to
Help Schools and Students Thrive

Insight-powered Solutions for Your Top Priorities and Toughest Challenges



We partner with **2,800+** institutions to accelerate progress, deliver results, and enable lasting change.

95%+ of our partners return to us year after year because of results we achieve, together.

Today's Agenda

Navigating Upheaval on Four Fronts



EAB's 2025 State of the Sector

Sector Headwinds

Campus Readiness

1

External Accountability



*Adapting to Tenuous
Public Support and
Heightened Political
Scrutiny*

2

Financial Sustainability



*Confronting Business
Model Strain Amid
Dual Revenue and
Cost Shocks*

3

Market Relevance



*Preparing Students
for an AI-Transformed
Knowledge Economy
with Fewer Jobs*

4

Institutional Agility



*Driving Campus
Change to Unlock
Opportunity in a
Disrupted Sector*

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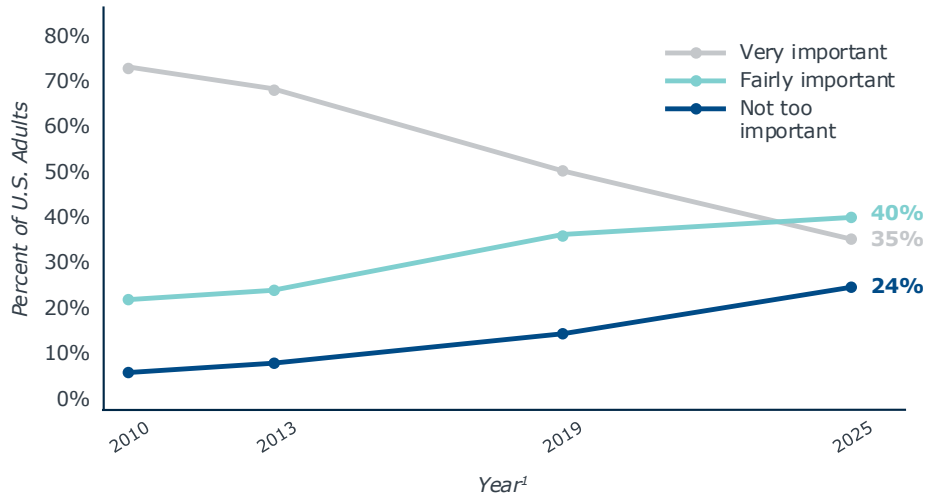
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No Confidence Without Relevance

6x More Americans Believe College Is “Not Too Important” Today Versus 2010

How important is a college education today—very important, fairly important, or not too important?



1) Gallup survey data is only available for 2010, 2013, 2019, and 2025.

Higher Ed's Winning Platform in 2028?

Make Higher Ed Partisan-Proof by Optimizing Towards Shared Incentives



Power Jobs

Be the fastest, reliable route to jobs that sustain families and keep America competitive

Sample KPIs:

- 80%+ 6-month job placement rate
- 75%+ of grads in positive ROI programs



Foster Civic Pluralism

Make campuses the national model for open debate, civic learning, and civic literacy

Sample KPIs:

- 75%+ of students feel comfortable expressing their opinion
- 80%+ of graduates engaged in civic learning



Advance National Resilience

Put universities at the center of leadership in defense, health, and infrastructure

Sample KPIs:

- 40%+ of research grants in public interest areas
- 30% growth in public-private partnerships

Embrace Transparency and Accountability

Demonstrate visible accountability for outcomes, efficiency, and transparent governance

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Synchronized Compression Hits Higher Ed Budgets



Institutional Expenses

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

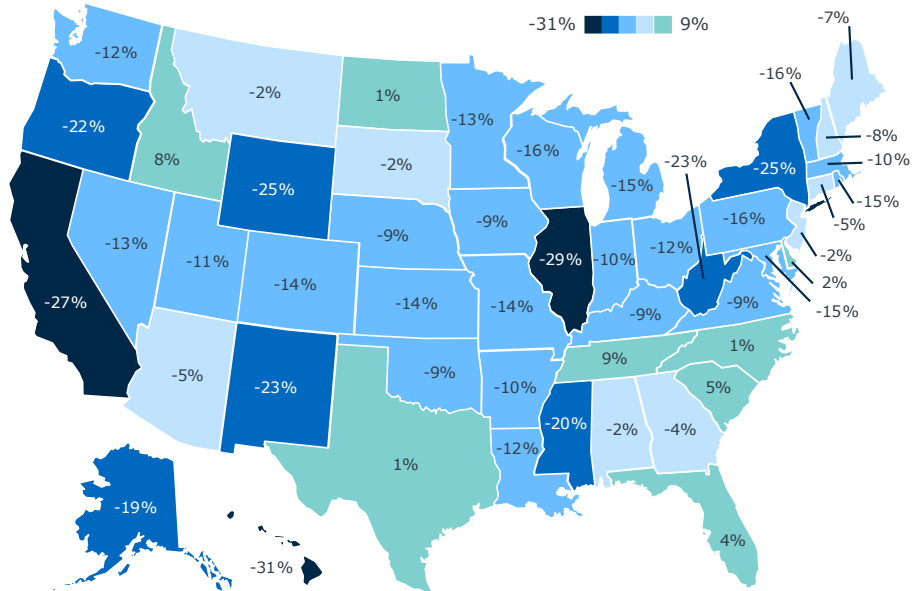
Institutional Revenues

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



High School Graduates in Short Supply

Projected Percent Change in Number of High School Graduates, 2026-2041

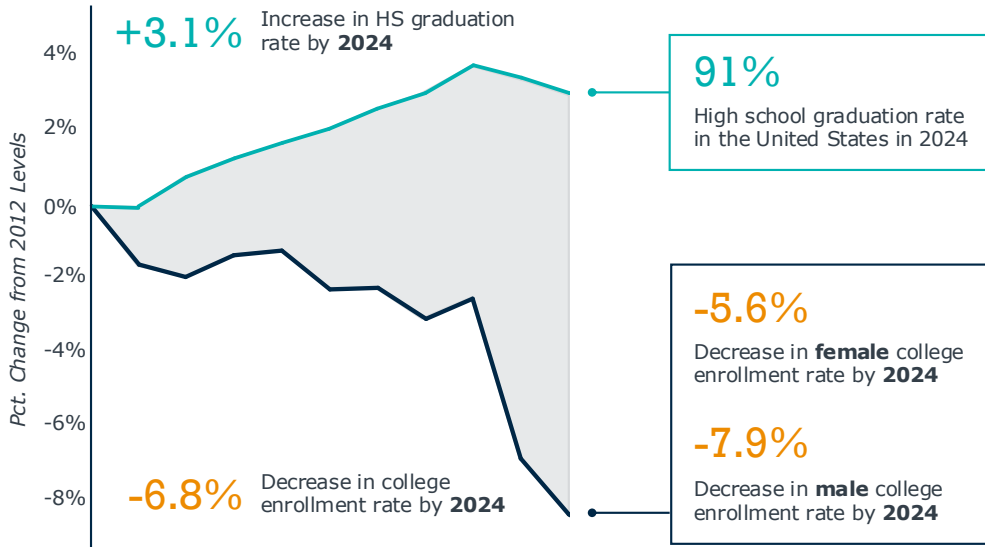




Non-Consumption Comes to Higher Ed

Despite Rising High School Graduation, College-Going Rate Continues to Decline

Percent Change in K-12 to College Pipeline, American Community Survey, 2012-2024





Research Isn't a Money-Making Business

Self-Funding Model Was Precarious Even Before the Trump Administration

\$6.8B University R&D contribution in 2023 that was unreimbursed F&A costs

\$0.45 Cents per every federal research dollar that institutions contribute

Proposed F&A Caps Could Supercharge Institution's Cross-Subsidy Challenge

\$181M Loss per year at University of Michigan under NIH 15% cap

\$55M Loss per year at Virginia Tech under 15% cap across agencies

Could the Proposed FAIR Model Rescue University Research Budgets?

Key Model Components



Replaces traditional negotiated framework with explicit, trackable **cost categories tied to actual projects** and institutional needs



Offers a choice of **two accounting options**: base (simpler, uniform %) or expanded (granular reporting by project)

Implications

- ▶ Would **lessen the blow** but not fix long-term financial sustainability concerns
- ▶ Ability to improve F&A recovery would **hinge more on accounting** capabilities
- ▶ Could increase **internal politics** and **budget volatility** due to project-level reimbursement

Athletics Experiencing Same Pressures as Research

12



Research



Athletics

Institutions must invest more in labs, compliance, and matching funds to chase a shrinking pool of extramural grants



Rising Costs of Competition



Programs must spend more on NIL packages, facilities, and salaries to remain competitive in recruiting and conferences

Each grant dollar requires more institutional investment; F&A recovery fails to cover full costs



Diminishing Institutional ROI



New revenues (media, donor, ticket) demand outsized spending, eroding net gains

Federal funding and prestige increasingly concentrate in a small set of elite R1s



Winner-Takes-All Dynamics



Media contracts, postseason revenue, and national exposure cluster in the Big Ten and SEC

Pressure to commercialize and chase fundable topics versus advance public-good research



Mission Versus Margin Tension



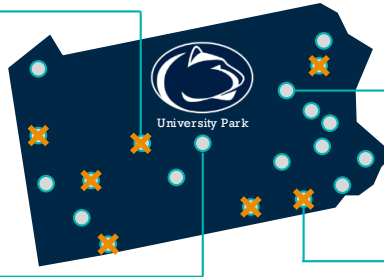
Pressure to deliver entertainment and drive revenue versus nurture student development



Canaries in the Coalmine

Penn State Campus Closures an Indicator of What's to Come in Overbuilt States

Financial and demographic headwinds will limit more blue states' ability to sustain historic systems



Regional campuses will struggle to sustain breadth, instead adapting to fill niches within the broader portfolio

Flagships will be pressed to streamline their own offerings, absorb costs, or integrate programs or assets

Comparable and low-cost providers will force leaders to ask: are we still the best option or could someone else better serve students?

Potential Paths Toward a Sustainable System



Shrink to Strength

Consolidate underenrolled campuses to concentrate resources in locations with the greatest long-run value



Differentiate by Design

Recast campuses around select strengths, creating a coordinated system where each adds distinct value



Extend Digital Reach

Expand flagship-led hybrid and online delivery, with campuses serving as local support and workforce hubs

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**A Generation Shaped by
Socially Disruptive Technology**



**A Contracting Labor
Market for New Grads**



**A (R)evolutionary Advance in
Artificial Intelligence**





Gen Z's Financial State of Mind

Modern Costs of Living and Learning Price Out Gen Z¹

84% Increase in **median home value**, 1990 (\$195,103) v. 2023 (\$359,816)

35% Increase in **median gross rent**, 1990 (\$1,103) v. 2023 (\$1,487)

81% Increase in **average college tuition²**, 1990 (\$15,309) v. 2023 (\$27,673)



Economic Conditions Create Lag in Wealth Accumulation

22% Increase in 18- to 24-year-olds with outstanding **student loans**, 1992 v. 2022

11% Growth in **median annual earnings** for 18- to 24-year-olds, 1992 v. 2022

9% **Total wealth** held by Gen Z and Millennials as of 2024

Affordability Crunch Helps Explain Gen Z's...



Heightened salary requirements for financial success



Increased skepticism about payoff of a college degree



Greater pragmatism in selecting applied, high-paying majors

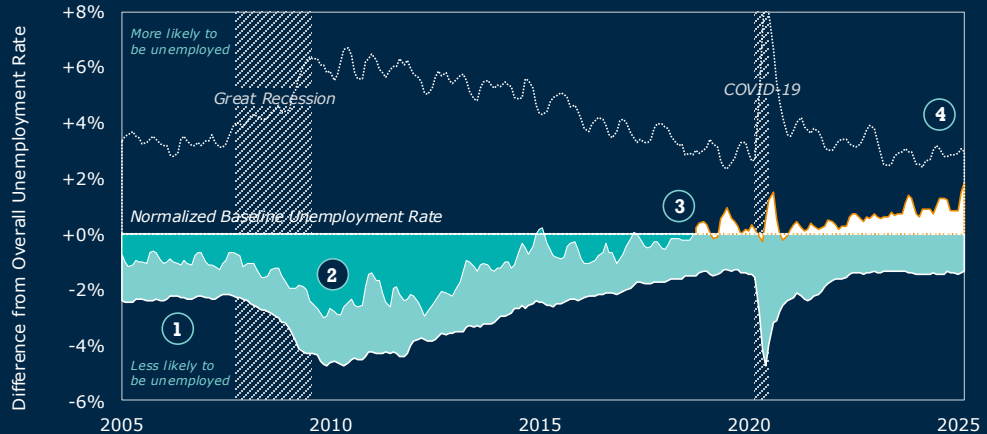
1) All values inflation-adjusted to constant 2025 dollars using CPI.

2) Includes total tuition, fees, room and board at all institutions for 1989-1990 academic year and 2022-2023 academic year.

College Doesn't Provide the Cushion It Once Did

Eroding Employment Advantage for Recent College Grads

■ All college graduates ■ Recent college graduates ▨ Non-college workers age 22-27



- 1 College grads have always had lower unemployment
- 2 Recent grads had a big advantage after the Great Recession
- 3 Unemployment for recent grads crossed baseline in 2018
- 4 Recent grads now look more like young non-college workers

From Pyramid to Diamond

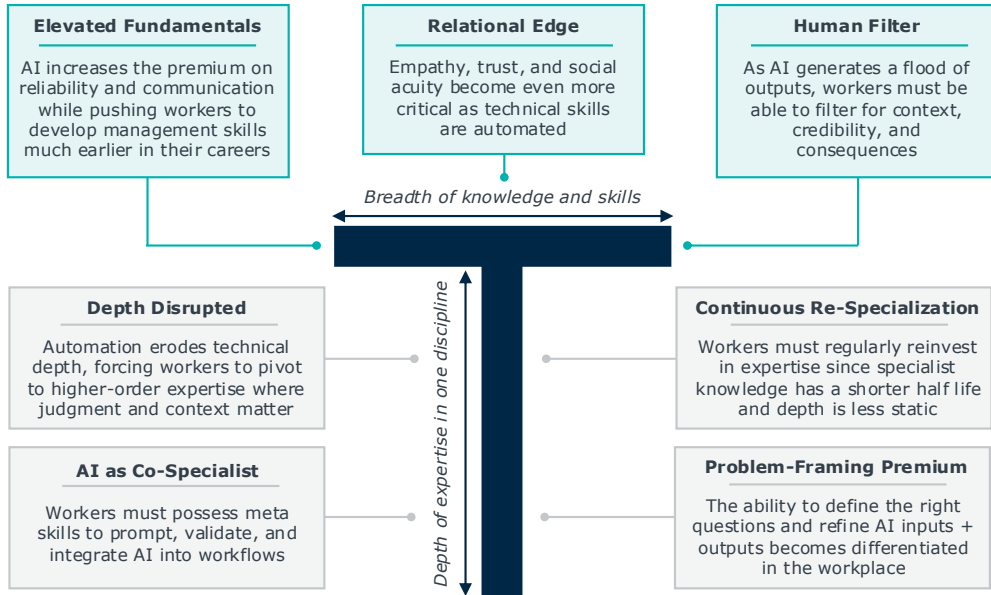


- Entry points are scarce, tightly gated, and reserved for already-skilled candidates
- Employers demand more polished, experienced hires from day one
- First jobs feel less like “learning roles” and more like immediate proving grounds



The New T-Shaped Professional

How AI Is Reshaping What Is Required for Workplace Success



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Six Attributes of a Thriving Institution





Core Functions of a Board

McKinsey's Six-Part Framework for College and University Boards



Strategy

- Set strategy (ongoing and 3-5 year plans) in collaboration with university leadership
- Monitor strategy execution on an ongoing basis



Governance

- Recruit and hire president, conduct performance assessments, and determine succession and transition
- Conduct governance assessments and monitor against agreed objectives



Financial

- Review and approve annual operating budgets and major capital expenditures
- Conduct oversight over financial management
- Ensure fundraising and investment are effective



Performance

- Establish key performance indicators (KPIs) and hold leaders accountable
- Oversee performance on key success factors (learning, research, clinical outcomes, student engagement)



Risk

- Ensure full compliance with all legal obligations
- Review audit and investigation plans, monitor outcomes, and provide guidance
- Develop crisis response and risk mitigation strategies



External Relations

- Promote and guide external partnerships
- Serve as a representative of the institution in the community and represent its interests with integrity and distinction



Finding the Board's Strategic Sweet Spot

Typical "Altimeter" Needed to Generate Questions at the Right Level

Questions for Board Discussion and Decisions



Show a lack of knowledge about the sector and key trends affecting it
Steer the board toward topics outside of its purview
Can spur controversy or debate that negatively impacts the institution



Appropriately allocate board effort on the issues that matter most for long-term success
Leverage the unique expertise of board members
Benefit from preparation and education about the broader higher ed landscape
Address challenging and difficult topics in a productive, solution-oriented manner
Take the deliberative and collaborative nature of shared governance into account



Focus on the right topics, but at a tactical altitude better suited for campus leaders
Waste scarce board convening time on minutiae, rather than strategy
Suggest a lack of trust in campus leadership and management