

# EY-Parthenon

Higher education perspectives

*Looking beyond the pandemic:  
what's on the minds  
of chief business officers*

*Executive Summary*

Spring 2021



# We surveyed higher education CBOs in the spring about their outlook for higher education post-pandemic. Here is what we learned (1 of 2)

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## Study methodology and objectives:

- ▶ In March-April 2021, EY-Parthenon surveyed chief business officers (CBOs) at public and private nonprofit institutions of higher education across the country. 126 CBOs responded to the survey. They shared how they view the health of the higher education sector and their own institutions, and provided insights about the top priorities for CBOs over the next few years.

## Key insights:

- ▶ **Enrollment trends:** CBOs confirmed that in aggregate enrollment drops were more severe at smaller institutions and private institutions. Smaller institutions experienced a drop more than 6x that of larger institutions. Private institutions experienced a drop 2x that of public institutions. There were “winners” too – 30% of institutions (primarily publics) actually saw enrollment increases.
- ▶ **Financial impact of the pandemic:** Fluctuations in enrollment, large revenue losses, and new expenses related to the pandemic resulted in a financial crunch for many. CBOs reported FY21 revenue losses that averaged 10% and increased costs that averaged 11% of FY21 operating budgets, respectively. The most common drivers of revenue loss were enrollment decreases and room and board revenue reduction due to the move to remote learning. The most common drivers of cost increases were classroom technology, COVID-19 testing, facilities cleaning, and PPE supplies.
- ▶ **Impact of federal relief:** On the surface, federal relief funding appeared sufficient to offset revenue losses and increased costs (respondents reported losses equivalent to \$4.1b in FY21 and reported \$6.9b in anticipated relief funding). However, relief funding spans multiple fiscal years and the amount of relief to date may not be adequate relief to counteract revenue losses and increased outlays accrued over multiple years. In fact, one third of respondents reported relief levels insufficient to cover revenue losses and increased expenses incurred in FY21 alone. 40% of respondents are projecting a deficit for FY21, with larger and public institutions projecting higher deficit levels.
- ▶ **Overall outlook:** In the near term, institutions are taking action to shore up their finances as they incur new deficits and face continued challenges to their tuition pricing power. Looking ahead, institutions — regardless of their size and segment — express concerns about their future financially. Overall, 44% of respondents either see their institution as financially unstable or are concerned about trends over the next three to five years.
- ▶ **Enrollment and tuition outlook:** Institutions expect pressures on enrollment and tuition revenue to extend beyond FY21, and are setting their tuition strategy accordingly. Looking ahead to FY22, 43% of all respondents expect to freeze tuition and fee levels or even reduce them. 36% expect to increase tuition but less than in a typical year. 18% expect to increase tuition at similar rates as in a typical year. Larger and public institutions were more likely to freeze tuition/fee levels or freeze them.

# We surveyed higher education CBOs in the spring about their outlook for higher education post-pandemic. Here is what we learned (2 of 2)

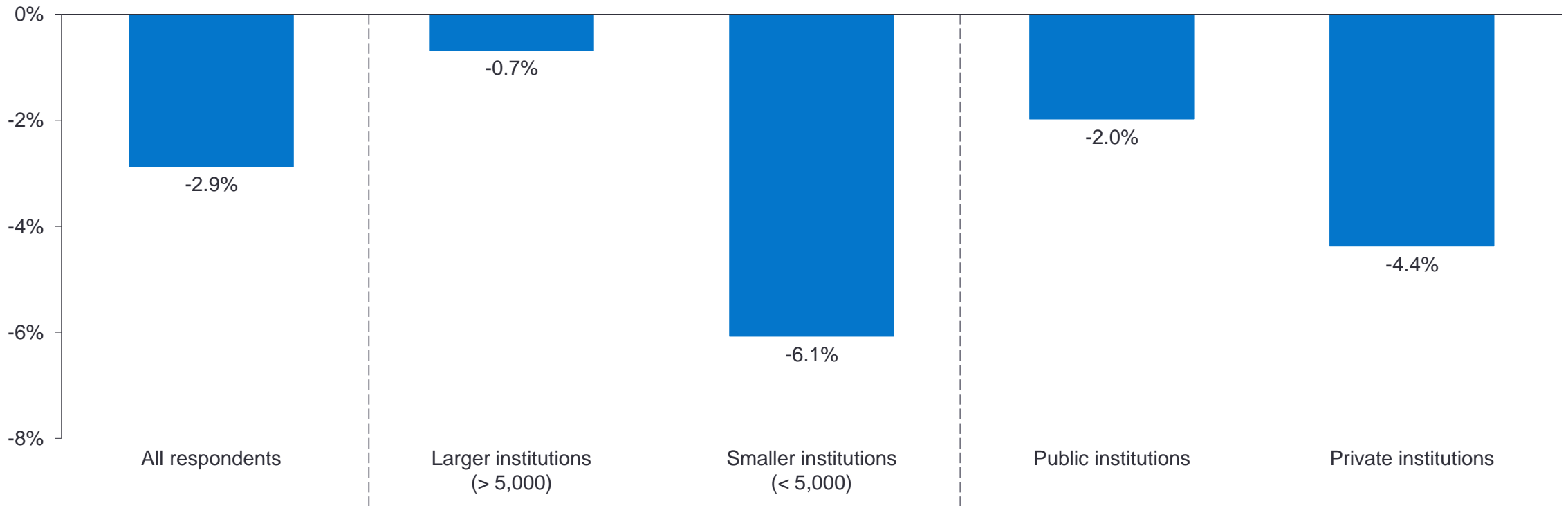
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- ▶ **Innovation in academic program delivery:** Respondents are interested in leveraging lessons learned from remote learning during the pandemic to expand hybrid and online enrollment and reach new student audiences. Over 50% of respondents rated this as a top strategy for their institutions.
- ▶ **Increased spending on technology expected to continue:** Institutions invested heavily in technology, particularly classroom technology and digital instruction technology, during the pandemic. Over 90% of respondents expect this trend to continue. Similarly, CBOs expect to increase spending on enterprise support technology and administrative technology. Only a third of respondents report having easy access to accurate and timely data during the pandemic, and this is likely an important driver of investment in administrative and enterprise support technology. Over 40% of respondents are considering new investments in their data systems over the next five years.
- ▶ **Outsourcing trend will be accelerated:** A substantial percentage of respondents already outsourced operational functions pre-pandemic (ranging from 10% to 60%+ depending on function). An additional 10%-30% of respondents (depending on function) report they are in the process of or considering outsourcing certain operational functions in the next 1-3 years. Areas that had the highest rates of being considered for outsourcing are: for publics – mental health counseling, student health center, facilities management, endowment management and dining, and for privates – printing/mailing, bookstore, facilities management, and endowment management. Perhaps one of the most interesting findings is that institutions are also showing significantly increased interest in outsourcing in student- and program-related areas that were traditionally handled in-house, such as student marketing and recruitment, enrollment management, student retention support, and instructional design. Outsourcing rates in these areas are expected to increase from low teens to upwards of 50% among public institutions.
- ▶ **Return to work post pandemic and potential impact on space:** Across the responding institutions, over 50% of faculty and staff worked remotely during the pandemic. Respondents expect that 25% of faculty and staff at their institutions will continue to work remotely in some capacity. This will have a direct impact on talent management (respondents express concerns related to employee well-being, level of employee engagement and effectiveness) and on space. Institutions are already rethinking space utilization and configuration through alternating work schedules, colocation and space repurposing. Over 80% of respondents are in the process of or considering master planning studies to optimize use of space on campus. Interestingly, 44% of respondents expect to grow their physical footprint, while 31% of respondents expect to shrink footprint.
- ▶ **Energy consumption and sustainability:** Over 20% of respondents are increasing use of analytics to manage energy utilization and maintenance on campus. Over 55% of institutions report increasing their focus on energy performance cost. Sustainability (decarbonization) and utility infrastructure monetization have increased in importance as well, with 45% and 37% of respondents respectively reporting increased focus on these areas.
- ▶ **Diversity, Equity and Inclusion (DEI):** All respondents report increased levels of spending on DEI initiatives, with 55% of respondents indicating spending increases greater than 10% on diversity, equity and inclusion initiatives. Among the most commonly cited DEI initiatives are: unconscious bias training, senior leadership signature initiatives, investments to increase recruitment, retention and support for diverse populations, technology investments to support student success and retention, and new DEI-dedicated positions.

# In aggregate, enrollment dropped from fall 2020 to spring 2021, and the enrollment hit was more pronounced at smaller institutions and private institutions

Average change in enrollment during the COVID-19 pandemic<sup>1</sup>

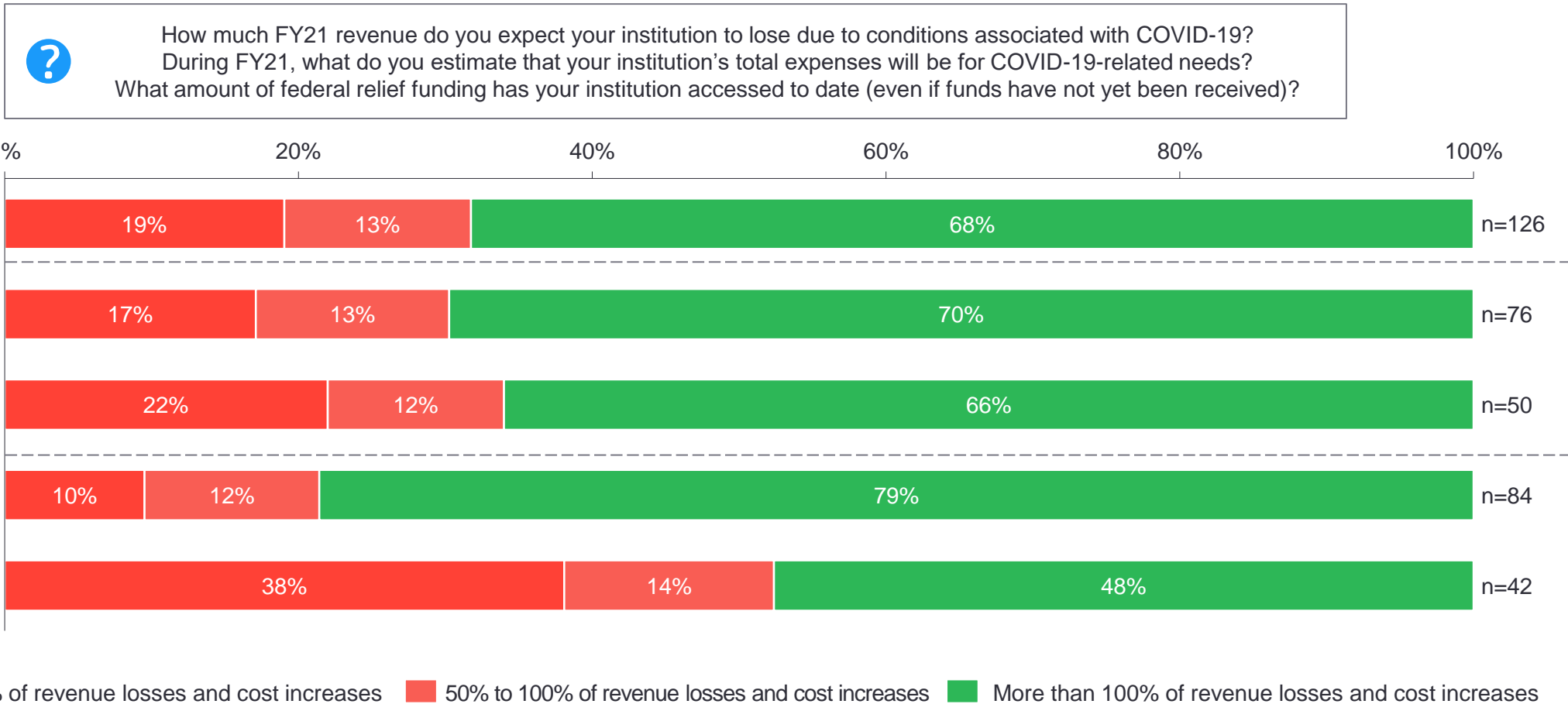
? How has your institution's enrollment for spring 2021 changed relative to fall 2020?  
Average reported change, n=122



<sup>1</sup> Analysis excludes respondents who answered "I don't know."  
Source: EY-Parthenon CBO Survey (n=126).

# The federal relief situation varies by institution: one-third of respondents reported relief levels insufficient to cover the revenue losses and increased expenses in FY21

Institution-level total reported federal funding relief, relative to FY21 lost revenues and COVID-19-related expenses<sup>1</sup>

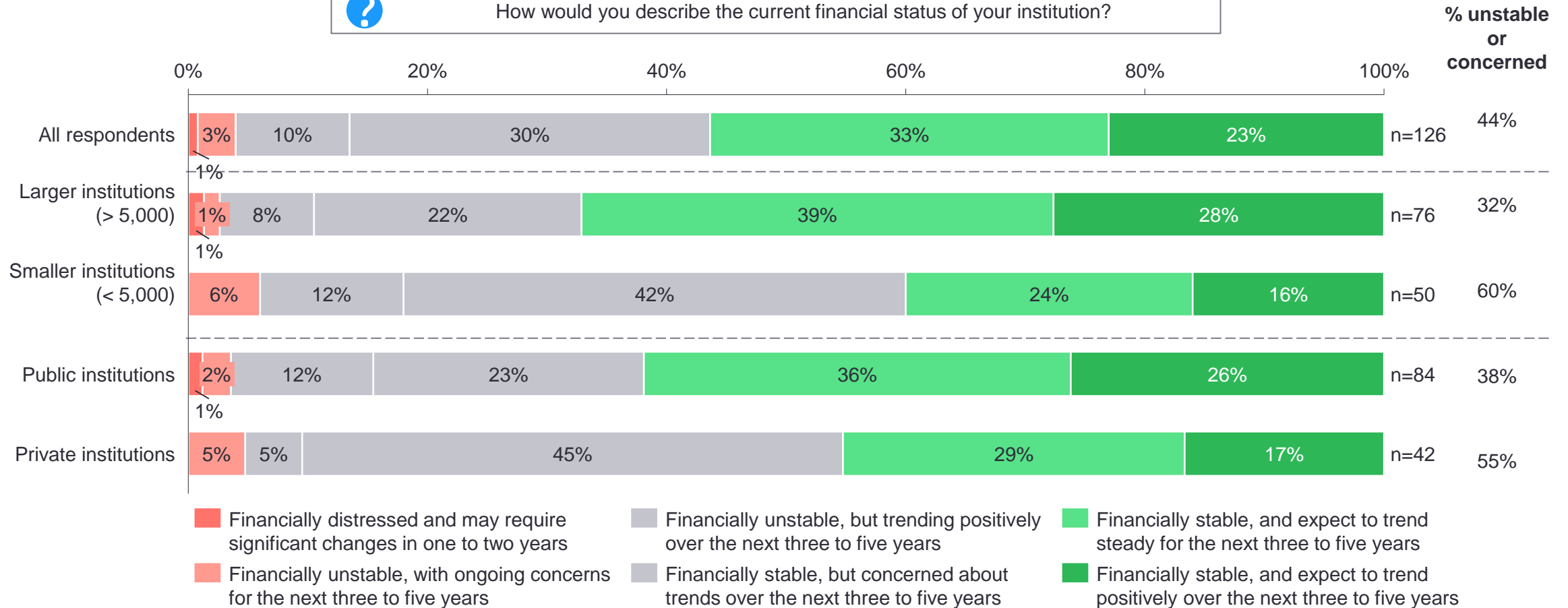


<sup>1</sup> Federal funding accessed excludes the estimated amount of CARES Act and CRRSAA funding received that was allocated for student financial aid. Source: EY-Parthenon CBO Survey (n=126).

# Overall, 44% of respondents either see their institution as financially unstable or are concerned about trends over the next three to five years

## Current financial condition of institution

How would you describe the current financial status of your institution?



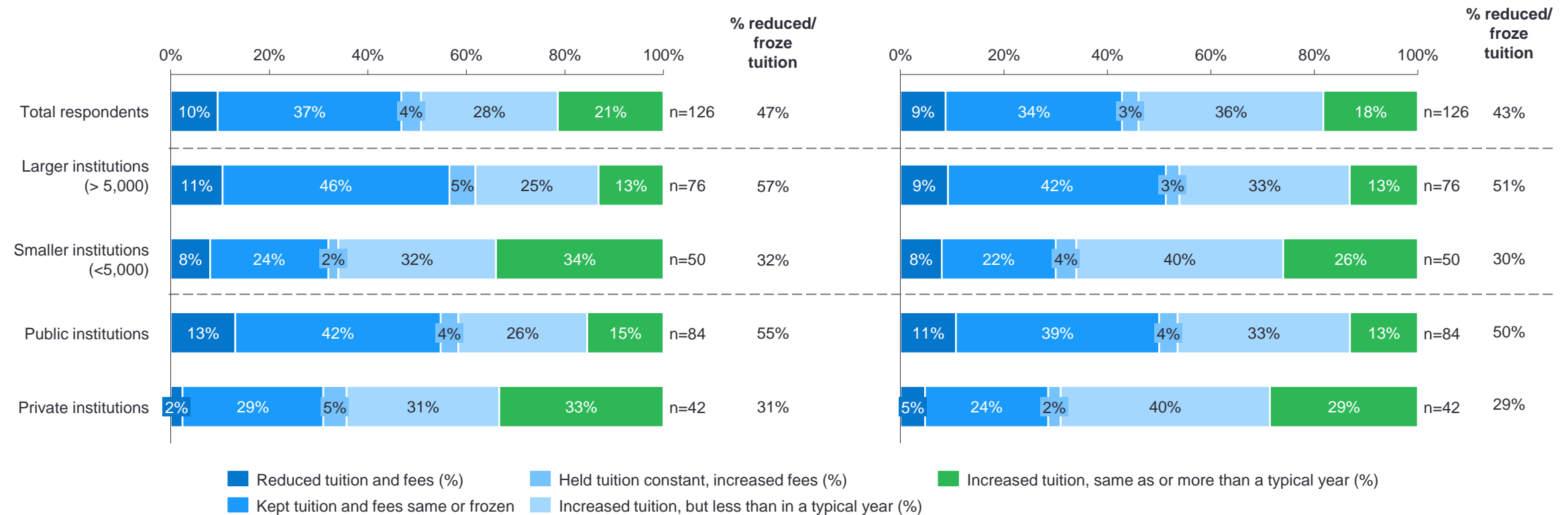
# Institutions expect pressures on enrollment and tuition revenue to extend beyond FY21, and are setting their tuition strategy accordingly

## Tuition strategy for FY21

**?** What tuition strategy did you adopt for FY21?

## Tuition strategy for FY22

**?** What tuition strategy do you expect to adopt for FY22?



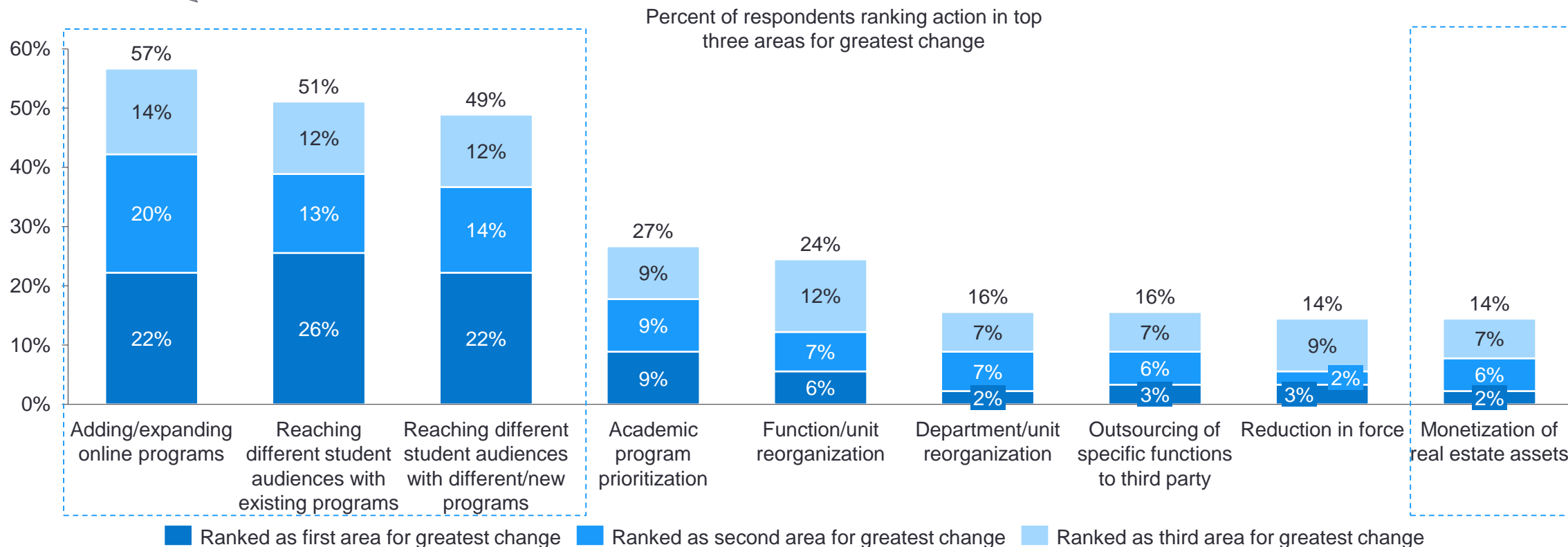
# When asked where they expected to see the greatest levels of change relative to the pre-pandemic environment, respondents ranked revenue-generating strategies most highly

There were no significant differences in response by size or type of institution.

## Future strategies to improve finances<sup>1</sup>

Among the actions your institution is considering, please select the top three areas where you expect to see the greatest change in the next one to three years relative to your institution's ways of working prior to the COVID-19 pandemic. Percent of respondents, n=90

Revenue expansion opportunities



<sup>1</sup> Analysis only includes institutions that selected three or more total strategies to improve their future finances. Source: EY-Parthenon CBO Survey (n=126).

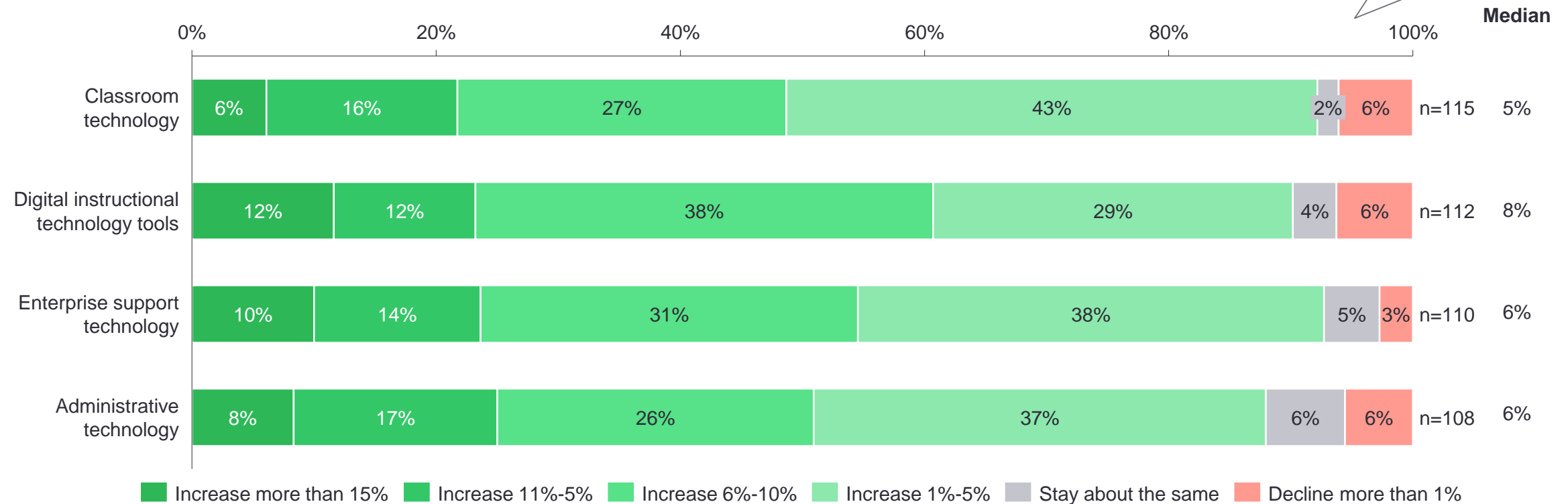


# Over the next three to five years, ~90% of institutions expect to increase budget allocations in all types of technology relative to their pre-COVID-19 baseline

## Investments in technology after COVID-19 pandemic<sup>1</sup>

Over the three-to-five-year period following the COVID-19 pandemic, how much do you expect budget allocations to shift relative to your institution's pre-COVID-19 baseline in each area?

There were no significant differences in response by the size or type of institution.



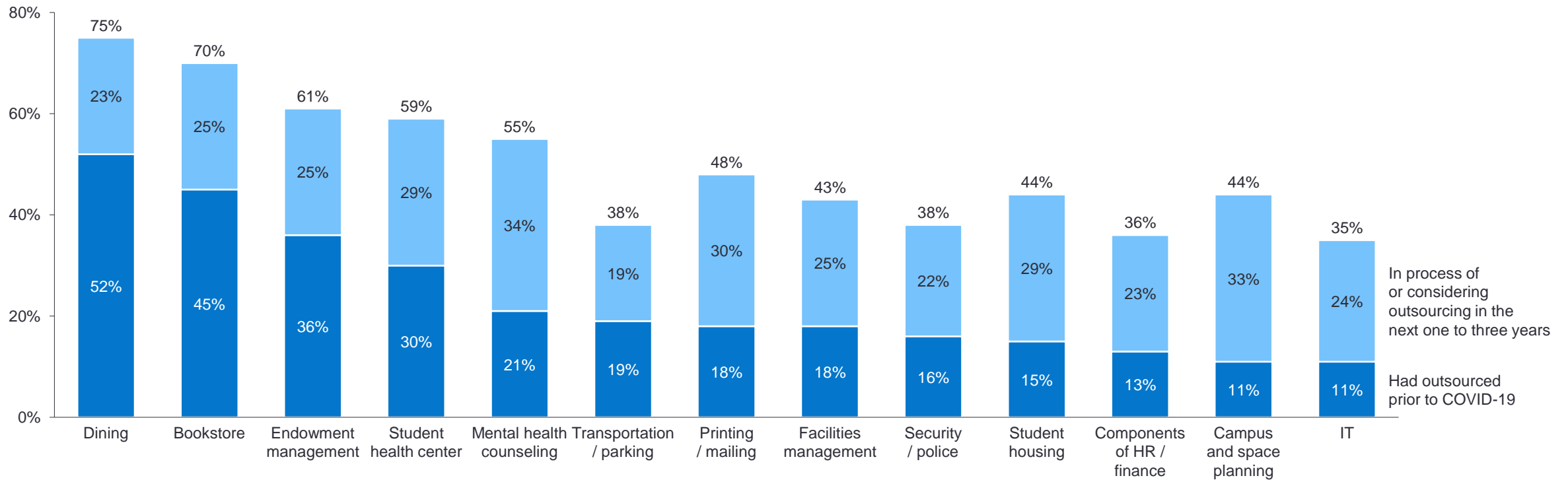
<sup>1</sup> Analysis excludes respondents who answered "I don't know."  
Source: EY-Parthenon CBO Survey (n=126).

# Many respondents expect their institutions to increase outsourcing in key operational areas over the next one to three years

## Outsourcing in areas related to nonacademic, operational services services<sup>1</sup>



What is your institution's approach to outsourcing for each of the following services?  
Percent of respondents, n=126



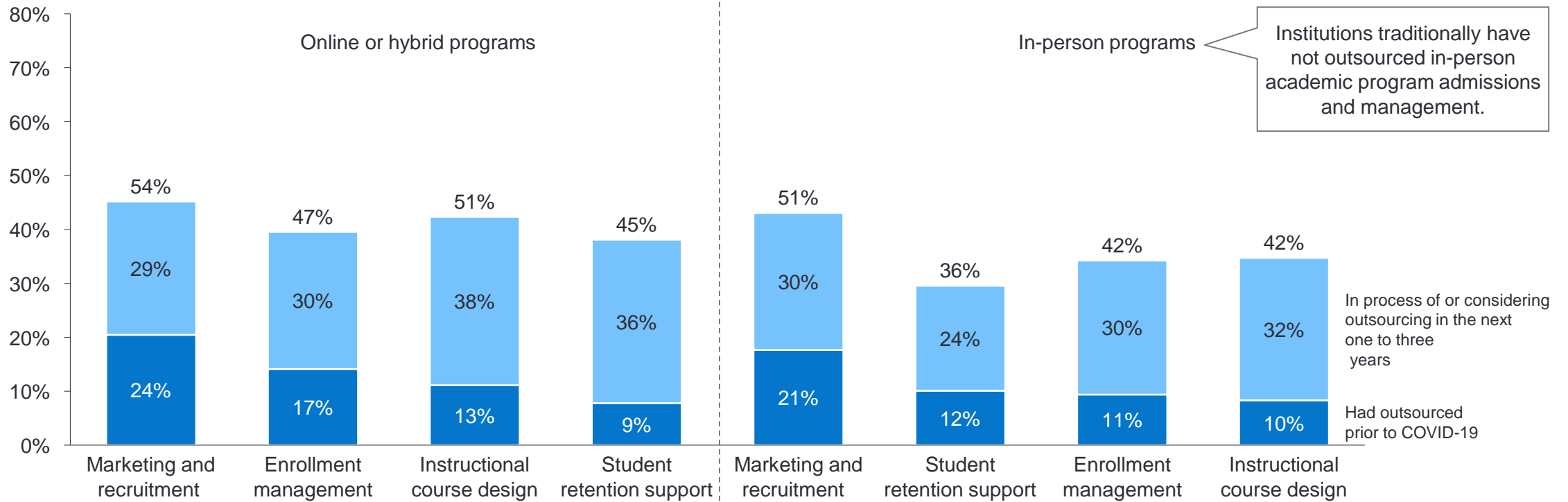
<sup>1</sup> Analysis excludes respondents who answered "Not applicable" for a given service.  
Source: EY-Parthenon CBO Survey (n=126).

# Academic program admissions and management had relatively low outsourcing penetration before the COVID-19 pandemic, but 25% to 40% of respondents now indicate new interest in outsourcing

## Outsourcing in areas related to academic program admissions and management<sup>1</sup>



What is your institution's approach to outsourcing for each of the following services?  
Percent of respondents, n=126



<sup>1</sup> Analysis excludes respondents who answered "Not applicable" for a given service.  
Source: EY-Parthenon CBO Survey (n=126).

# CBOs expect that ~25% of faculty and staff at their institutions will continue to work remotely in the future

## Expectations for **faculty** remote work after COVID-19 pandemic

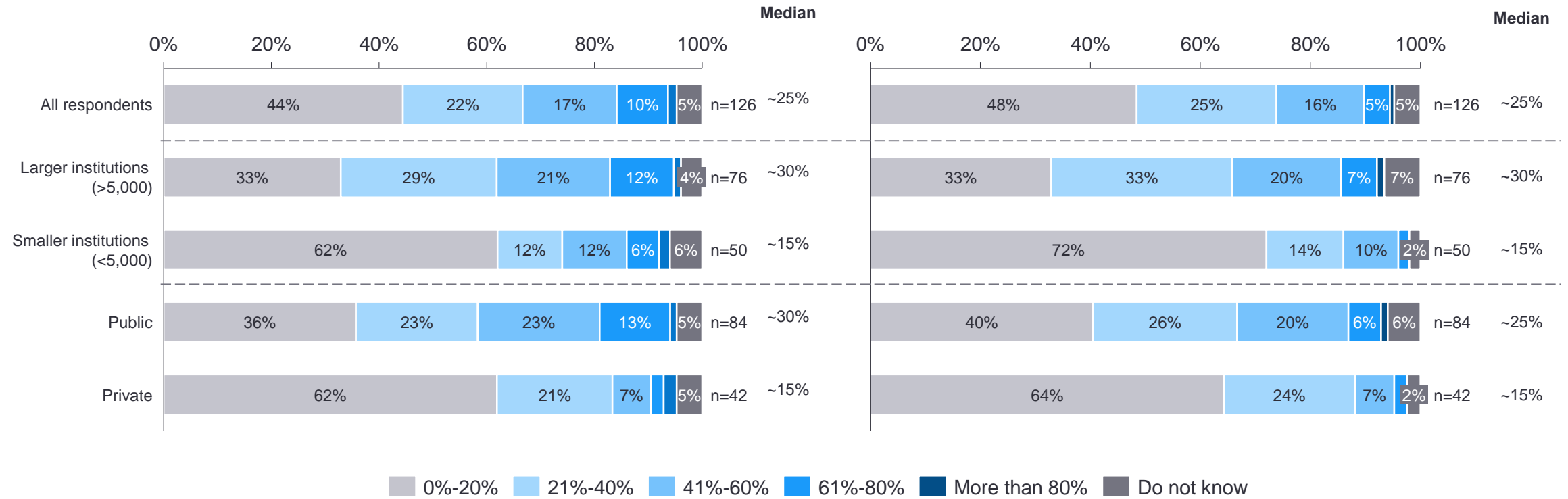
## Expectations for **non-faculty** remote work after COVID-19 pandemic



What percentage of faculty does your institution expect to continue working remotely in some capacity after the COVID-19 pandemic?



What percentage of non-faculty personnel does your institution expect to continue working remotely in some capacity after the COVID-19 pandemic?

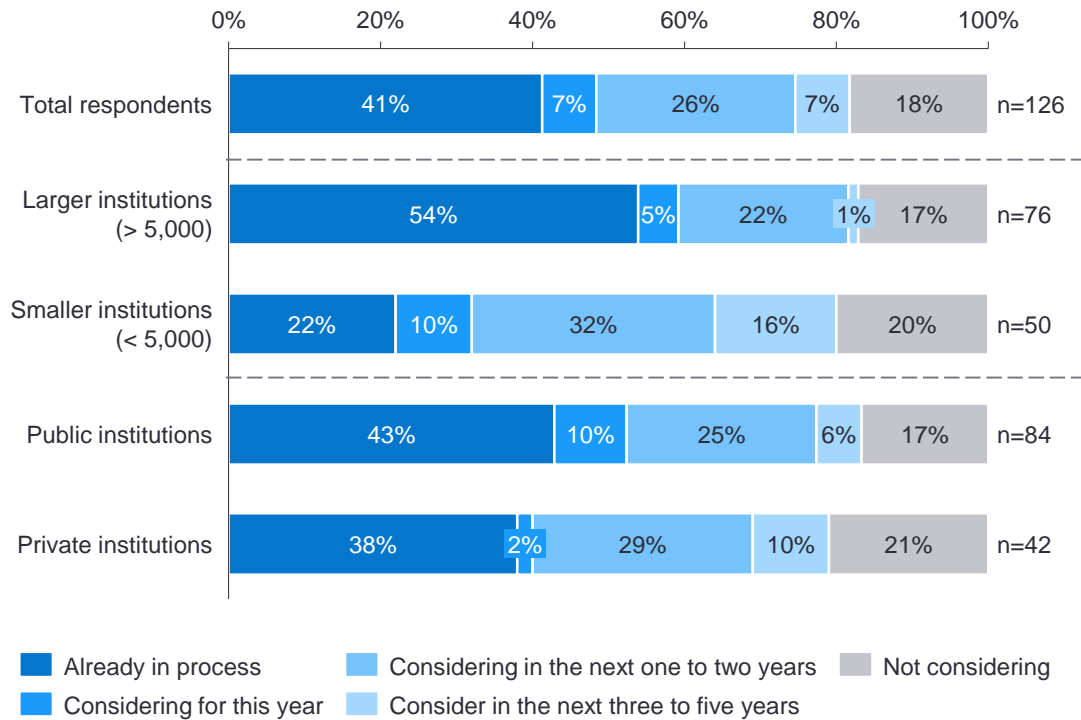


<sup>1</sup> Analysis excludes respondents who answered "I don't know."  
Source: EY-Parthenon CBO Survey (n=126).

# Over 80% of respondents are pursuing or considering a master planning study; interestingly, institutions are more likely to expand their physical footprint than to shrink it

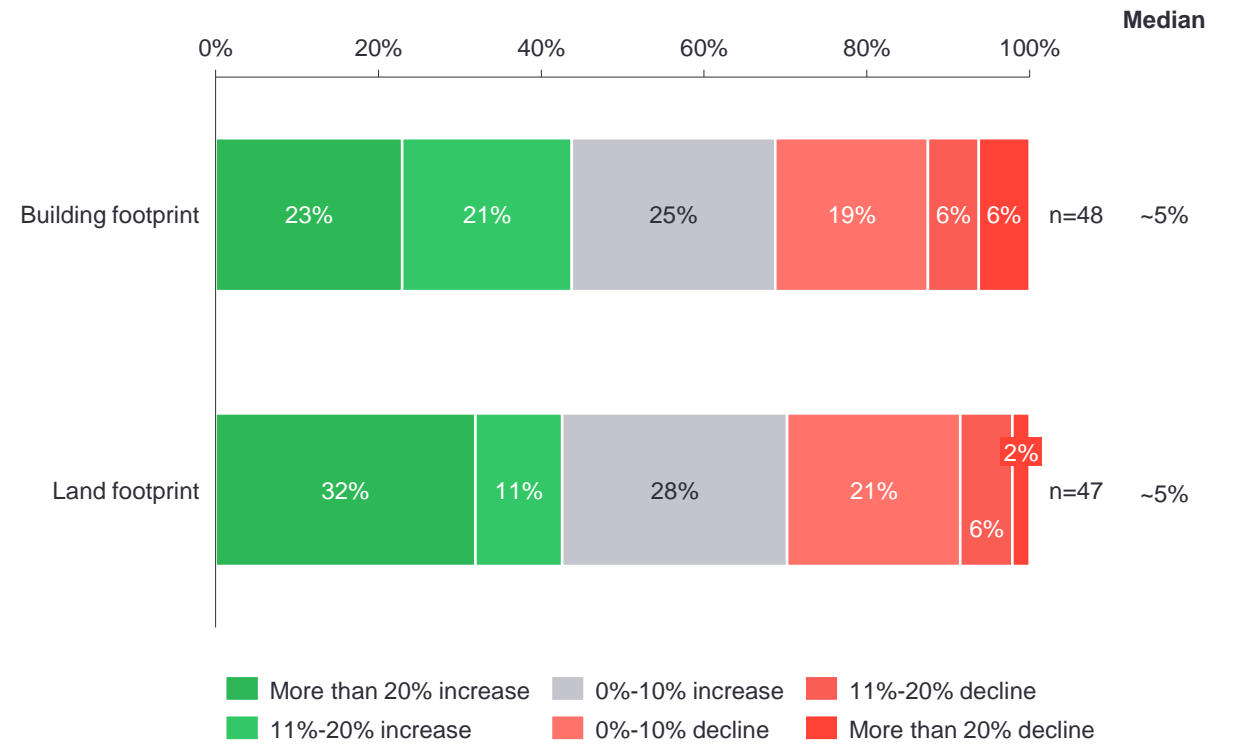
## Master planning efforts

**?** Is your institution considering a master planning or space or facilities utilization study to inform the optimal use of campus spaces? Please indicate the most likely time frame for this type of study.



## Anticipated change in physical building and land footprint

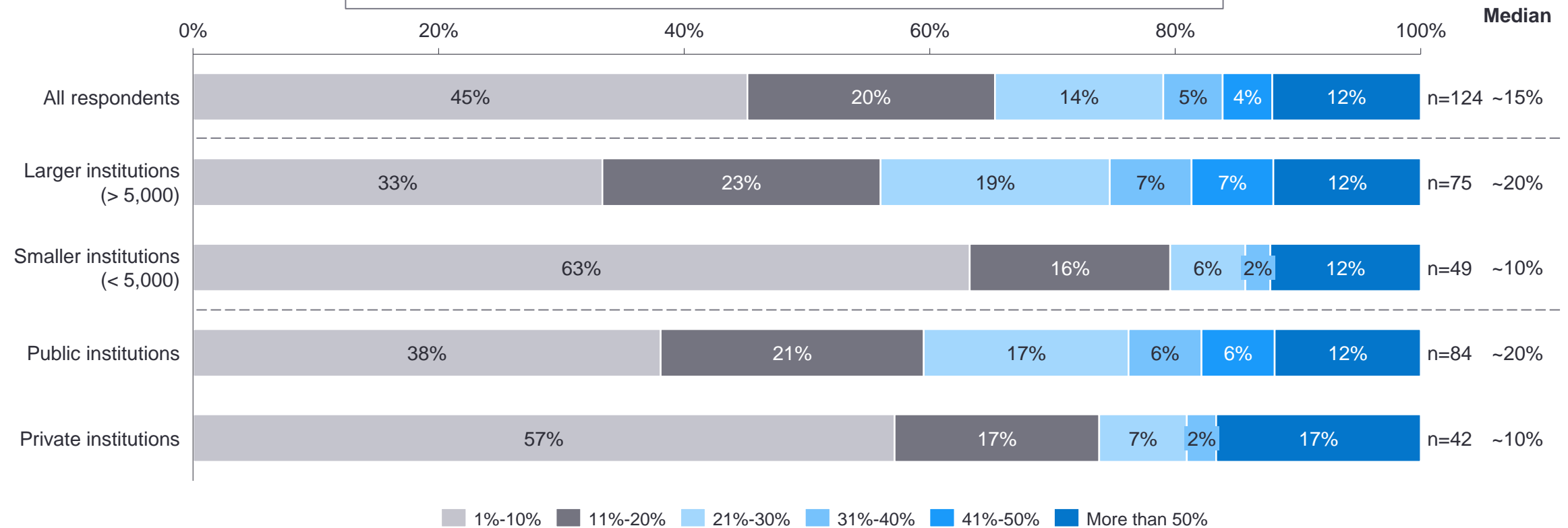
**?** By what percentage do you expect that your institution will grow its physical footprint (buildings and land) over the next three to five years?



# Nearly half of the institutions have increased spending on DEI initiatives by more than 10%, with smaller institutions reporting relatively lower levels of spending increases

Magnitude of spending increases for DEI initiatives<sup>1</sup>

By what percent have you increased spending on DEI-related initiatives in your FY21 budget relative to FY20?



<sup>1</sup> Analysis excludes respondents who answered "I don't know."  
Source: EY-Parthenon CBO Survey (n=126).

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