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Higher Education Price Index®

2026 Methodology Update

Introduction

The Higher Education Price Index (HEPI) is an inflation index designed for higher education institutions that is modeled on their unique cost structure. HEPI tracks the average price level of a fixed market basket of goods and services purchased by colleges and universities through current-fund educational and general expenditures, excluding sponsored research. The index is calibrated to the actual cost structure of academic institutions, making it an appropriate inflation benchmark for higher education, as opposed to the Consumer Price Index (CPI), which reflects household spending patterns.

From its inception in 1961, HEPI was produced by Research Associates of Washington, D.C., and there was a methodological shift in FY1983 that established that year as a baseline for the index. In 2005, Commonfund Institute assumed management of the Index. The Institute manages the database of historical values, publishes the Index, produces quarterly estimates and a final HEPI report, and develops a range of analytical and descriptive materials based on HEPI data.

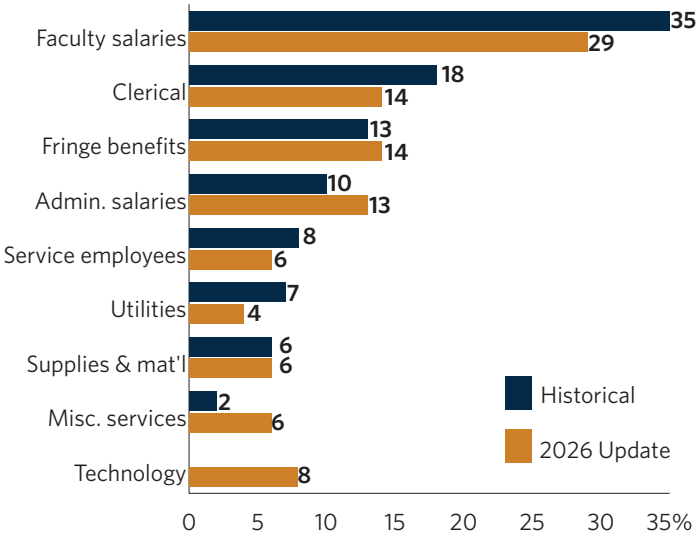
Below we explain adjustments being made to the HEPI components and weights; provide a 10-year impact analysis of the upgraded methodology; and outline the research methodology that informed these outcomes.

HEPI COMPONENTS & WEIGHTS UPDATES

Since Commonfund Institute assumed responsibility for HEPI in 2005, the index consistently included eight main cost factor components: faculty salaries, administrative salaries, clerical salaries, service employee salaries, fringe benefits, miscellaneous services, supplies and materials, and utilities. These eight components have reflected the major items procured for operations by colleges and universities.

Our latest research on the evolving operations and cost structure of colleges and universities has concluded that the following updates to HEPI components and weights are critical to ensure the measure reflects the latest realities.

HISTORICAL HEPI COMPONENTS VS. UPDATED



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Scan the QR code to sign up for quarterly HEPI updates and advance access of the annual report.

New Technology Component Added

Technology has become one of the fastest-growing costs in higher education as institutions invest in campus wide systems, digital learning tools, and shared data platforms. Ongoing software, cloud services, and rising cybersecurity threats—along with increased IT staffing—have made technology a permanent and strategic operating expense. These trends, accelerated by AI and the expansion of online and hybrid learning, justify treating technology as a distinct and significant cost category in higher education budgets. The new technology component, weighted at approximately 8 percent of the overall HEPI measure, comprises five subcomponents that reflect the range of institutions' technology needs: data hosting and storage, data and information; hardware, software, and info tech services. Technology is the only new core component of the HEPI methodology – bringing the total from eight historical components to nine. *For a review of evidence related to technology costs in educational institutions, see the Appendix.*

Faculty Salaries Component Reduced

The faculty salaries component—the largest in HEPI—has been reduced from 35 to 29 percent to reflect long-term changes in the academic labor market. Institutions increasingly rely on contingent and adjunct faculty, who now make up a large share of the instructional workforce and are generally lower cost than tenure track faculty. At the same time, the growth of online and hybrid learning has enabled more flexible staffing models and reduced reliance on traditional full-time faculty roles. Together, these structural shifts support a lower weighting for faculty salaries that better reflects current instructional cost realities. *For a review of evidence related to faculty salary costs, see the Appendix.*

Clerical Employees Component Reduced

The clerical employees component has been reduced from 18 to 14 percent to better reflect current staffing patterns in higher education. Institutions now employ fewer clerical and administrative support staff as digital workflows, automated systems, and centralized services handle many routine tasks. At the same time, hiring has shifted toward professional, technical, and managerial roles—especially in IT, compliance, student services, and data management. These long-term workforce changes have reduced the relative share of clerical labor in institutional budgets, supporting a lower HEPI weighting. *For a review of evidence related to clerical employee costs, see the Appendix.*

Administrative Salaries Component Increased

The administrative salaries component has been increased from 10 to 13 percent to reflect the continued growth in administrative staffing and compensation across higher education. Institutions have expanded executive and managerial roles to manage increasingly complex responsibilities, including fundraising, regulatory compliance, technology oversight, and student services. As administrative functions have grown more specialized, institutions have built larger leadership and support teams, often at higher salary levels to remain competitive with the private sector. These long term trends support a higher HEPI weighting for administrative salaries that better reflects today's cost structure. *For a review of evidence related to administrative salary costs, see the Appendix.*

Utilities Component Reduced, with Renewable Energy Added

The utilities component of HEPI was reduced from 7 to 4 percent to reflect long term gains in campus energy efficiency and changes in how institutions manage energy use. Colleges and universities use less energy per square foot due to investments in efficient HVAC systems, LED lighting, smart building controls, and energy management software. Many institutions have also expanded renewable energy use through onsite solar, green power markets, and a cleaner national electricity grid. Remote and hybrid learning has further reduced energy demand by lowering building occupancy. Together, efficiency improvements, sustainability efforts, and a cleaner energy mix have reduced the overall share of utilities in institutional budgets, supporting a lower HEPI weighting. The utilities component also now includes renewable energy as a subcomponent alongside traditional energy sources to reflect renewable energy's integration in the energy generation mix across geographic regions. *For a review of evidence related to utilities costs, see the Appendix.*

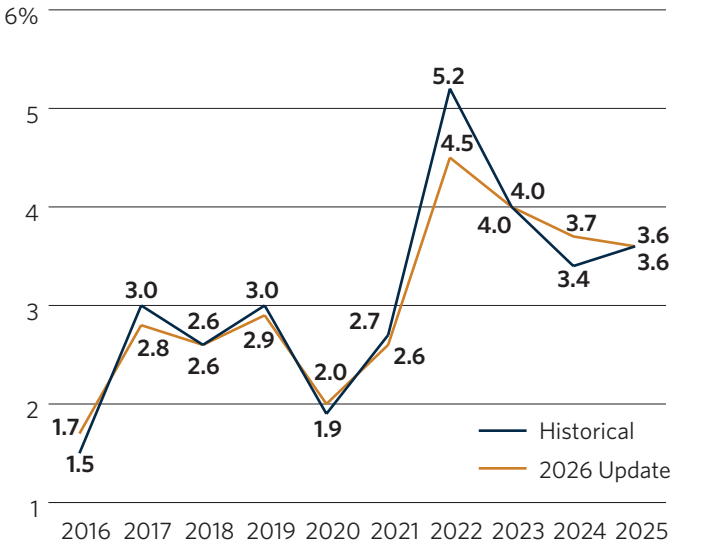
Miscellaneous Services Component Increased, with Food and Travel Added

Miscellaneous services has increased from 2 to 6 percent to reflect the portion of expenditures on the newly added subcomponents of food and travel. Educational institutions are facing substantial costs for food and travel, driven by operational demands, rising prices, and the need to support campus activities, events, clubs and sports teams, and conferences. Food and travel are now integrated into this component to reflect those costs.

IMPACT ANALYSIS

An impact analysis comparing the updated HEPI methodology with the historical approach over the past ten years shows minimal differences, as illustrated below. Applying the revised component weights to historical data produces inflation estimates that closely track the original index, demonstrating that HEPI remains stable and consistent under the updated framework.

10-YEAR IMPACT ANALYSIS OF HISTORICAL VS. UPDATED HEPI METHODOLOGY



The longitudinal analysis shows that the largest difference between the historical and revised HEPI methodologies occurs in fiscal year 2022. Under the historical approach, HEPI reached 5.2 percent—its highest level since 2003—while the revised methodology yields a lower rate of 4.5 percent. This gap is driven primarily by lower utilities inflation when renewable energy pricing is incorporated and by a reduced weight on utilities, one of the highest-inflation categories that year. A smaller weight for clerical labor, another high-inflation component in FY2022, also contributed to the lower revised estimate.

The second-largest difference appears in 2024, when the updated methodology produces an inflation rate 0.3 percentage points higher than the historical measure. In this case, the addition of the technology component and a higher weight for administrative salaries account for the modest increase. In all other years, differences between the two approaches remain within 0.2 percentage points.

Overall, these results demonstrate that the updated HEPI methodology preserves the continuity and reliability of the index. The differences between the historical and revised approaches are modest, even in years with the largest methodological effects, indicating that the adjustments to category definitions and weights refine the measure without altering its long-term trajectory. Moving forward, these targeted improvements allow HEPI to better reflect contemporary cost structures while maintaining consistency with its historical trends.

PROJECT APPROACH AND FRAMEWORK

This project employed a mixed methods approach combining survey data, secondary research, and expert review to assess how higher education institutions allocate resources across both traditional and emerging budget categories.

Primary data were collected through a structured survey fielded between September and December 2024, yielding responses from 50 institutions representing a range of sizes, types, and regions. The survey assessed the share of institutional budgets allocated to the eight HEPI components and identified cost areas not fully captured in the historical model.

Survey findings were supplemented with targeted secondary research on long-term spending trends, workforce shifts, and inflation dynamics affecting higher education. This research helped contextualize changes in component weights. For example, the reduced share of faculty salaries was informed by both survey findings and evidence of increased reliance on adjunct faculty resulting in a declining share of instructional expenses.

Additional analysis focused on emerging cost areas—including technology, food and travel, and renewable energy—to reflect evolving operational realities. Once new and revised components and weights were identified, appropriate public data sources (including CPI, ECI, and PPI series) were selected and integrated into the model to ensure consistency and transparency.

Finally, the HEPI methodology was simplified by replacing the legacy regression model with a weighted-average approach. This update improves transparency, interpretability, and alignment with how the index is used today, while preserving its reliability as a measure of higher education cost inflation.

ACKNOWLEDGMENTS

We acknowledge the invaluable contributions of our friends and partners at the National Association of College and University Business Officers (NACUBO), BDO accounting and tax advisors, Commonfund colleagues, and the many higher education practitioners whose expertise and collaboration have shaped our understanding of institutional budgeting practices over the years. Their feedback provided essential insight and ensured the HEPI update project achieved the goal of modernizing and making the index as comprehensive and useful to users and the field as possible.

NOTES ON BROADER USE OF HEPI

Through this update process, we have explored and discovered ways in which HEPI can be utilized by nonprofits more broadly. While HEPI was originally modeled after higher education institutions, we have learned that HEPI may be more applicable to other educational institutions such as independent schools.

CONCLUSION

When using an inflation metric to determine budgeting, spending, and investment return targets and respective asset allocation strategies, it is important to utilize an inflation metric that aligns with your institution's needs. By exploring the core HEPI components and weights described in this memo, decision makers can assess whether their operational needs align more with HEPI or with other widely used inflation metrics such as the CPI and determine which measure (or measures) is appropriate for use. To explore methodology and common questions in greater depth, see HEPI: What You Need to Know.

APPENDIX

Technology Costs at Educational Institutions

Technology has become one of the fastest growing components of higher education operating budgets, a trend reflected in federal expenditure data. The U.S. Department of Education's Integrated Postsecondary Education Data System (IPEDS) shows steady increases in institutional spending on operations—including IT services, digital infrastructure, and technology related staffing—through FY 2024.[1] A major contributor to this growth is the rising cost of data systems management, cloud hosting, and subscription based enterprise software, all of which require continuous licensing, storage capacity, and vendor support. Sector benchmarks similarly show that institutions now depend on cloud based administrative systems, CRM platforms, and SaaS tools that convert what were once periodic capital purchases into recurring operating expenses.[2]

Centralized data platforms have also become a significant area of investment as institutions prepare for broader adoption of AI-enabled tools. Colleges and universities are increasingly building unified data environments that integrate student information systems, learning management systems, and administrative databases to support predictive analytics, early alert systems, and emerging generative AI applications. These platforms require substantial spending on data governance, integration middleware, and security controls, but they are becoming foundational for institutions seeking to use AI responsibly and at scale. Federal and sector reports note that institutions adopting AI tools typically face higher upfront and ongoing costs related to data quality, storage, and model training infrastructure. [3]

Growth in online and hybrid learning has further accelerated technology investment. National Center for Education Statistics (NCES) surveys show that by 2021–22, more than half of U.S. college students were enrolled in at least one distance education course, with online participation remaining far above pre-pandemic levels.[4] Supporting this shift requires sustained spending on learning management systems, video platforms, instructional design, and digital student support services.

Cyber security has become an equally significant cost driver. Higher education remains one of the most frequently targeted sectors for ransomware attacks, with recovery costs rising sharply across 2023–24.[5] A 2024 survey found that 77 percent of education institutions experienced at least one cyber attack in the prior year, and nearly half incurred unplanned expenses to remediate security gaps.[6] These pressures have made technology a structurally expanding share of institutional budgets and a critical component of long-term financial planning.

Faculty Salaries See Structural Shifts

Over the past several decades, U.S. colleges and universities have shifted steadily away from a predominantly tenure track instructional workforce toward greater reliance on contingent and adjunct appointments. Analyses of federal IPEDS data by the American Association of University Professors (AAUP) show that a majority of instructional staff are now employed off the tenure track, including full-time non tenure track and part-time adjunct roles, reflecting long running economic and managerial pressures to contain labor costs and increase staffing flexibility.[7] A 2023 AAUP data snapshot summarizing NCES trends from 1987 to 2021 documents the persistent decline in the share of tenured and tenure track positions and the corresponding rise in contingent appointments.[8] Because contingent and adjunct faculty are typically paid lower salaries per course and receive fewer benefits than tenure track peers, this shift has structurally reduced average instructional labor costs per student credit hour, even as total headcount has remained relatively stable.[9]

Federal data further underscore how these staffing changes intersect with the growth of online and hybrid learning. NCES reports that by 2021–22, more than half of undergraduates were enrolled in at least one distance education course, and a substantial share were fully online, cementing digital modalities as a core feature of institutional delivery rather than a niche offering.[10] Together, the increased use of contingent faculty and the flexibility afforded by online and hybrid models have shifted instructional cost structures away from traditional, fixed full time faculty staffing.

Clerical Employees Costs Down, Administrative Costs Up

The proportion of clerical and office support staff in higher education has declined as institutions have adopted digital workflows, automated administrative processes, and consolidated transactional functions across departments.[11] At the same time, colleges and universities have shifted hiring toward professional, technical, and managerial roles—particularly in IT, compliance, student services, and data administration—reducing the relative budget share devoted to clerical labor.[12] These long-term changes justify reducing the HEPI weight for clerical workers from 18 to 14 percent to more accurately reflect contemporary staffing patterns and compensation structures across higher education.

Meanwhile, the administrative component increase reflects the steady and well-documented rise in administrative staffing and compensation across higher education. Administrative costs in higher education have climbed steadily as institutions have expanded executive and managerial roles at a pace that far exceeds faculty growth. Over the past two decades, leadership positions have taken on increasingly complex responsibilities—ranging from fundraising and regulatory compliance to IT oversight and diversity initiatives—driving the need for larger and more specialized administrative teams. As these demands have intensified, the administrative infrastructure has grown correspondingly, contributing to rising overall institutional expenditures.[13] Compensation for these roles has also risen, particularly in specialized positions where institutions compete with private sector salaries.[14] These structural shifts justify raising the administrative share within HEPI to better reflect the contemporary cost profile of higher education institutions.

Utilities

Colleges and universities have reduced energy consumption per square foot through investments in high efficiency HVAC systems, LED lighting, smart building controls, and advanced energy management software.[15] Institutions have also expanded renewable energy procurement through onsite solar and participation in green power markets, aligning their operations with a national grid in which renewable sources now constitute a substantial share of total electricity generation.[16] The rise of remote and hybrid learning may further reduce heating, cooling, and electricity loads by reducing the need for fully occupied physical spaces throughout the year.[17] Although campus square footage has continued to grow, efficiency gains, sustainability initiatives, and the broader decarbonization of the U.S. energy mix have collectively reduced the relative budget share devoted to utilities, supporting a lower weighting for this category in HEPI.

ENDNOTES

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Important Notes

Published April 2026

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