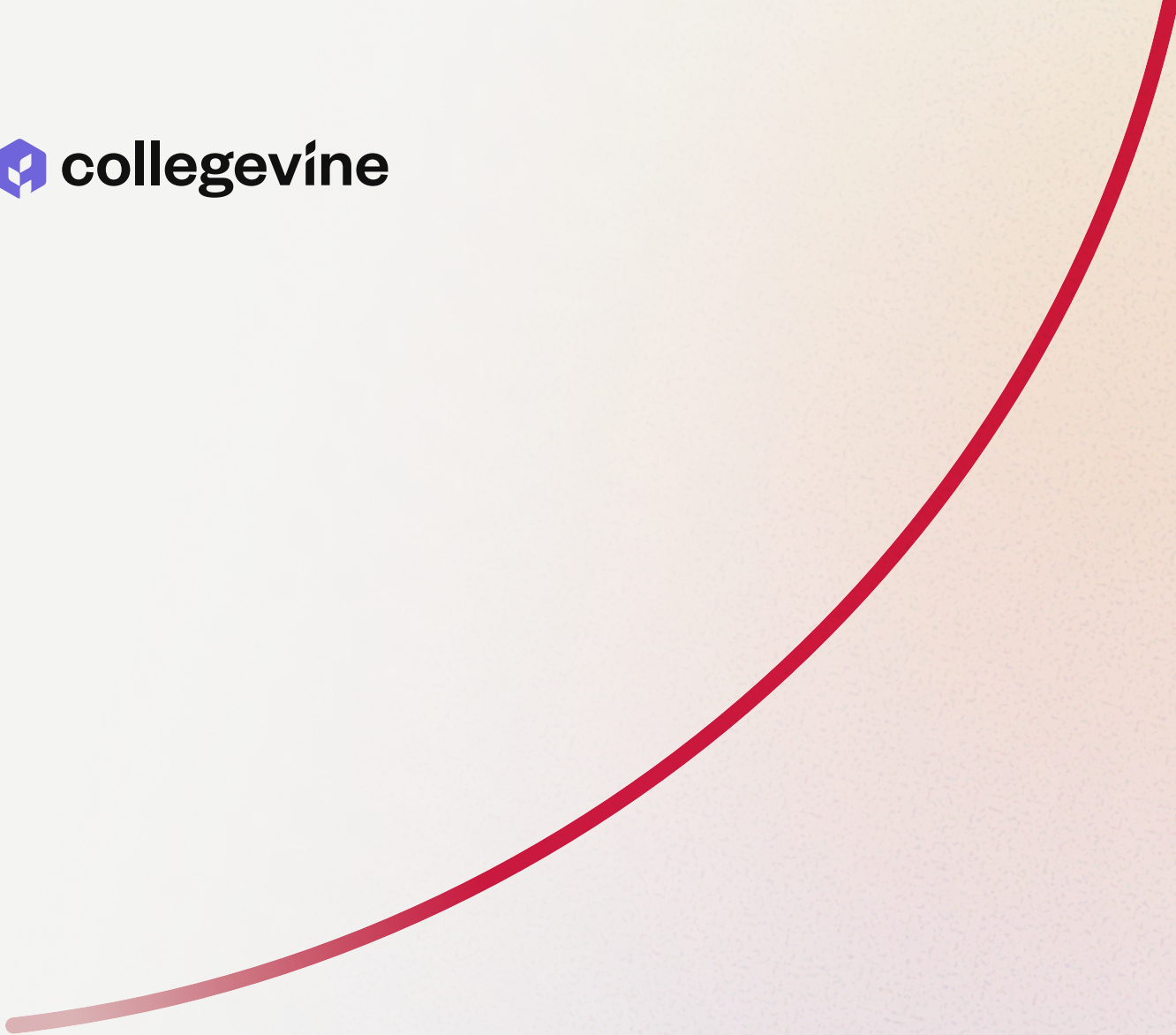




From CBOs: financial outlook, cost drivers, and the path forward for higher ed.

From CBOs: Financial outlook, cost drivers, and the path forward for higher ed

Short-term caution, longer-term confidence

Mixed near-term sentiment



Short-term optimism (2024-25)

CBOs expecting better finances next year



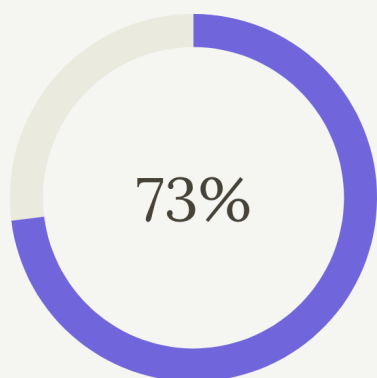
Short-term optimism (2023-24)

CBOs expecting better finances next year

Only 43% of chief business officers (CBOs) expect their institution to be financially better off in the next year, a **sharp decline from 56% the prior year**. Short-term concerns include unpredictable enrollment, unstable state and federal funding, and rising operational costs. Public and tuition-dependent colleges are notably less optimistic than large or research-intensive institutions (Inside Higher Ed, 2025 Chief Business Officer Survey).

Sources: Inside Higher Ed, "2025 Survey of College and University Chief Business Officers"; S&P Global, "Higher Education Sector Outlook 2025."

CBOs express confidence in their institution's longer-term financial prospects



Long-term confidence

CBOs confident in 5–10 year outlook

Despite budget pressures, 73% of CBOs express confidence in their institution's five- to ten-year financial prospects.

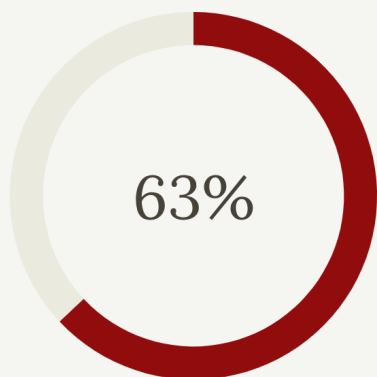
This optimism is most pronounced at institutions with diversified revenue, healthy endowments, and proactive enrollment strategies.

There is, however, sectoral divergence:

- well-resourced universities predict growth.
- under-resourced, rural, and less-selective colleges risk deficits and closure.

Inside Higher Ed, 2025; S&P Global, Higher Education Sector Outlook 2025.

The confident outlook comes at a cost: deferred funding of key maintenance projects



Maintenance backlog

Institutions funding less than 25% of deferred maintenance

Sixty-three percent of institutions will fund less than a quarter of their deferred maintenance this year, further squeezing budgets and contributing to long-term risk (Inside Higher Ed, 2025).

Sources: Inside Higher Ed, "2025 Survey of College and University Chief Business Officers"; S&P Global, "Higher Education Sector Outlook 2025."

Surging costs and funding challenges

+270%

Increase in administrative spend since 2002

Administrative spend was the principal driver of cost growth since 2002, far outpacing enrollment growth and instructional spending. Administrative overhead is now also the central driver of tuition and fee escalation, rather than direct investment in classrooms.

Principal drivers of cost growth



Administrative Spend

Administrative spend has increased by +270% since 2002, far outpacing enrollment growth and instructional spending, becoming a central driver of tuition and fee escalation.



Personnel & Benefits

Personnel and benefit costs remain a top risk for 49% of CBOs. Growth in administrative and professional staff has exceeded increases in both student enrollment and faculty since the late 1970s.



Compliance & Services

Expanding compliance and student services—including regulatory demands, DEI initiatives, and non-instructional support—have fueled additional hiring and rising costs.



Technology Investments

Technology and system investments generate both recurring expenses and opportunities, with cybersecurity and digital platforms critical for modern operations.



Deferred Maintenance

Deferred maintenance is a major budgetary challenge, as 63% of institutions report funding less than a quarter of identified needs this year.



Revenue Constraints

Revenue constraints—such as tuition caps and public funding limitations—press net revenue growth even as costs accelerate.

Sources: Inside Higher Ed, "2025 Survey of College and University Chief Business Officers"; S&P Global, "Higher Education Sector Outlook 2025"; Deloitte Insights, "2025 Higher Education Trends"; U.S. News, "One Culprit in Rising College Costs: Administrative Expenses"; Kay & Honeycutt, "How Much Are Colleges Spending on Overhead?"; NCES Digest of Education Statistics, 2023.

Keys to success: the technology and AI opportunity

What leading institutions are doing



Data-driven operations

Analytics and dashboards are enabling more adaptive resource allocation, program review, and scenario planning. Less than half of institutions use data effectively for major decisions, leaving significant room for improvement

(Inside Higher Ed, 2025; Deloitte Insights, 2025).



AI-enabled efficiency gains

AI automates high-volume administrative tasks (admissions, student support, facility management) and delivers proactive student engagement via chatbots and virtual advisors. Predictive analytics further optimize scheduling and resource use, supporting higher retention and graduation rates

(EdTech Innovation Hub, 2024; Silicon UK, 2024; Inside Higher Ed, 2025).



Process redesign and rightsizing

More than 60% of institutions are streamlining operations, reviewing staffing, and leveraging remote or shared services, frequently alongside new technologies

(Inside Higher Ed, 2025).



Strategic partnerships

Collaboration across campuses and with the private sector enables pooled expertise without redundant cost

(Fitch Ratings, Higher Ed Forecast 2025).



Targeted investment

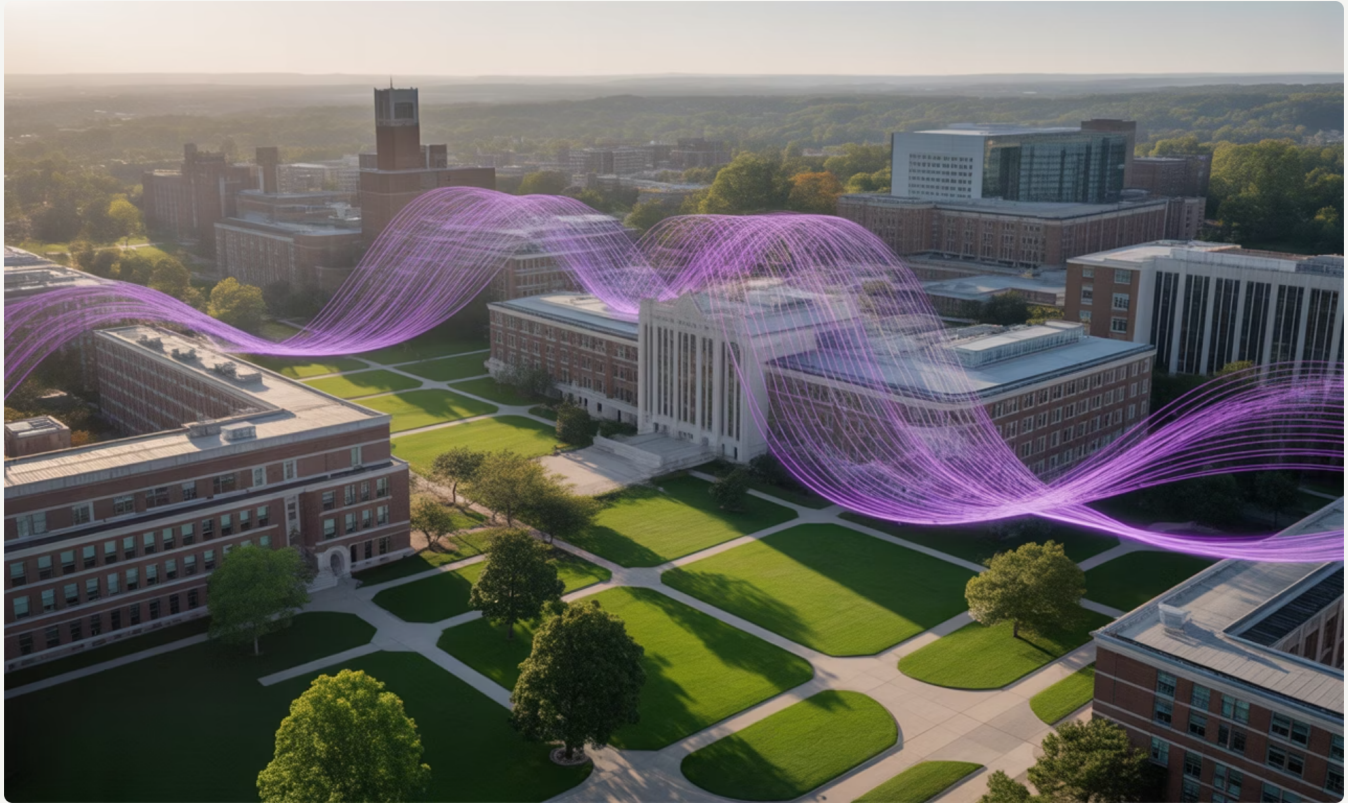
Leading schools prioritize funding for student-facing, high-impact programs, with technology and analytics guiding investment for measurable ROI

(Inside Higher Ed, 2025).



Continuous innovation & adaptability

Successful institutions foster a culture of continuous learning and adaptation, readily exploring emerging technologies and pedagogical approaches to stay competitive and relevant.



Why early tech adopters are succeeding

Colleges with institution-wide AI and analytics adoption—not merely isolated pilots—report substantial efficiency gains and improved student outcomes.

Efficiency gains

Administrative paperwork and manual workload reduced, error rates lowered

(EdTech Innovation Hub, 2024)

Student engagement

AI-powered outreach and virtual support lead to notable improvements in prospective student response and retention

(EdTech Innovation Hub, 2024; Inside Higher Ed, 2025)

Operational savings

Campuses save hundreds of staff hours monthly by automating routine communications and processes

(BusinessWire, "AI Platform Expansion," 2024)

Improved academic outcomes

Early-warning analytics and personalized nudges help boost course completion and graduation rates

(Silicon UK, 2024)

Reallocated staff to mission-critical roles

Freed-up resources support direct student services and adaptability in dynamic budget climates

(Inside Higher Ed, 2025)

Political and policy landscape

Federal Uncertainty

49% report moderate impact on financial planning; 14% report severe disruption.

Student Aid Risk

68% cite federal student aid policy as their top federal policy concern.

Political Interference

71% view government interference in institutional strategy as an increasing financial risk.

Only 12% of CBOs support eliminating the U.S. Department of Education.

Strategic responses to challenges



Academic Portfolio Review

40% completed thorough reviews last year, with 61% positioning programs for growth and 46% reducing offerings.



Resource Sharing

42% expect to share administrative functions with another institution within five years.



Technology Investment

Only 6% report comprehensive strategic investments in AI despite seeing value in the technology.

Key statistics at a glance

270%

Administrative
growth
Increase in admin spending
since 2002

43%

Short-term optimism
CBOs expecting better
finances next year

73%

Long-term
confidence
CBOs confident
in 5-10 year outlook

60%+

Process improvement
Institutions streamlining
operations

Conclusion: balancing short-term challenges with long-term transformation

Short-term challenges

- Unpredictable enrollment
- Unstable funding
- Rising operational costs
- Deferred maintenance backlogs

Long-term opportunities

- Data-driven decision making
- AI-enabled efficiency
- Process redesign
- Strategic partnerships
- Targeted investments in high-impact areas

- ❑ Institutions that balance addressing immediate financial pressures while strategically implementing technology and analytics solutions position themselves for sustainable success in an increasingly competitive higher education landscape.

Sources

- Inside Higher Ed, "2025 Survey of College and University Chief Business Officers"
- S&P Global, "Higher Education Sector Outlook 2025"
- Deloitte Insights, "2025 Higher Education Trends"
- U.S. News, "One Culprit in Rising College Costs: Administrative Expenses"
- Kay & Honeycutt, "How Much Are Colleges Spending on Overhead?"
- NCES Digest of Education Statistics, 2023
- EdTech Innovation Hub, "AI in Higher Education: Case Studies"
- Fitch Ratings, "Higher Ed Forecast 2025"
- Silicon UK, "AI Support Tools in Higher Ed"
- BusinessWire, "AI Platform Expansion and Documented Efficiency Results, 2024"