

Quoted from: The Chronicle of Higher Education on January 30, 2018

<https://www.chronicle.com/article/Outlook-for-Higher-Ed-in-2018/242319>

Outlook for Higher Ed in 2018 Is Bleak, Ratings Agency Says

By *Adam Harris* JANUARY 23, 2018

Higher education will face many of the same challenges in 2018 that it has in

previous years, but additional state and federal pressures suggest a bleak outlook for the sector this year, according to the ratings agency Standard and Poor's.

"S&P Global Ratings believes institutions with limited flexibility, whether that be in programming, financial operations, enrollment, resources, or student draw, could face credit pressure in the upcoming year," analysts for the ratings agency wrote in a report issued on Tuesday.

Among the risks to the sector, S&P cited the recently passed federal tax overhaul and the uncertainty surrounding its material effect on institutions. "Whatever the magnitude," the analysts expect it to be "negative in direction." The new law enacts a 1.4-percent excise tax on some private colleges with large endowments, and though the scope of the tax is limited, the agency believes it opens the door for an expanded endowment tax — either in percentage or scope — in the future.

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Further, students and parents seek decreases in the cost of attendance, while expecting better services and amenities; and as the "disparity between student expectations and willingness to pay" continues to grow, the analysts wrote, it will further strain

midlevel institutions. In the long term, institutions must also be wary of reputation risk in an increasingly politicized public climate.

However, the agency says, opportunities exist for the sector if it can shed its reputation for being slow to change and continue to adopt “nontraditional or new strategies and partnerships,” like the Purdue-Kaplan and Boston University-Wheelock College mergers. And as the profile of who is going to college continues to change, so might many institutions’ recruiting and enrollment strategies to seek what was formerly considered the “nontraditional student.”

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