

Lessons from the Great Recession
(Insights Confirmed and Lessons Learned)
Rev.10.5.09

1. Know your canaries. What they are, where they are, how they're doing.
 - The admissions funnel – inquiries, visits, applications, early decision
 - Financial aid expectations and the discount rate
 - Accounts receivable
 - Transcript requests / possible transfers
 - Fundraising results
 - What else?
2. Budget structure matters – a tight structure with a high percentage of fixed costs is more vulnerable.
 - It's easier to defer capital expenditures than to cut programs or layoff staff
 - Don't use one-time savings to fund ongoing costs (new positions, salary increases)
 - Do not budget to full enrollment
3. Endowment is not the economic shield that we assumed.
 - If endowment income is fully committed to fixed costs, vulnerability is just as high as it is for enrollment shortfalls.
 - Spending rate based on five year averages smoothes market ups and downs.
 - A well diversified endowment does not guarantee it will not go down in value.
 - Liquidity in your investments is just as important as diversification.
 - We need to be more conservative in modeling future growth of the endowment fund.
4. Philanthropy is vulnerable to panic – and recovery will probably lag actual economic recovery.
5. For the well-managed institution with cash on hand, there will be opportunities to gain on the competition.
6. Be open and share. Institutions that were open and transparent with their employees concerning institutional problems were more successful in solving those problems.

Campus Budgeting: Balancing the budget and tuition increases*

To balance their budgets, more than half of responding institutions report they increased tuition at less than historical average (to increase/maintain student enrollment) and froze salaries. [**Budget decisions related to tuition increases are listed in bold below.**]

- **54.2 percent of responding institutions report they increased tuition at less than historical average**
- 53.5 percent report they froze salaries
- 46.8 percent froze new hiring
- 43.7 percent restricted travel
- 37.7 percent slowed down current construction/renovation projects
- 30.6 percent delayed maintenance
- 28.5 percent gave smaller than usual salary increases
- **27.5 percent increased tuition less than anticipated**
- 19.0 percent laid off staff (non-faculty)
- 16.9 percent cut salaries/benefits
- 15.5 percent canceled planned construction/renovation projects
- 7.0 percent laid off faculty
- **4.6 percent froze tuition levels**
- 4.2 percent cut student services
- 3.9 percent cut academic programs

** For more information on 2009 tuition trends see NAICU news release titled ["Private College Tuition Rises at Lowest Rate in 37 Years."](#)*

Full survey results

Full survey results, including supplemental written comments from responding institutions, are available on the [NAICU Web site](#)