



Perspectives in higher education

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Introduction

In an increasingly dynamic and complex environment, higher education institutions face a growing number of challenges. The political and public perceptions of the industry, changes in research funding, declines in international students studying in the United States, and evolving compliance requirements are just a few of the issues that institutions face. To address these challenges, colleges and universities are prioritizing transparent plans and disciplined budgets while balancing their core missions of education, research and public service with financial, regulatory, market and competitive realities.

In this edition of *Perspectives in Higher Education*, we highlight those matters, as well as several others. Ranging from industry-leading practices around artificial intelligence and cybersecurity to changes within accreditation practices, institutions are strategizing the most advantageous ways to handle each of these topics. Additionally, we highlight key views on college athletics as well as thoughts when contemplating a merger or acquisition.

Changes within the higher education industry will likely not slow in the future. Those institutions that respond decisively can be in a position of strength, while those that maintain the status quo may struggle to achieve their goals. Establishing a culture where transformation is encouraged by management and the governing board, with input from around the campus, can be a critical component in short- and long-term strategic success.

This document was created to share PwC's insights into the key challenges and related opportunities facing colleges and universities, and to offer an informed point of view on how institutions might respond. As an industry leader in providing audit, tax and advisory services to higher education, PwC has been honored to work with many of the nation's premier educational institutions in addressing their more pressing challenges. Our contributors to this paper are working with your peers on regulatory, tax, risk and operational issues and are well positioned to share trends, insights and perspectives.

Our report is not meant to be exhaustive. Drawing upon our understanding of the diverse nature of higher education institutions that have complex educational, research, and clinical activities, we offer the summary as a broad platform for discussing topics most pertinent to your institution. Note that this report has been updated through April 1, 2026. Certain changes may have occurred since that date.

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Washington update

Background

Halfway through the 119th Congress, the Republican-controlled Congress and the Trump administration are reshaping higher education policy. The enactment of legislation under reconciliation—the One Big Beautiful Bill Act, or OBBBA—brought significant changes to federal student loan programs, institutional accountability and workforce education.¹ While current and prospective students continue to wrestle with the cost of higher education, universities and other institutions face a landscape altered by affordability concerns, accountability requirements, and executive actions targeting diversity programs, immigration policy and more.

These developments, combined with the administration's efforts to dismantle the Department of Education, have created a volatile time in federal higher education policy.² Many leaders in higher education report that they are operating in an environment of sustained uncertainty, with concerns about government interference with academic freedom affecting budgeting, enrollment planning and strategic decision-making.³

Institutional impact

Department of Education



The US Department of Education was established over 45 years ago to increase federal oversight and accountability of education programs and to establish programs and initiatives to promote equal access to educational opportunities, support teacher quality improvements and coordinate federal education grant and loan programs.

In 2024, the department maintained about 4,000 full-time employees. Since the Trump administration's widespread reduction in force, the department's workforce has been cut in half, to roughly 2,000 full-time employees.⁴ The administration further sought to downsize the department during the government shutdown from October 1 to November 12, 2025. The department's attempt to fire hundreds of employees in the Office of Special Education and Rehabilitative Services—which ensures states' compliance with the Individuals with Disabilities Education Act—was put on hold by a federal judge, and many of the fired employees were reinstated

¹ P.L. 119-21, One Big Beautiful Bill Act, July 4, 2025.

² The White House, "Improving Education Outcomes by Empowering Parents, States, and Communities," March 20, 2025, <https://www.whitehouse.gov/presidential-actions/2025/03/improving-education-outcomes-by-empowering-parents-states-and-communities/>.

³ American Council on Education, "ACE Survey: Federal Policy Uncertainty Weighs Heavily on Higher Education leaders," January 20, 2026, <https://www.acenet.edu/News-Room/Pages/Pulse-Point-Survey-Higher-Education-Federal-Policy.aspx>.

⁴ Bipartisan Policy Center, "Staffing Levels and the Department of Education—Five Things to Know," December 4, 2025, <https://bipartisanpolicy.org/explainer/staffing-levels-and-the-department-of-education-five-things-to-know/>.

upon the reopening of the government.⁵ However, the administration continues to appeal the court rulings, furthering the uncertainty at the department.

Since returning to office, the Trump administration, via executive orders and administrative actions, has taken steps to move operations from the department to other federal agencies, in an effort to support the president's position that education should be run by the states. In a November announcement, the department unveiled interagency agreements that would move the Offices of Elementary and Secondary Education and Postsecondary Education to the Department of Labor, the Foreign Medical Accreditation program and the Child Care Access Means Parents in School program to the Department of Health and Human Services, and the Fulbright-Hays grant program and all international education and foreign language initiatives to the Department of State.⁶ Federal funding bills passed in January expressly rejected the department's efforts to move these programs, and others, to other agencies.

Student loans



Federal student loans received a significant overhaul with the enactment of the OBBBA. The Congressional Budget Office estimated that savings from the bill would come through changes to loan limits and repayment structures. Many changes are slated to take effect on July 1, 2026.

- **Elimination of Graduate PLUS loans:** Beginning July 1, the Grad PLUS loan program will be terminated for new borrowers. Students enrolled in the same graduate or professional program who borrowed a Grad PLUS loan before July 1 may continue borrowing under current rules for up to three additional years or until program completion, whichever is shorter.⁷
- **New graduate and professional loan limits:** The OBBBA established new annual and aggregate limits for Direct Unsubsidized Loans to graduate students. Under the legislation, most graduate programs are subject to limits of \$20,500 per year with a \$100,000 lifetime cap. Certain professional programs, including medicine and law, are subject to a \$50,000 annual limit with a \$200,000 lifetime cap.⁸

⁵ Cory Turner, "Amid Shutdown, Trump Administration Guts Department Overseeing Special Education," NPR, October 13, 2025, <https://www.npr.org/2025/10/13/nx-s1-5572489/trump-special-education-department-funding-layoffs-disabilities>.

⁶ US Department of Education, "U.S. Department of Education Announces Six New Agency Partnerships to Break Up Federal Bureaucracy," November 18, 2025, <https://www.ed.gov/about/news/press-release/us-department-of-education-announces-six-new-agency-partnerships-break-federal-bureaucracy>.

⁷ Jeffrey R. Andrade, "Federal Student Loan Program Provisions Effective Upon Enactment Under the One Big Beautiful Bill Act," Federal Student Aid, July 18, 2025, <https://fsapartners.ed.gov/knowledge-center/library/dear-colleague-letters/2025-07-18/federal-student-loan-program-provisions-effective-upon-enactment-under-one-big-beautiful-bill-act>.

⁸ US Department of Education, "U.S. Department of Education Concludes Negotiated Rulemaking Session to Implement the One Big Beautiful Bill Act's Loan Provisions," November 6, 2025, <https://www.ed.gov/about/news/press-release/us-department-of-education-concludes-negotiated-rulemaking-session-implement-one-big-beautiful-bill-acts-loan-provisions>.

- **Parent PLUS loan caps:** Beginning July 1, Parent PLUS loans will be capped at \$20,000 per dependent student per year, with an aggregate limit of \$65,000 per dependent student.⁹
- **Lifetime aggregate limit:** A new total aggregate lifetime limit of \$257,500 applies to all federal student loans combined, excluding Parent PLUS loans borrowed on behalf of dependents.¹⁰
- **Repayment plan changes:** The legislation eliminates most income-contingent repayment plans for loans disbursed after July 1, replacing them with a new Repayment Assistance Plan (RAP). RAP sets payments at a percentage of adjusted gross income and extends the forgiveness timeline to 30 years, compared with 20 to 25 years under prior income-driven plans.

The following summarizes key actions taken by the Trump administration and Congress over the past year that may affect higher education.

DEI



The administration's campaign against diversity, equity and inclusion (DEI) programs intensified after the first quarter of 2025. In his first week in office, President Trump signed executive orders—"Ending Radical and Wasteful Government DEI Programs and Preferencing,"¹¹ to end the use of DEI in all federal programs, policies and mandates; and "Ending Illegal Discrimination and Restoring Merit-Based Opportunity,"¹² which labels diversity initiatives as potential violations of civil rights law and directs federal agencies to combat them—kicking off a sustained effort to influence operations and programming available on campuses. The administration has reached settlements with several universities in connection with civil rights investigations into DEI programs.

Title IX



As part of its plan to eliminate the Department of Education and as part of the administration's broader reduction in force efforts in early 2025, nearly half of the employees in the department's Office for Civil Rights were given notice of termination in March 2025. After a court order blocked the firings, the department instead placed the employees on paid administrative leave. In December, the department recalled many of the employees to address a reported backlog of over 25,000 pending complaints related to sexual assault at schools and universities.¹³

⁹ Reimagining and Improving Student Education (RISE) Committee, US Department of Education, "Discussion Paper and Proposed Regulatory Text: Loan Limit Provisions and Definitions," September 29–October 3, 2025, <https://www.ed.gov/media/document/discussion-draft-and-proposed-amendatory-text-loan-limit-provisions-and-definitions-112319.pdf>.

¹⁰ Ibid.

¹¹ The White House, "Ending Radical and Wasteful Government DEI Programs and Preferencing," January 20, 2025, <https://www.whitehouse.gov/presidential-actions/2025/01/ending-radical-and-wasteful-government-dei-programs-and-preferencing>.

¹² The White House, "Ending Illegal Discrimination and Restoring Merit-Based Opportunity," January 21, 2025, <https://www.whitehouse.gov/presidential-actions/2025/01/ending-illegal-discrimination-and-restoring-merit-based-opportunity>.

¹³ Cory Turner, "Education Department Recalls Fired Attorneys amid Civil Rights Complaint Backlog," December 10, 2025, <https://www.npr.org/2025/12/10/nx-s1-5637464/education-department-layoffs-civil-rights>.

Compact for Academic Excellence in Higher Education



On October 1, the White House unveiled the Compact for Academic Excellence in Higher Education, a voluntary framework offering enhanced federal funding to institutions that agree to specified conditions.¹⁴ The original compact requires participating institutions to eliminate consideration of race and gender in admissions and programming, limit international student enrollment to 15% of the student body, implement tuition freezes, and submit to enhanced federal reviews. The original compact was proposed to nine institutions; on October 14, the administration extended the offer to sign to any higher education institution. None of the original invitees agreed to sign the compact, most citing concerns about institutional autonomy and academic freedom. Education Secretary Linda McMahon has signaled that the administration is working on a revised compact, but in an interview in January, she declined to provide a timeline for its release.

Congressional focus on tax-exempt colleges and universities



Congressional scrutiny of tax-exempt colleges and universities is directly reflected in the OBBBA in a variety of ways. One notable higher-education change is a rewrite of Internal Revenue Code Section 4968 that provides for an excise tax on the net investment income of certain colleges and universities, colloquially known as the “endowment excise tax.” For tax years beginning after December 31, 2025, the flat 1.4% tax is replaced with tiered rates of 1.4%, 4%, and 8% based on an institution’s “student adjusted endowment” (certain non-mission assets divided by eligible students). Eligibility is also tightened (e.g., 3,000 or more tuition-paying students; more than 50% of tuition-paying students located in the United States; exclusion of state schools; and a student adjusted endowment of at least \$500,000). The law directs the Treasury Department to issue regulations or other guidance to prevent avoidance of the tax through the restructuring of endowment funds or other arrangements designed to reduce or eliminate the value of net investment income or assets subject to the tax. New Form 990 disclosures are also required.

Energy tax credits



The OBBBA recalibrated the clean energy credit framework that exempt organizations had been using to fund energy transition projects. Most core credits remain available, but qualification rules are tighter, and diligence expectations are higher. With wind and solar incentives sunsetting, higher education institutions may increasingly look to tech-neutral credits for clean electricity and storage, including geothermal, combined heat and power, fuel cells and energy storage, and to credits for carbon sequestration, nuclear, clean hydrogen and clean fuels. The OBBBA also introduced broad restrictions tied to prohibited foreign entities, requiring deeper supply chain and financing screening and stronger documentation to help reduce recapture risk. Domestic content thresholds phase up and can affect bonus credits and direct pay outcomes. Direct pay for higher education institutions remains available, but success in obtaining energy tax credits depends on coordinated registration and substantiation.

¹⁴ Policy Status Index, EAB, accessed January 2026, <https://eab.com/resources/tool/policy-status-index/>.

Our perspective

The pace and scale of federal action affecting higher education in 2025 were unprecedented. The passage of the OBBBA fundamentally restructured federal student loans and introduced earnings-based accountability requirements that may reshape program offerings at institutions. The administration's campaign against DEI programs, combined with enforcement against alleged antisemitism, has compelled many universities to revisit policies across admissions, scholarships, student services and faculty hiring. International students face uncertainty, with enrollment declines already evident.

To navigate this environment, institutions should consider the following:

- Universities should maintain active engagement with congressional representatives who may advocate for resources and against administrative overreach. Threats to institutions' access to federal grants and student aid tied to DEI and other policies may remain, as investigations and inquiries about campus policies continue. Further, changes to student loan programs may influence enrollment decisions for prospective students.
- Student life and international student offices should provide clear, current guidance on immigration enforcement, visa requirements, social media policies and available legal resources.
- Campus leadership should prepare for efforts by the administration to oblige universities to follow enumerated practices in line with the administration's policies, or risk losing access to resources and federal grants.
- Institutions should closely monitor the transfer of Department of Education functions to other agencies and establish contacts at receiving agencies to maintain awareness of changing processes and requirements.

The longer-term trajectory of the Department of Education and other government agencies remains uncertain. What is clear is that institutions cannot assume that federal functions will operate as they have historically. Proactive planning, diversified relationships across federal agencies, and direct engagement with congressional appropriators may be essential as potential restructuring continues.



The shifting economics of research funding

Background

Federal research funding has historically served as a critical component of the US academic research enterprise, supporting scientific advancement, medical breakthroughs and graduate training pipelines. At the core of this structure is a long-standing cost-sharing model in which agencies such as the National Institutes of Health (NIH) and the National Science Foundation (NSF) reimburse institutions not only for direct research costs, but also for indirect costs. These are often referred to as facilities and administrative (F&A) costs, that support essential research infrastructure including personnel, utilities, grant administration and laboratory maintenance.

During recent federal budget cycles, including the Trump administration's first term, reductions to NIH and NSF funding were formally proposed, alongside a proposal to cap NIH indirect cost reimbursement. While Congress ultimately rejected these reductions and instead enacted funding increases, the scale of the proposed cuts marked a notable moment of stress for the research community.

Although these measures were not enacted, their recurrence signaled that federal research funding, particularly indirect cost reimbursement, is not insulated from broader fiscal and political pressures. For universities and research centers, the takeaway was not simply relief at restored appropriations, but recognition that the structure of federal research support can be publicly challenged and revisited.

In that sense, the episode reinforced a broader shift: stability can no longer be assumed. Even unsuccessful proposals can shape institutional behavior, influence capital planning and elevate scrutiny around research cost structures. As debates over federal spending and indirect cost reimbursement continue, institutions are increasingly operating with the understanding that volatility, rather than predictability, may define the funding environment ahead.

Institutional impact

The downstream effects of constrained federal funding have begun to materialize across US research institutions. While many of the proposed changes are still being disputed or under review, universities are already experiencing operational disruptions tied to delays in funding, shifting agency priorities and uncertainty around indirect cost reimbursement. In response, institutions have adopted a range of immediate and proactive measures, ranging from short-term cost containment to longer-term strategic recalibration. The following is an outline of the more prominent institutional responses emerging across the higher education research landscape.

Early indicators and budget response: In response to delays in funding and concerns over grant viability, universities have taken precautionary steps to stabilize operations. Many have instituted hiring freezes for research and administrative staff and reallocated discretionary funds to protect mission-critical functions.

Halting construction and scaling back growth: Several institutions have paused or canceled research facility construction projects in anticipation of reduced indirect cost recovery. Where once capital expansion was a signal of institutional vitality, campuses are now evaluating whether new square footage is financially sustainable under capped F&A rates.

Preserving talent through internal funding: An institutional concern has been retaining human capital, faculty, postdocs, technicians and graduate students, when grant funding falters. In the absence of federal dollars, universities are deploying internal bridge funding, drawing on reserve funds, or raising philanthropic dollars to cover short-term gaps.

Realigning research portfolios: Funding uncertainties have prompted institutions to reconsider the scope and sustainability of their research portfolios. Certain institutions are narrowing investments to areas of demonstrated value, winding down lower-impact or overlapping efforts, and relying more heavily on cross-disciplinary collaboration. In this environment, alignment with funding priorities has become increasingly important.

State and private sector interventions: Recognizing the vulnerability of federally funded research, certain states have proposed research stability initiatives, including dedicated funds to offset lost indirect costs and to support at-risk research teams. Foundations and private donors have also provided targeted infusions to sustain high-impact projects. However, these sources are often narrower in scope and more competitive than federal funds.

Our perspective

Federal research policy is changing quickly, creating ongoing uncertainty. While institutions often respond with short-term adjustments, the current environment is requiring a shift in approach in order to safeguard long-term sustainability. The strategies below reflect proactive steps that institutions can take to strengthen stability amid ongoing volatility.

- **Plan for volatility:** Use scenario-based modeling to help anticipate multiple funding trajectories. Planning for lower indirect cost recovery rates, for instance, enables more informed infrastructure and staffing decisions.
- **Make bridge funding a core tool:** Institutions should consider formalizing bridge funding programs and confirm that they are thoughtfully targeted and coordinated with development teams and state government relations efforts to help researchers manage funding gaps.
- **Aligning research with institutional priorities:** Research strategies should stay closely tied to the institution's mission, financial health and long-term goals. This includes regularly reviewing which programs warrant continued investment and which should be scaled back or phased out.
- **Bring donors into research:** Philanthropy may be increasingly important to keeping research programs running. Institutions should clearly show donors how their support helps sustain research staff, maintain equipment and fund early-stage or pilot projects.
- **Improve administrative efficiency:** As overhead funding becomes more constrained, institutions should look for ways to lower the cost of managing grants by using shared services, better technology and more efficient staffing models.

- **Strengthen policy engagement and advocacy:** Institutional leaders should actively track and engage in state and federal policy discussions related to research funding. Taking a proactive role in conversations about grant rules and indirect cost models may help institutions stay better positioned for future funding cycles.

While institutions cannot control federal policy, they can build resilience and responsiveness into their operations. This moment represents more than a temporary funding disruption; it signals a broader shift in how government prioritizes and approaches research.

Research has long been a pillar of innovation in the United States and can continue to help drive discovery and growth. Institutions should think beyond individual administrations or election cycles and instead focus on strengthening the long-term sustainability of their research enterprises. By doing so, they can help position themselves as important hubs of discovery and innovation, even within a more constrained and evolving funding environment.



Rebalancing the global higher education landscape: An international perspective

Background

Higher education is entering a period of structural global rebalancing. Cross-border study and research remain strong, yet the center of gravity is shifting toward a more distributed, multipolar landscape driven by policy, economics and resilience considerations.

The United States continues to serve as a major global anchor institutionally and reputationally. However, its relative gravitational pull is evolving as students, sponsors and researchers apply a more explicit risk and return lens, and as alternative systems expand capacity and ambition.

Multiple forces are acting simultaneously: changing visa requirements, geopolitical unpredictability, affordability pressures, post-pandemic behavioral shifts, and strategic investments in Asia, the Middle East and parts of Europe. Mobility decisions are increasingly shaped by employability outcomes, policy stability and delivery flexibility. As a result, global mobility is becoming more distributed and regionalized. The next phase will likely be characterized by behavior in which proximity, price, policy clarity and resilience shape both institutional and individual choices.

Institutional impact

The following highlights how the global shift is playing out in the areas of student mobility, research and international partnerships.

Student mobility, from global flow to regional choice: The United States remains the world's largest host of international students. In 2024-25, the US enrolled approximately 1.2 million international students, representing about 6% of total US higher education enrollment and contributing nearly \$55 billion to the US economy.¹⁵ However, the strategic signal lies not in historical numbers, but in momentum and composition. New enrollments are declining; recent snapshots indicate a drop in overall new international student enrollments in 2025-26, with reported declines on the order of about 17% in first-year registrations at many US institutions.¹⁶

In contrast, global mobility continues to expand and diversify outside the United States. Data produced by the Organisation for Economic Co-operation and Development (OECD) show around 5 million internationally mobile students within OECD systems in 2024, with increasing distribution beyond the United States and traditional English-speaking destinations.¹⁷ Emerging hubs in Asia are rapidly scaling—Japan's

¹⁵ "United States Hosts 1.2 Million International Students at Colleges and Universities, Totaling 6% of U.S. Higher Education," Institute of International Education, November 17, 2025, <https://www.iie.org/news/open-doors-2025-press-release/>.

¹⁶ Richard Luscombe, "New International Student Enrollments in US Plunge This Year, Data Shows," *The Guardian*, November 17, 2025, <https://www.theguardian.com/us-news/2025/nov/17/international-student-enrollments-plunge>.

¹⁷ Organisation for Economic Co-operation and Development, *Education at a Glance 2025*, September 2025, https://www.oecd.org/en/publications/education-at-a-glance-2025_1c0d9c79-en/full-report/how-do-student-profiles-study-choices-and-mobility-trends-shape-tertiary-education_97e1e2bd.html.

international student population saw a 21% growth in the 2024-25 cycle—and Germany and France recorded over 400,000 international students each.¹⁸

In parallel, transnational and hybrid delivery models are expanding. Globally, there were an estimated 6 million internationally mobile students in 2023, with forecasts estimating over 10 million by 2030, driven in part by regional mobility and cross-border program delivery rather than full relocation.¹⁹

The United States is facing a redistribution of growth momentum. Competition for globally mobile students is intensifying, and alternative destinations are strengthening regional and cost-competitive propositions. Traditional recruitment models anchored in brand and historical dominance are under increasing pressure.

Research and development (R&D) talent migration and research collaboration: The United States remains a research leader, yet it is no longer the default destination for all top research talent. Instead of a one-way pipeline into the United States, evidence points to increasingly two-way mobility where some US-trained scientists have relocated abroad. Additionally, funding debates and indirect cost pressures have introduced greater uncertainty into institutional research planning, amplifying spillover effects for fields heavily dependent on US federal research funding.²⁰

Globally, research agendas are increasingly anchored in national priority areas: artificial intelligence, advanced manufacturing, health, energy and climate resilience. This mission orientation is reshaping funding allocation and collaboration models. Emerging hubs are investing in mission-led research ecosystems and advanced infrastructure.

For example, Canada's US\$1.2 billion Global Impact+ initiative has been positioned to attract top researchers and doctoral candidates internationally.²¹ In India, efforts to enhance bilateral talent flows are gaining traction. In 2025, India and Japan jointly committed to an action plan targeting the exchange of 500,000 personnel over five years, including approximately 50,000 skilled professionals and potential talents from India to Japan. This arrangement signals a coordinated approach to facilitate mobility of high-end human capital between two major economies.²²

The US R&D ecosystem should recognize the multipolar competition and tailor its incentive frameworks, visa policies and partnership strategy accordingly. Talent flows can no longer be interpreted as automatic “gains” for the United States; rather, they reflect a dynamic system where high-value researchers weigh multiple options based on funding clarity, career progression, mobility convenience and sector-specific ecosystems.

¹⁸ Ivana Bartosik, “2025 in Review: What the Data Tells Us About International Student Mobility in 2026,” Bonard Education, December 17, 2025, <https://www.bonardeducation.com/insights/2025-in-review-what-the-data-tells-us-about-international-student-mobility-in-2026>.

¹⁹ Allan E. Goodman and Mirka Martel, *Outlook 2030 Brief: The U.S. and International Education*, Institute of International Education, March 2024, https://www.iie.org/wp-content/uploads/2024/03/IIE_Outlook-2030_March-2024.pdf.

²⁰ The Associated Press, “Judge Blocks the Trump Administration’s National Science Foundation Research Funding Cuts,” June 2025, <https://apnews.com/article/research-funding-trump-cuts-d5df7c8da15321a189b5803d09c60dc5>.

²¹ Andrew Jack, “Canada Launches \$1.2bn Fund to Poach Academic Talent from US,” *Financial Times*, December 9, 2025, <https://www.ft.com/content/c664e121-482a-4fcb-8e5a-c3b280bfb7ea>.

²² Press Information Bureau Delhi, “Action Plan for India—Japan Human Resource Exchange and Cooperation,” August 29, 2025, <https://www.pib.gov.in/PressReleasePage.aspx?PRID=2161975®=3&lang=2>.

International partnerships—high intent, low conversion: Despite strong global engagement intent, many institutions struggle to convert memorandums of understanding into operational partnerships. Memorandums of understanding continue to be signed across research collaboration, mobility and joint delivery. Yet globally, the more meaningful indicator is not the number of agreements signed, but the number operationalized.

Emerging hubs are increasingly prominent hosts of such operationalized agreements. Dubai has multiple international brand campuses and Saudi Arabia has moved beyond “exploratory partnerships” toward institution-building with certain US universities. Regulatory reform in India provides another example of execution moving faster outside traditional Western systems. Under new University Grants Commission regulations, foreign universities are now establishing degree-granting campuses inside India.²³

Cross-border partnerships require alignment across governance, tax structuring, compliance regimes, accreditation rules and brand risk management. PwC’s 28th Annual Global CEO Survey (2025) underscores that organizations able to redesign operating models and accelerate execution in complex environments are better positioned to capture growth. Applied to higher education, partnership velocity and institutional coordination increasingly differentiate those that convert intent into impact from those that remain at the memorandum stage.²⁴

Our perspective

The rebalancing underway is not a short-term cycle shift; it is a structural change in how talent, research and delivery capacity are distributed globally. Institutions that respond well may treat internationalization as an operating model choice, one that requires clear strategic intent, repeatable execution mechanisms and risk-aware governance. Certain practical moves can help leadership teams convert this landscape shift into resilient growth. These include the following:

Treat international engagement as a strategic portfolio:

Move from opportunistic, one-off partnerships to a managed portfolio with clear objectives, defined success metrics and active choices about where to invest leadership attention. This could be accomplished by segmenting international activity into distinct portfolios and identifying which partnerships are strategic, which are tactical and which should be exited if they do not convert into measurable outcomes.



²³ “First Global Varsity Campus under New UGC Rules Opens Doors in Gurgaon,” *Times of India*, July 17, 2025, <https://timesofindia.indiatimes.com/city/gurgaon/first-global-varsity-campus-under-new-ugc-rules-opens-doors-in-gurgaon/articleshow/122592060.cms>.

²⁴ PwC, *Reinvention on the Edge of Tomorrow: 28th Annual Global CEO Survey*, January 2025, <https://www.pwc.com/gx/en/ceo-survey/2025/28th-ceo-survey.pdf>.

Reframe global talent as a two-way system:



Talent mobility is increasingly circular, and institutions should design for movement rather than assume permanent retention. This requires models that support sustained collaboration across borders, including joint appointments and shared affiliations that make participation feasible without full relocation, and a mobility design that enables circular movement (secondments, visiting roles and return pathways) rather than a one-direction pipeline.

Align research collaboration with global mission areas:



As research agendas become more mission-driven, collaboration should move beyond volume and toward outcomes anchored in priority domains. Institutions can do this by focusing partnership selection where national priorities overlap (e.g., artificial intelligence, health, climate resilience) and embedding industry participation to strengthen translation, relevance and co-investment potential.

Build institutional muscle for execution:



Partnership intent becomes impact only when institutions can execute consistently across governance, risk and operating constraints. This means investing in deal structuring capabilities that accelerate conversion from memorandum to launch and cross-functional governance spanning academic leadership, legal, tax and risk to reduce cycle time.

The global higher education system is not fragmenting; it is redistributing. Scale and excellence remain deeply embedded within US institutions, which continue to lead in research capacity, academic reputation and innovation depth. Yet advantage in a multipolar landscape cannot rest on legacy strength alone. Future leadership will likely depend on adaptability in the face of policy and funding volatility, strategic selectivity in choosing markets and partnerships, and willingness to engage globally on new terms—shaping collaborative models, sharing risk and redefining value creation rather than relying on historical dominance.



Strengthening compliance in an era of constant change

Background

Colleges and universities are operating in a regulatory environment defined by rapid change, heightened scrutiny and expanding expectations. Federal and state regulators, accrediting bodies, sponsors, governing boards and the public are increasingly focused on how institutions manage compliance across a growing set of domains. These include Title VI of the Civil Rights Act of 1964, research integrity, data privacy, financial aid, campus safety, intercollegiate athletics and employment practices, among others.

At the same time, many institutions often face constrained resources. Enrollment pressures, evolving research funding requirements, decentralized operating models and frequent leadership and staff turnover have made it more difficult to maintain consistent oversight. Expectations for transparency and accountability continue to rise even as compliance teams are asked to do more with less.

In this environment, compliance can no longer be treated as a static set of policies or a function housed within a single office. What worked yesterday, such as periodic reviews, manual tracking or informal coordination, may not meet the demands of today or tomorrow. Increasingly, leading institutions are moving from simply whether they comply to whether they can demonstrate an effective, well-governed, well-monitored and continuously improving compliance program.

Institutional impact

The implications of this environment are being felt across higher education, including the following items.

Growing enforcement activity and reputational risk: Recent high-profile cases at colleges and universities (such as those related to campus protest responses) have underscored the human, financial and reputational consequences of compliance failures. Weak oversight, inconsistent escalation or lack of accountability in areas such as admissions, research compliance or athletics can erode trust and expose institutions to significant liability.

Fragmented compliance models: Many institutions operate with decentralized and largely manual compliance processes. While decentralization can support academic autonomy, it frequently constrains enterprise-wide insights, undermines consistent and reliable reporting and decision-making, and can create uncertainty regarding accountability for risk identification and remediation.

Increased demands from leadership and boards: Trustees and senior leaders are asking more pointed questions, including the following:

- How do we gain comfort that our institution is compliant in a changing regulatory landscape? Where are our highest areas of compliance risk?
- Do our people have the necessary skills and capabilities to effectively design, operate and evolve our compliance program and address our highest areas of compliance risk?
- Do we have meaningful metrics to monitor program performance?

- Can we clearly and confidently explain how our compliance program operates?

Without clear answers, leadership confidence, oversight and effectiveness can suffer.

Tension between compliance and culture: Compliance requirements often intersect with institutional values, shared governance and academic freedom. When compliance is perceived as reactive, punitive or disconnected from mission, it can lead to disengagement or inconsistent adoption across campus.

Together, these pressures highlight the value of compliance programs that are not only holistic, but fit for purpose, risk-based and embedded in how the institution operates.

Industry-leading practices in effective compliance programs

Institutions that effectively navigate the changing compliance environment and the associated institutional impacts tend to exhibit several common characteristics. These are often grounded in widely recognized compliance frameworks such as the federal sentencing guidelines and the Seven Elements of an Effective Compliance Program from the Department of Health and Human Services Office of Inspector General.

Examples of those industry-leading practices are listed below:

- **Clear governance, tone at the top:** Effective programs are anchored by visible leadership commitment, with senior leaders and boards setting expectations, reinforcing accountability and modeling ethical behavior through consistent oversight and decision-making. At the same time, ownership for compliance activities is clearly defined and distributed across academic and administrative units. Clarifying roles across oversight, implementation, monitoring and response helps reduce gaps, limit duplication and reinforce that compliance is a shared institutional responsibility, not a peripheral obligation.
- **Risk-informed prioritization:** With limited resources, industry-leading institutions often focus on compliance efforts where risk and impact are greater. Formal risk assessments help identify priority areas, align monitoring and auditing activities, and guide the allocation of compliance resources.
- **Coordination with enterprise risk management (ERM) and internal audit:** Industry-leading institutions intentionally coordinate compliance activities with ERM and internal audit. Alignment across these functions helps create a shared view of risk, improves assurance coverage and enables more efficient use of limited resources while avoiding duplicative or misaligned efforts. Formal risk assessments help identify priority areas, align monitoring and auditing activities, and guide the allocation of compliance resources.
- **Ongoing monitoring, auditing and response:** Compliance is treated as a continuous, practical process rather than a point-in-time exercise. Institutions establish regular monitoring and auditing activities, use defined escalation and response protocols, and track remediation to confirm that issues are resolved and do not recur.
- **Targeted training and communication:** Recognizing limited time and attention, institutions are becoming more deliberate in how they design compliance training. Role-specific, risk-aligned education, supported by clear communication channels, reinforces expectations throughout the year, not only during the onboarding process.
- **Measurement and maturity awareness:** Increasingly, institutions assess not just whether compliance elements exist, but how well they are integrated into operations. Understanding program maturity, from informal and reactive to more structured and coordinated, can provide a practical road map for sustainable improvement.

Institutions viewed as leaders in compliance often share a willingness to step back and objectively assess their programs. Rather than assuming effectiveness, they evaluate strengths and gaps against established expectations and peer practices, using the results to inform pragmatic road maps for improvement. These institutions tend to:

- Integrate compliance considerations into ERM and strategic planning.
- Provide boards with concise, meaningful insights into compliance posture and trends.
- Leverage technology, including data analytics, workflow tools and emerging AI capabilities, to help improve visibility, automate routine compliance activities, identify patterns or anomalies, and enable more timely escalation and response.
- Use key performance indicators to support more informed decision-making and resource prioritization.
- Foster a culture where raising concerns is encouraged and acted upon.

As a result, they are often better positioned to anticipate regulatory change, respond consistently and maintain stakeholder trust.

Our perspective

The pace and visibility of regulatory change in higher education are unlikely to slow. At the same time, institutions are being asked to meet these growing expectations with limited incremental resources. In this environment, compliance program effectiveness is becoming a strategic differentiator—not simply a defensive requirement.

Institutions that anchor their programs in well-established compliance principles, such as leadership accountability, effective training and ongoing monitoring, and coordinate those efforts with related risk functions including ERM and internal audit, can be better positioned to create consistency, reduce duplication and strengthen credibility across a decentralized environment. Alignment across these functions supports a shared view of risk and helps institutions focus their attention where it matters most.

Effective compliance is not the responsibility of a single office or department. It is an ongoing, institution-wide effort that balances regulatory obligations with institutional mission and the needs of students, faculty and staff. As expectations continue to increase, institutions are also turning to technology to help scale their programs. The thoughtful use of data analytics, workflow automation and emerging AI-enabled capabilities can improve visibility across compliance activities, support timely identification and escalation of issues, and automate routine tasks, allowing limited compliance resources to focus on higher-risk areas that require human judgment.

Taken together, this combination of strong principles, pragmatic execution and technology enablement allows institutions to respond to regulatory complexity without proportionally increasing compliance headcount. These actions position institutions to navigate uncertainty with clarity, protect their integrity and support long-term success.

Artificial intelligence

Background

The landscape of higher education continues to evolve at an unprecedented pace, with artificial intelligence emerging as perhaps the most transformative force since the advent of the internet. As higher education navigates this technological inflection point, leaders face complex decisions that will affect the future of their institutions.

Recent survey data from approximately 180 participants in a PwC higher education webinar held in January 2026 reveals insights into how academic and administrative leaders are approaching AI adoption. The data illuminates current maturity levels, technology preferences, priority use cases and implementation challenges. Understanding these patterns can help institutions benchmark their AI readiness against peers while identifying opportunities for collaboration and knowledge sharing across the higher education community.

Institutional impact

Survey results:

Key takeaways from recent survey results²⁵ include the following:



- **Maturity assessment:** Participants were asked to rank their organization against an AI maturity framework. Survey responses indicate that most institutions remain in early AI adoption phases of individual exploration or piloting specific projects within departments. Specifically, 67% of the organizations are in the early exploring and piloting phases while the remaining third said they are well into scaling use cases across functions and are leading by embedding AI in their core administrative operations.
- **Technology adoption patterns:** Participants were asked what AI technologies their organization is using. Institutional technology choices reveal heavy reliance on consumer-grade AI tools and tools that plug into enterprise resources.
- **AI-supported workflows:** Participants were asked to identify administrative areas in which their organization is developing AI-supported workflows. Responses reveal that AI-supported workflows are being developed primarily in finance and accounting (30% of the organizations). Certain institutions are also developing AI-supported workflows in internal audit (12%), compliance (12%), human resources (10%), procurement (10%), research administration (9%) and risk (7%).

²⁵ PwC conducts a periodic higher education webinar series with leaders from 90+ higher education and other organizations. In January 2026, 180+ attendees joined the webinar and participated in the survey questions.

The survey data reveals growing momentum; while broad experimentation indicates healthy organizational curiosity about AI potential, success often depends on institutional strategies and governance frameworks that allow efforts to scale to deliver business outcomes. Successful institutions will move beyond ad hoc tool adoption toward systematic evaluation of AI capabilities that directly address their more pressing operational challenges while building internal capability for long-term AI strategy development and implementation.

AI governance:



Higher education's distinctive governance structure creates unique implementation challenges for AI adoption. Faculty maintain autonomy over curriculum and pedagogy, academic departments operate with significant independence, and multiple governing bodies hold authority over different institutional domains. Key challenges can include decision-making complexity, jurisdictional ambiguity and expertise gaps.

Successfully integrating AI requires careful navigation of these governance complexities while building community consensus for technological change. While shared governance remains a defining feature of higher education, AI adoption introduces distinct decision-making considerations. Leaders should determine where AI can be appropriately applied within finance, HR, IT, procurement and research administration processes, and where human judgment remains essential. Institutions will need to clarify decision rights, data ownership and escalation paths early to avoid inconsistent adoption across administrative units.

Workforce transformation in the AI era:



As AI automates routine tasks and augments complex work, virtually every staff role will likely evolve, requiring holistic workforce development strategies. The workforce implications of AI adoption extend beyond job displacement concerns. Successful implementation requires understanding how different roles can be augmented, transformed or eliminated, then developing targeted strategies to support affected employees. Key considerations include:

- **Role evolution:** Staff positions are experiencing three distinct types of AI impact. Role augmentation affects positions incorporating AI as productivity tools for writing, analysis and problem-solving. Process transformation redesigns workflows around AI capabilities, requiring new skills for managing AI-assisted processes. Strategic oversight roles increasingly focus on AI governance and ethical implementation.
- **Skill gap emergence:** Institutions face growing gaps between current workforce capabilities and AI-enhanced operational requirements. Traditional professional development programs designed for stable skill requirements can struggle to prepare employees for evolving AI capabilities.
- **Cultural adaptation:** The introduction of AI tools requires significant cultural shifts in how staff approach their work, collaborate with technology and maintain professional identity in AI-augmented environments.

Our perspective

Artificial intelligence is moving from the personal efficiency phase into more impactful ways of reimagining transactions and processes. Rapid adoption represents a fundamental shift from manual processes to proactive strategic planning, driven by mounting pressures including declining enrollments, rising costs and evolving workforce demands. Early adoption efforts are often concentrated in administrative areas that are high volume and process driven. As institutions weigh areas to focus their AI efforts, they should consider the following:

- **Finance and procurement:** Universities can capture significant efficiency gains through AI-powered administrative functions, particularly in finance and procurement workflows. Common applications include invoice exception identification, budget variance commentary, payment inquiry responses and contract review support.
- **Post-award grant management:** AI can be integrated into post-award grant management activities. These include budget versus actuals tracking, allowable cost checks and interpretation of sponsor and institutional requirements. Demonstrated tools provide real-time visibility into grant balances, spending trends and upcoming deadlines.
- **Operational transformation across other areas:** Human resources is an emerging area where some institutions are beginning to develop AI-supported workflows, while IT functions play a key enabling role related to tool access, data readiness and integration with existing enterprise systems.

Effective AI governance requires adapting traditional oversight mechanisms to address technological complexity. A thoughtful approach should include:

- **Transparency:** Establishing clear communication protocols about AI tools in use, their functionality, data access patterns and role impacts across the institution.
- **Inclusivity:** Enabling meaningful participation from stakeholder groups in policy development, including faculty perspectives on pedagogy, and staff concerns about operational changes.
- **Adaptability:** Creating governance frameworks that enable iterative policy refinement without requiring cumbersome approval processes for minor adjustments to rapidly evolving technologies.
- **Accountability:** Designating clear responsibility for AI oversight, including mechanisms for addressing concerns, auditing outcomes and revising approaches when problems emerge.

Finally, related to workforce transformation, successful institutions should invest in holistic development programs addressing foundational AI literacy and role-specific upskilling. Additionally, building internal capacity through advanced training programs and strategic recruitment can reduce AI sprawl while maintaining institutional control over AI strategy.

Successful AI adoption requires institutions to move beyond ad hoc implementations toward holistic strategic frameworks. Technology and process redesign are often only a part of the formula for success. Attention should also be placed on AI alignment at the highest levels of leadership, proper governance programs and investment in the upskilling and change management implications on the workforce.

Cyber threats and priorities

Background

Higher education institutions often support large populations of students, faculty, staff, alumni, donors and visiting researchers. They also rely on a broad set of digital assets, including identity verification services, email services, learning management systems, remote access tools, research infrastructure, finance and HR systems, and third-party platforms used for administration and engagement.

The sector's cyber exposure is driven by complexity and decentralization. Attackers target weak identity processes, vulnerable internet-facing applications or trusted third-party infrastructure. The higher education environment also amplifies consequences, since service disruption and data exposure affect large user populations and quickly become governance and communications issues.

When it comes to cyber risk in higher education, financially motivated threat actors are considered a key threat due to capability, volume and breadth of operational impact. Espionage is assessed as medium to high risk, particularly for institutions with significant research, national security adjacency or sensitive policy work. Sabotage and hacktivism are considered lower risk overall, though they can be impactful when timed to sensitive events or when they target public-facing services.

Institutional impact

High-impact trends observed in recent years are likely to continue. These include threats focusing on high-value data that can be used for extortion and the compromise of third-party platforms that can enable access to multiple valuable assets rather than targeting a single organization. Trends identified include the following:

Phone-based social engineering and help desk manipulation:



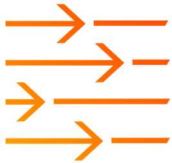
Attackers use a persistent pattern of persuasion, urgency or impersonation to convince staff to approve access changes, reset credentials or bypass normal verification steps. In these cases, identity and account recovery processes are a primary point of failure since endpoint controls and security tooling can be bypassed if staff workflows allow authentication or access changes based on weak verification.

Targeting of advancement, alumni and donor data systems:



These systems often concentrate curated contact data and relationship context, increasing the value of the dataset for follow-on fraud and targeted phishing. The strategic value of these systems is not only the data itself, but also downstream abuse: impersonation, payment diversion and highly believable targeted outreach to donors, alumni and university leadership.

Data extortion:



In the past year, the shift toward “steal and pressure” data extortion has continued, sometimes with limited or no encryption. Extortion leverage increasingly comes from the sensitivity of stolen data and the reputational cost of public disclosure. Consequently, recovery planning that focuses only on restoring systems can miss the primary leverage mechanism in this type of incident. Data exposure management, legal posture and communications control are central to the outcome.

Enterprise software exploitation and platform compromise:



These have become prominent, causing enterprise application security and third-party dependencies to become critical risk drivers. Disclosures and reporting in 2025 included cases consistent with exploitation of widely used enterprise applications and platforms. Platform compromise creates the potential for broad victim sets and rapid scaling.

Financially motivated threat actors remain persistent and active despite ongoing disruptions in the cybercrime ecosystem. These groups often target multiple sectors, which indicates mature tradecraft and an ability to shift targeting quickly when specific intrusion methods are working. Many of these threat actors are known for social-engineering-led access, data theft and extortion pressure, as well as ransomware operations that run affiliate models and target multiple sectors. Ransomware operators have recently targeted universities, exfiltrating large volumes of sensitive data.

Additionally, espionage-motivated threat actors maintain a strategic interest in universities, particularly those with strong research arms. The driver is the value of intellectual property and research outputs that align to certain national priorities. Higher education is also targeted because researchers and specialized faculty often hold privileged access to sensitive collaborations, grant-related data and external partner environments.

Our perspective

Some of the more likely high-impact scenarios for universities continue to be financially motivated intrusions that combine identity compromise, data theft and extortion pressure. Separately, espionage-motivated activity remains a sustained risk for institutions with relevant research portfolios and for individuals tied to sensitive policy domains. To reduce the risk associated with these scenarios, institutions should consider the following:

- Cyber risk should be treated as an operational and reputation issue, not only an IT issue. Leadership should clarify decision rights before an incident, including who can authorize emergency actions, who owns external communications, and how to balance continuity of teaching and research with containment. The goal is faster, more confident decisions under pressure. Institutions that do this well typically have a clear executive sponsor, a cross-functional response team that meets at least quarterly, and a brief list of business priorities that guide choices during disruption.
- Managing who can access university systems and how that access is granted, changed or recovered should be treated as a key business process with defined controls, training and oversight. Universities should tighten how account recovery works, require stronger verification for high-risk changes, and standardize help desk practices, so that exceptions do not become a pathway. Staff may require simple scripts and escalation paths, so they feel supported when they slow down a suspicious request. Leadership should expect and reward that behavior.
- Protecting data that creates leverage should be prioritized. A practical step is to reduce how much sensitive data is stored, how broadly it is shared and how easily it can be exported. Universities should prioritize a small set of high-impact systems and apply stronger access controls, tighter review of who can download large datasets, and clearer retention rules. Backups and recovery plans should be tested in exercises, so that leaders know what can be restored quickly and what will take time.
- Third-party platforms should be managed as critical dependencies. Institutions should maintain an inventory of their most important vendors and integrations, require timely incident notification from those providers, and build contingency plans for when a major platform is unavailable. This includes knowing which services can be paused safely, how to isolate affected connections, and what manual workarounds exist for time-sensitive functions like payroll, student services and clinical operations.
- Incident planning and tabletop exercises should be conducted for events that apply coordinated pressure across different domains. Institutions should pre-draft executive communications, establish a clear approach to extortion and negotiation decisions, and align legal, communications and operational leaders early. This also includes training executives on what to expect in the first 24 to 72 hours: incomplete information, competing priorities and pressure to make decisions before the full scope is known. Regular tabletop exercises are often effective ways to build muscle memory and reduce confusion.
- Research and sensitive programs warrant extra attention. Universities should identify their highest-risk research areas and key individuals, then provide stronger identity protections, better support for secure collaboration, and targeted awareness around spear phishing and credential theft. The objective is to make it harder to compromise the faculty and staff who are most likely to be singled out. Universities should also weigh public announcements of sensitive research programs, which may draw the attention of actors interested in targeting the information.

Ultimately, the goal is not to prevent every attempt, but to make intrusion harder, limit the scope of impact and recover quickly with trust intact.



The shifting landscape of accreditation

Background

Accreditation has long served as the primary mechanism through which quality is defined, evaluated and sustained in US higher education. At its core, accreditation is a peer review process through which colleges and universities demonstrate compliance with standards related to educational quality, governance, financial stability and student outcomes. Two forms of accreditation operate in parallel. Regional (or institutional) accreditors evaluate entire institutions, while programmatic accreditors focus on specific professional or academic units such as law, medicine, education and business, often linking standards to licensure or professional practice.

Although conducted by independent, nongovernmental agencies, accreditation carries significant practical weight. Recognition by an accrediting body approved by the Department of Education has historically served as the gateway to participation in federal student aid programs and access to federal research funding. For years, this framework has provided institutions, policymakers and the public with a stable and widely accepted system of quality assurance. That stability, however, has increasingly come under strain as rising costs, questions about outcomes, and shifting priorities have prompted a reexamination of how accreditation functions and who ultimately controls it.

Institutional impact

Early signals: As early as 2022, some state legislatures had started to move away from traditional review processes by regional accreditors. Florida enacted legislation requiring public institutions to change accreditors at the conclusion of each accreditation cycle,²⁶ with North Carolina following suit in 2023 (although later repealing the act in 2025). By increasing the role of state governments in accreditor selection, these actions changed long-standing accreditation practices and altered the continuity of established relationships with institutional accreditors, including the Southern Association of Colleges and Schools Commission on Colleges (SACSCOC).²⁷

These state-level actions unfolded along with a reframing of higher education policy that would later shape the Trump administration's approach to accreditation. Project 2025, originally published in April 2023, articulated a vision of reduced federal involvement in education, calling for the elimination of the Department of Education and the restoration of education authority to states and local governments. The document proposed changes to the federal role in postsecondary accreditation processes, including recommendations related to accreditation oversight, the linkage between accreditation and federal student aid eligibility, and the criteria used by accreditors in evaluating institutions and programs.²⁸ These state actions and federal

²⁶ Postsecondary Education, Florida S.B. 7044, 2022 (enacted), <https://www.flsenate.gov/session/bill/2022/7044/?Tab=BillText>.

²⁷ Paul Dans and Steven Groves, eds., *Mandate for Leadership: The Conservative Promise*, The Heritage Foundation, 2023, https://static.heritage.org/project2025/2025_MandateForLeadership_FULLL.pdf.

²⁸ Ibid.

policy signals set the stage for a period in which traditional accreditors and the Department of Education's oversight role would face sustained pressure in the accreditation landscape not seen in a generation.

Executive actions: That pressure accelerated on April 23, 2025, when President Trump issued an executive order asserting that accreditors had failed to adequately prioritize student outcomes, economic value and legal compliance. It directed the Secretary of Education and the Attorney General to investigate, monitor and, where warranted, suspend or terminate federal recognition of accreditors that impose standards deemed inconsistent with federal law. The order named three specific programmatic accreditors for their use of DEI standards: the American Bar Association's Council of the Section of Legal Education and Admissions to the Bar, the Liaison Committee on Medical Education and the Accreditation Council for Graduate Medical Education.²⁹

Regional accreditors, including the Higher Learning Commission, issued public responses describing their existing quality assurance practices while also indicating openness to provisions that expand competition and streamline accretor changes.³⁰ Programmatic accreditors also moved quickly to respond. The Department of Education concurrently issued guidance easing the process for institutions to change accreditors and lifted a long-standing pause on recognizing new accrediting agencies, signaling a more permissive and less centralized oversight posture.

Legislative responses and recent developments: The Department of Education's updated guidance expanding institutional flexibility in accretor selection has been met with legislative responses at both the federal and state levels. In June 2025, the US House of Representatives introduced H.R. 4054, the Accreditation Choice and Innovation Act. The bill would permit states to approve and oversee their own accrediting agencies, altering the role of the Department of Education as the primary gatekeeper of accretor recognition. The legislation was introduced weeks after the department issued its revised accreditation guidance and, as of this writing, it has not yet been brought to a vote.³¹

Likewise, state-level legislation has moved to operationalize expanded accreditation options where several states have enacted or advanced policies that directly align with the department's policies. In Texas, Senate Bill 530 was signed into law, broadening the criteria under which postsecondary institutions in the state may be accredited. The legislation removes exclusive statutory references to the SACSCOC and instead redefines a "recognized accrediting agency" as any accretor designated by the Texas Higher Education Coordinating Board. The law, which took effect in September 2025, shifts greater authority over accretor recognition to the state and reduces reliance on traditional regional accreditors.³²

Parallel efforts to diversify the accreditation landscape have emerged through the creation of new accrediting bodies. In June 2025, Florida Governor Ron DeSantis announced the formation of the Commission for Public Higher Education, an alternative institutional accretor positioned as a successor or

²⁹ "Reforming Accreditation to Strengthen Higher Education," Executive Order 14279, April 23, 2025, <https://www.federalregister.gov/documents/2025/04/28/2025-07376/reforming-accreditation-to-strengthen-higher-education>.

³⁰ Higher Learning Commission, "HLC's Response to Executive Order Regarding Accreditation Reform," April 2025, <https://www.hlcommission.org/learning-center/news/hlcs-response-to-executive-order-regarding-accreditation-reform/>.

³¹ Accreditation Choice and Innovation Act, H.R. 4054, 119th Cong. (2025), <https://www.congress.gov/bill/119th-congress/house-bill/4054/all-actions>.

³² Texas S.B. 530, 89th Legislature, 2025 (enacted).

competitor to SACSCOC.³³ With coordination and participation from six other state public university systems, the commission represents a multistate effort to establish a new accreditation pathway.

State responses have also extended beyond institutional accreditation to include programmatic accreditation and professional licensure requirements. In January 2026, the Texas Supreme Court ruled that graduates of law schools not accredited by the American Bar Association (ABA) would be eligible to sit for the Texas bar exam, provided their school is approved by the court. The decision removes ABA accreditation as a prerequisite for licensure in the state and increases the authority of the Texas Supreme Court over the regulation of legal education and entry into the profession. Similar measures are under consideration in other states. These state responses reflect an evolving accreditation environment in which authority is increasingly dispersed across federal, state and judicial actors.

Our perspective

In an accreditation environment defined by heightened uncertainty and shifting standards, institutions should focus on strengthening their internal systems that anchor educational quality. An effective way of achieving this is by bolstering institutional effectiveness (IE) programs. As accreditors' expectations evolve, IE functions can serve as the connective tissue to sustain continuous quality improvement, evidence-based decision-making, and accountability. Institutions should assess whether their current IE structures are sufficiently resourced with appropriate staffing levels, leadership authority and involvement, and governance alignment to support institution-wide assessment, planning and improvement activities. Investing in skilled personnel who can translate strategic priorities into measurable outcomes all while coordinating across academic and administrative units can be essential to maintaining coherence amid accreditor variability.

A robust technology infrastructure is a critical enabler of this work. Institutions should prioritize the development or enhancement of integrated data warehouses that can aggregate academic, financial, operational and student success data across systems and programs. Having the right tools to collect, analyze and report on data will not only improve day-to-day decision-making but also allow institutions to respond more efficiently to changing accreditation requirements, shortened review timelines or new reporting formats and requirements. Modern analytics platforms and dashboards can support continuous quality improvement through consistent formats and transparent reporting to executive leaders and accreditors. In an environment where accreditation standards may greatly vary across agencies or states, the ability to quickly access and reframe existing evidence for different audiences will become a strategic advantage rather than a compliance burden.

Finally, as accreditation authority becomes more distributed across federal, state and judicial entities, institutional accreditation teams cannot operate in a silo away from the rest of a university's leadership team even when a review cycle is not as active. Regular coordination and alignment between an institution's government affairs office and its accreditation team can help ensure that all parties are aware of emerging legislative or regulatory developments that may affect accreditor selection, standard compliance or licensure pathways. This alignment also creates a feedback loop through which institutional leaders can, when appropriate, engage with policymakers and accrediting bodies to glean a clearer understanding of how

³³ Florida Executive Office of the Governor, "Governor DeSantis Announces First-of-Its-Kind Alternative University Accreditor," June 26, 2025, <https://www.flgov.com/eog/news/press/2025/governor-ron-desantis-announces-first-its-kind-alternative-university-accreditor>.

proposed changes may affect institutional operations and educational quality. Together, these steps position colleges and universities to not merely react to accreditation reform, but to navigate it strategically while preserving their core mission and standards of excellence.



Revenue sharing in college athletics

College athletics has become one of the more dynamic areas of sports as higher education institutions navigate the transition from an amateur-based model to a professionalized model. The introduction of revenue sharing with student-athletes represents a significant inflection point for higher education and administrators. Name, image and likeness (NIL) deals—while novel for college athletes—are generally contracted and compensated outside of a university, even as schools play an increasing role in facilitating, screening and overseeing NIL activity, including through affiliated booster-backed collectives.

As universities begin distributing direct payments to athletes, college sports are increasingly becoming part of the broader conversations around financial pressures facing higher education. When combined with expanded NIL opportunities and increased college athlete transfer mobility, athlete compensation introduces new complexity into budgeting, governance and long-term financial planning. University leaders are now required to balance athlete empowerment with institutional sustainability, equity considerations and mission alignment.

Institutional impact

The evolving economics of college athletics is beginning to affect universities well beyond the athletic department. As athlete compensation models expand, institutions must consider how these changes influence financial planning, governance structures and resource allocation across the university. The following highlights several areas where revenue sharing, NIL activity and increased athlete mobility are shaping institutional decision-making.

Variable cost structures and roster volatility. Revenue sharing introduces variable cost dynamics into athletics. Direct payments to athletes shift athletic departments away from fixed-cost scholarship models toward compensation structures that fluctuate based on revenues, conference economics, competitive performance and roster composition.

When paired with expanded transfer mobility, this creates additional financial uncertainty. Athlete movement can disrupt planned compensation pools midcycle, create stranded costs or require incremental spending to remain competitive. Managing this environment increasingly requires capabilities similar to professional roster and salary management, including scenario modeling, short-term forecasting and contingency planning. For institutions operating on thin margins, this volatility may extend beyond athletics and influence broader institutional budgeting and reserve strategies.

Fragmented compensation flows and collective coordination. Athlete compensation now flows through multiple channels, including university-administered revenue sharing, booster-backed collectives and individual endorsement agreements. While these entities may be legally distinct, they are financially and reputationally interconnected.

Limited transparency across these channels can create blind spots for institutional leadership, making it difficult to assess aggregate compensation exposure, donor substitution effects and long-term sustainability. As revenue sharing expands, the interaction between collectives and university-led compensation models adds complexity to governance and financial oversight. Although universities may have limited formal authority over collectives, they continue to bear reputational and operational risk, prompting increased focus on coordination, boundary-setting and communication.

Regulatory uncertainty and tax considerations. As athlete payment and revenue-sharing models continue to evolve, universities are operating without a single, uniform framework governing the treatment of payments, reporting and compliance expectations. Variability across conference rules, state laws and federal interpretations can complicate operations for institutions that recruit nationally or compete across multiple jurisdictions.

This uncertainty can make it more challenging to design payment structures and governance processes that are durable over time. From a financial perspective, universities may be required to plan across multiple regulatory and classification scenarios—including potential shifts in employment status—when developing budgets or entering longer-term agreements tied to athlete payments and revenue-sharing arrangements. Flexible operating models and conservative financial assumptions may help institutions remain responsive as expectations evolve.

In addition, the growing flow of athletic-related funds raises potential tax compliance considerations. For tax-exempt universities, questions may arise regarding unrelated business income tax exposure depending on how revenue-sharing funds are structured and sourced. Activities that are a trade or business, regularly carried on, and not substantially related to the institution's exempt purpose could generate unrelated business taxable income. Specifically, if new commercial arrangements—such as media rights sublicensing, sponsorship pools or third-party operating models—are not sufficiently aligned with the institution's exempt purpose, they could trigger scrutiny around unrelated business activities. These arrangements may also warrant analysis to assess private benefit and private inurement considerations. Increased payments flowing through affiliated entities, including collectives or supporting organizations, may also elevate reporting, disclosure, tax exemption and intermediate sanctions risks if governance, comparability data and documentation are not clearly established. As payment structures mature, coordination between athletics leadership, finance and tax functions may become increasingly important to help mitigate compliance and reputational risk.

Increased pressure on cross-subsidization and institutional trade-offs. As athlete compensation grows, universities may face heightened scrutiny around the use of institutional resources to support athletics. Athletic departments already faced scrutiny for significant budgets relative to academic areas, but by paying some students for athletic prowess, the debate over the core mission and athletics is now even greater.

Many athletic departments already rely on subsidies from the broader university, and revenue sharing increases trade-offs among athletics, academics and other strategic investments. These pressures are particularly acute for non-revenue sports and institutions outside the largest conferences, raising questions about equity, Title IX compliance and long-term program viability.

Governance and financial controls lag behind the pace of change. Many universities lack governance structures designed for a semiprofessional athletics environment. Revenue sharing increases the need for enhanced financial controls, compensation governance, audit capabilities and compliance oversight within athletics. Institutions are being asked to manage contractual obligations, compensation risk and forecasting challenges that exceed traditional higher education operating models.

At the same time, revenue sharing is forcing institutions to make strategic choices about the role of athletics within their mission. Some universities are scaling investment to increase brand exposure and revenue potential, while others are limiting financial exposure or opting for more conservative participation models to preserve institutional stability. These divergent strategies are contributing to widening gaps across higher education, with long-term implications for competitiveness, enrollment and donor engagement.

Our perspective

Revenue sharing marks a structural shift in how college athletics affects university finances. Institutional leaders should treat athletics not as a stand-alone auxiliary enterprise, but as a source of financial volatility, reputational risk and strategic trade-offs.

Universities should strengthen financial modeling related to athletics, incorporating variable compensation assumptions, transfer-related risk and multiyear revenue scenarios. Improved transparency across athlete compensation channels—including revenue sharing, NIL collectives and third-party agreements—can be critical to understanding true financial exposure and informing governance decisions.

As compensation commitments grow, some institutions may explore alternative operating models. These may include arrangements in which private equity licenses the athletics department operations on behalf of the university, providing guaranteed payments, absorbing earnings volatility and funding athlete compensation. While such models may offer financial predictability and downside protection, they introduce important considerations related to governance, institutional control, equity and mission alignment. Clear contractual boundaries, robust oversight mechanisms and transparency with stakeholders will be essential to maintaining trust.

Revenue sharing is accelerating strategic divergence across higher education. Institutions that proactively align athletics strategy with financial risk appetite, governance capabilities and institutional priorities will be better positioned to navigate the evolving economics of college sports.



Unlocking value in mergers and acquisitions

Background

The unique challenges facing the higher education market may require institutions to take steps that honor their past while unlocking future possibilities. Mergers and acquisitions can provide institutions with the scale, resources and stability needed to withstand disruption, while also offering financially strong institutions the opportunity for expansion, market growth and enhanced academic distinction. Several trends are prompting colleges and universities to consider taking action:

- **Rising closures:** At least 81 public or nonprofit colleges have closed, merged or announced closures or mergers since March 2020, and predictive modeling suggests that this trend will continue in the coming years.³⁴
- **Research funding volatility:** Shifting federal priorities and increased competition are straining institutions' ability to sustain programs and faculty.
- **Enrollment instability:** A 15% enrollment decline between 2010 and 2021, combined with a projected demographic contraction, is increasing financial strain on tuition-dependent institutions.³⁵
- **Policy uncertainty:** Reduced federal investments in the Department of Education, Title IX and student aid programs are creating volatility.
- **Operational strain:** Duplicated services and workforce turnover may undermine operating stability.

Proactively addressing challenges in the industry helps to ensure that an institution upholds its historic values while safeguarding its future.

Institutional impact

The path to unlocking value is unique for each institution. When structural cracks run too deep to be repaired, joining a stronger university may be a viable path to long-term stability. For institutions that are financially strong, the driver may not be financial distress but strategic ambition. These institutions may pursue mergers as a pathway to growth, expanded academic distinction or greater market reach.

Certain institutions, whether seeking stability or expansion, may have reached an inflection point where traditional, smaller-scale strategies have been pursued but more decisive action is needed. To evaluate readiness, trustees and executive leadership should consider asking the following:

- Have there been board-level discussions regarding the exploration of a merger or strategic partnership?

³⁴ Evan Castillo and Lyss Welding, "Tracking College Closures and Mergers," CAPPS, August 13, 2025, <https://cappsonline.org/tracking-college-closures-and-mergers/>.

³⁵ Jon Marcus, "A Looming 'Demographic Cliff': Fewer College Students and Ultimately Fewer Graduates," NPR from Hechinger Report, January 8, 2025, <https://www.npr.org/2025/01/08/nx-s1-5246200/demographic-cliff-fewer-college-students-mean-fewer-graduates>.

- Is the institution experiencing sustained operating deficits despite prior efficiency efforts—or does the institution possess financial strength that could support expansion through partnership?
- Are critical investments in technology, facilities or talent constrained under the current financial trajectory—or would additional scale accelerate strategic ambitions?
- Are enrollment shifts or market dynamics affecting competitive position and long-term viability—or presenting expansion opportunities?

Based on how the questions are answered, leadership may want to consider whether structural change, including a merger or strategic partnership, warrants formal evaluation.

Our perspective

Navigating the complexities of pursuing a merger or acquisition requires a well-thought-out process and dedicated team to provide clarity, data and a road map to make highly informed decisions. Considerations when assessing readiness and shaping a successful path forward may include the following:

- **Strategic and partner alignment:** Effective mergers begin with a shared understanding of why change may be required and what success looks like. Leadership alignment around strategic objectives—whether stability, growth, academic distinction or market expansion—is key. Equally important is clarity on partner fit: identifying institutions whose mission, financial profile, academic strengths and culture align in ways that create mutual value rather than unintended friction.
- **Academic and mission implications:** Academic programs sit at the core of institutional identity. Evaluating program alignment, opportunities for consolidation or expansion, and potential faculty impacts help institutions understand how a merger could strengthen academic offerings while preserving mission and legacy. Early consideration of these factors supports informed decision-making and reduces downstream disruption.
- **Financial diligence and sustainability:** Financial analysis is central, but it should extend beyond surface-level economics. Institutions should assess operating performance, balance sheet strength, capital requirements and integration costs, while also modeling potential synergies and longer-term financial outcomes. This level of diligence allows leadership to distinguish between short-term relief and durable financial sustainability.
- **Regulatory and accreditation readiness:** Higher education mergers operate within complex regulatory and accreditation environments. Understanding approval requirements, sequencing and timing—across accreditors, states and federal bodies—helps institutions set realistic expectations and avoid delays that can erode momentum or value.
- **Stakeholder impacts and communication:** Institutional change affects students, faculty, staff, alumni and surrounding communities. Students may prioritize continuity of programs, tuition stability and campus culture; faculty and staff often focus on governance, roles and academic priorities; communities and alumni care about local impact and institutional reputation. Proactive, transparent communication builds trust and supports continuity throughout the process.
- **Road map and scenario development:** Readiness requires moving from analysis to action. Developing clear scenarios and an executable road map—covering Day 1 and beyond—helps leadership understand trade-offs, prepare for integration and maintain strategic control as decisions advance.

The path forward may be complex, but it does not have to be uncertain. A disciplined first step is to undertake a structured assessment that clarifies institutional objectives, evaluates pressures and outlines potential partnership scenarios. Early evaluation preserves optionality and strengthens leadership's ability to shape outcomes proactively rather than reactively.



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