

Higher Education **Industry User Group**



Housekeeping



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Q&A

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PROPHIX

HIGHER EDUCATION

Navigating the Financial Pressure Points of 2026

An Industry Discussion | Prophix User Conference | May 2026

 *Facilitated discussion*



Three pressure points. One integrated response.

01

**The enrollment
revenue cliff**

Demographics, international pipeline,
Grad PLUS

02

**The federal
funding crisis**

Grant terminations and state cuts
arriving together

03

**The structural
cost problem**

When trimming isn't enough —
redesign is required

04

**Where Prophix
fits in**

Connecting the model from
enrollment to debt service

TOPIC 01

The enrollment revenue cliff

When your core business assumption breaks down from multiple directions at once.



Three forces converging simultaneously



-15%

projected decline in
college-bound students
2025 → 2029



-17%

drop in new international
graduate enrollments
(IIE, this past fall)



Jul 2026

Grad PLUS loan
option eliminated —
pricing power impact



The structural deficit, compounding annually

Moody's forecasts 3.5% revenue growth for the higher ed sector in 2026, while costs are expected to rise 4.4%. For tuition-dependent institutions, a softening of any one revenue stream — domestic undergrad, international graduate, or Grad PLUS-dependent programs — can reshape the picture faster than an annual budget cycle can respond.

From enrollment signal to revenue impact



Enrollment-driven revenue forecasting by segment

Disaggregate enrollment by student type — domestic undergrad, graduate, international, online, continuing ed — and map each to net tuition, discount rate, aid cost, and ancillary contribution. When international graduate softens or Grad PLUS limits crimp demand, finance sees the institutional dollar impact immediately.



Discount rate & net tuition stress testing

Model net tuition revenue under multiple discount rate assumptions to show the precise enrollment-to-net-revenue trade-off of different aid strategies. Replaces the dangerous practice of building budgets on flat tuition and enrollment assumptions.



Multi-year enrollment scenario planning

Parallel scenario tracks — base, optimistic, stressed — that model multi-year financial trajectories across programs and cohorts. The difference between being surprised by a shortfall and having already modeled it with pre-built contingencies.

TOPIC 02

The federal funding crisis

Planning for revenue that can disappear overnight.



Funding assumptions that no longer hold



Since January 2025

\$6.9B—\$8.2B

in federal grants to universities terminated by the current administration — spanning NIH, NSF, and the Department of Education, with no predictable pattern to plan against.



State cuts arriving simultaneously

University systems in Connecticut, Kansas, Maryland, Minnesota, Missouri, Nebraska, New Hampshire and Wyoming are all taking cost-cutting measures to address significant budget shortfalls — federal cuts flowing into state budgets, then into institutional plans.



More than half of S&P-rated privates in deficit

In 2024, more than half of private universities rated by S&P Global generated operating deficits — a figure worsening as of early 2025. The finance function must now own the question of funding concentration risk and scenario floors.

From reactive damage assessment to prepared response



Federal & grant revenue dependency mapping

Identify every federally funded stream — sponsored research, Title IV flow-through, direct program grants, indirect cost recovery — and calculate each department's dependency ratio. Gives the CFO a clear institutional risk map and a financial floor under any specific funding curtailment.



Scenario modeling for funding reduction events

When a grant termination is announced, immediately model the cascading P&L impact — lost direct funding, reduced indirect recovery, personnel cost implications — at department, college, and institutional level. Moves the CFO from reactive to prepared.



Integrated operating, capital & debt plan under constraint

Funding cuts don't just hit the operating budget — they interact with capital plans, deferred maintenance, and debt service capacity (Boston University alone faces ~\$2.8B in deferred maintenance). Prophix connects all three models so the ripple effect is visible across one plan, not three spreadsheets.

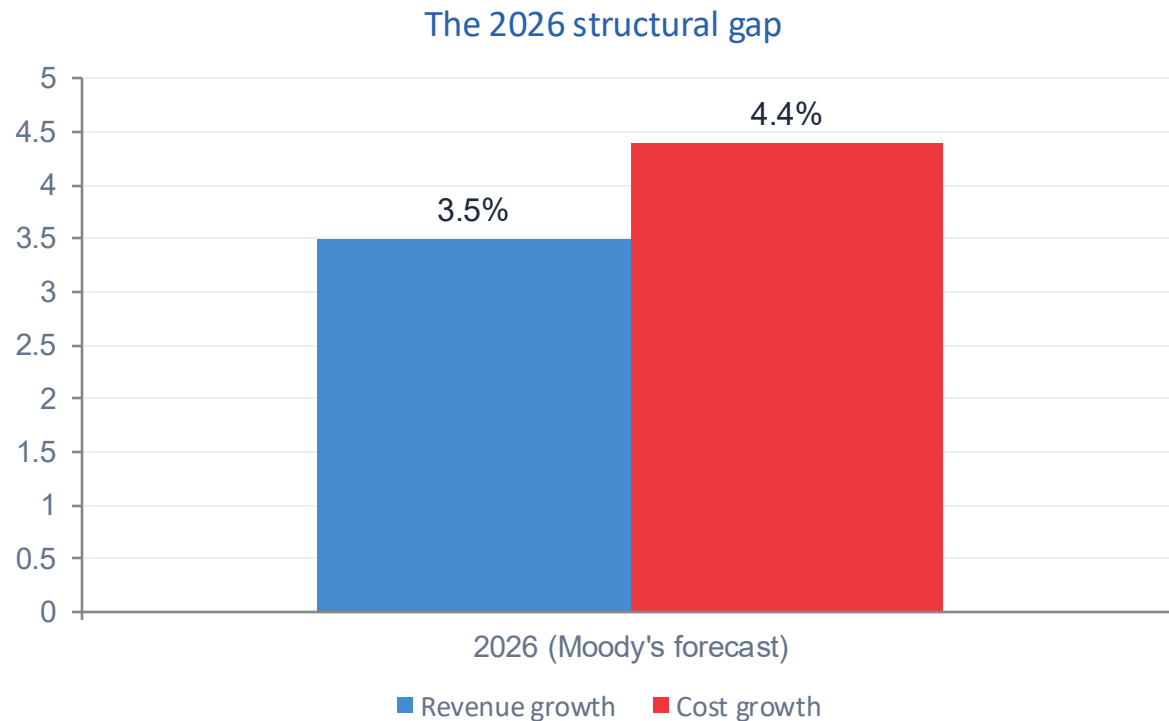
TOPIC 03

The structural cost problem

When cutting isn't enough — and redesigning is the only answer.



Costs are outpacing net tuition — year after year



Source: Moody's higher education sector outlook, 2026



Compensation, benefits & aid

Together represent the majority of expenses. Largely fixed or near-fixed — they don't flex easily with enrollment, yet they've grown faster than net tuition at many institutions.



44 midsize universities at risk

A recent analysis found many at risk of insolvency within five to ten years if the underlying cost structure isn't fundamentally redesigned — not trimmed. The CFO is now being asked to lead a conversation that used to be considered purely academic.

Making the redesign conversation data-driven



Academic program contribution margin analysis

Attribute direct instructional costs, faculty FTE expense, shared-service allocations and enrollment revenue to each program — producing a portfolio-wide contribution margin view. Surfaces which programs are self-sustaining, which are strategically subsidized, and which are quietly consuming resources without a defensible return.



Workforce & compensation rolling forecast

Consolidate faculty and staff headcount planning into a rolling forecast reflecting position status, merit schedules, benefit escalation and open-position pipelines. Gives the CFO an institution-wide workforce cost view — including hiring freeze and voluntary-separation scenarios — instead of waiting for payroll actuals.



Integrated long-range financial model

Connect enrollment → tuition → operating margin → capital investment capacity → debt service in one model, running simultaneously under multiple scenarios. Replaces the patchwork of disconnected spreadsheets boards no longer accept as fiduciary-grade in a volatile environment.

Four further topics for the room



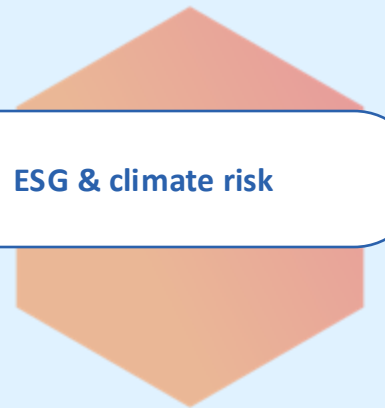
Each connects to a Prophix use case — and to the three pressure points above.

Endowment & liquidity

AI on campus

Mergers & affiliations

ESG & climate risk



Four more conversations



Endowment, liquidity & debt covenants

Why it matters. Markets are volatile, draw rates are pressured, and covenant headroom is narrowing for institutions with operating deficits.

Prophix angle. Cash, liquidity and covenant compliance modeling tied to operating scenarios — so finance sees days-cash-on-hand impact under stress.



AI on campus — academic, operational, financial

Why it matters. AI is reshaping curriculum value, staff productivity expectations, and the cost of remaining competitive — all simultaneously.

Prophix angle. Model the financial case for AI investments: technology spend, expected productivity gains, program differentiation impact on enrollment.



Mergers, affiliations & shared services

Why it matters. Closures and mergers are accelerating. Many CFOs are now being asked to evaluate consolidation options under time pressure.

Prophix angle. Combine financial models, run synergy and dis-synergy scenarios, and quantify the integration glide path before it's locked in.



ESG, climate risk & capital planning

Why it matters. Donor expectations, accretion signals, and insurance costs are turning sustainability and resilience into financial line items.

Prophix angle. Embed ESG metrics, decarbonization capital plans, and physical risk costs into the long-range financial model — not a side report.

Thank you!



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