Center for American Progress

Mounting Peril for Public Higher Education During the Coronavirus Pandemic

By Victoria Yuen June 11, 2020

The coronavirus pandemic has led to the most difficult semester in generations on college campuses across the United States. With that semester now wrapping up, public colleges and universities are facing costs that already dwarf the $7.6 billion in federal stimulus funds that are on their way to these institutions.[1] Absent dramatic new action from Congress, many of the public colleges that support social mobility will confront an existential threat.

In just one example of the brutal math that college leaders are facing, Rutgers University—a public university system serving more than 71,000 students—has spent $50 million to refund students for unused campus services such as dining, housing, and parking as a direct result of the pandemic.[2] In addition, the university system will lose $60 million resulting from canceled surgical procedures at Rutgers medical centers.[3] On top of that, the Rutgers system is losing another $73 million in state appropriations for the extended fiscal year that ends on September 30, 2020, after Gov. Phil Murphy (D-NJ) announced a state spending freeze.[4] Rutgers will get some of its lost state appropriations back as Gov. Murphy has decided to give $68.8 million from the Governor's Emergency Education Relief Fund portion of the CARES Act back to New Jersey's higher education institutions; how much they will receive is yet to be determined.[5] That adds up to at least a $183 million hit to Rutgers' budget just through the end of June. Under the CARES Act, which Congress passed in March, the Rutgers system will only receive $27 million to fill unanticipated institutional costs.[6]

Rutgers is not alone. Public colleges across the country face the same dire financial picture. The majority of states cannot run budget deficits,[7] which severely limits their ability to protect higher education from funding cuts as tax revenues fall off a cliff. That means that there is no entity besides the federal government that is in a position to ensure that everyone in the country can access the education that they need to thrive in the U.S. economy.

Congress must address upcoming state budget shortfalls in order to provide public colleges and universities with the funding needed to weather the pandemic. In May, the U.S. House of Representatives passed the HEROES Act, which would provide states $27 billion for public higher education and includes a maintenance of effort (MOE) provision that discourages cuts to operational funding and need-based financial aid.[8] This MOE component is important because it would ensure that once state revenue has returned to a stable level, state funding per student would be no lower than it was before the pandemic. While the HEROES Act is an important start, it doesn't provide nearly enough funding to mitigate future higher education cuts. The Center for American Progress, along with many partner organizations, estimates that at least $46 billion is needed for higher education.[9] So far, Senate leadership has downplayed the need for additional stimulus. Without dramatic action, enormous budget revenue shortfalls and subsequent cuts to higher education budgets will translate directly into widespread layoffs, canceled programs, lower quality, unaffordable tuition, and increases in student debt. These issues will exacerbate existing inequalities such as degree completion challenges for low-income students and higher debt burdens, particularly for Black borrowers. Therefore, it is important that future legislation include reporting requirements on enrollment, withdrawals, and financial aid awarded—all disaggregated by demographics including race, ethnicity, and Pell Grant receipt.[10]

Colleges that are too reliant on tuition in place of public funding will no longer resemble public higher education as we know it. Public institutions never fully recovered from heavy cuts to their budgets in the wake of the Great Recession. As a result, the U.S. higher education system is vulnerable to a potentially much deeper economic crisis.[11] Without significant federal help, state disinvestment in higher education could become the norm in the years to come.

College spending in response to COVID-19 outstrips CARES Act funding

Public colleges and universities across the nation have had to spend enormous sums of money to support their students through the pandemic; switch to online education; and issue refunds to students for parking, housing, and dining services for the period of time when they were not on campus in the spring. For many public colleges, these costs alone are much higher than the federal funding they will receive or have already received from the CARES Act.

Practically speaking, colleges' CARES Act funding comes in two pots. At least half of it must be given to students for emergency relief.[12] The other half—referred to here as institutional aid—is available for the institution to use at its discretion.[13] All the costs listed below fall under the institutional aid portion of the money. Colleges can spend their institutional aid on costs for online instruction, on refunds for housing and dining, as a stopgap for revenue losses, or on any other coronavirus-related needs. Institutional aid cannot be used for advertising and marketing services, endowment losses, or facility maintenance on athletic and religious buildings.

The problem, however, is that the institutional aid is falling far short of colleges' needs. For example, the University of California (UC) system—which encompasses 10 campuses spread throughout the state—is projecting that it will need to spend up to $310 million for "canceled housing and dining contracts, facility cleaning costs and transitioning to remote instruction."[14] The UC system's CARES Act allocation for institutional aid is just $130 million—just a little more than 40 percent of what the system has spent this academic year alone.[15] In total, the UC system's CARES Act allocation was $260 million, which is divided evenly for each of the two pots of funds. Without additional federal aid, the system will need to find some way to fill in the missing revenue as pandemic-related costs grow in the coming months.

TABLE 1

Public institutions face significant losses exceeding what the CARES Act provides in relief

CARES Act allocation and estimates of current and near-term lost revenue for selected university systems

Institutions	CARES Act allocation	Maximum amount allowed for institutional relief	Spring semester costs (ex: housing/ dining refunds, and online instruction)	Revenue losses expected for summer 2020	Loss in state appropriations*
Rutgers University System, New Jersey	$54,160,640	$27,080,320	$50 M	$60 M for medical centers	16.5 percent cut for the remainder of FY 2019–2020
University of California System	$260,289,151	$130,144,579	$310 M	$248 M for medical centers	10 percent cut for FY 2020–2021
University System of Georgia	$249,745,437	$124,872,726	$200 M	$150 M	Proposed 14 percent cut for FY 2020–2021
University of Wisconsin System	$94,228,574	$47,114,291	$78 M	$90 M**	Unknown
Ohio public four-year institutions	$199,282,449	$99,641,229	$171 M	$119–139 M**	3.8 cut for the remainder of FY 2019–2020

* Most states end the current fiscal year on June 30 and begin a new one on July 1. For example, FY 2019–2020 refers to the time between July 1, 2019, to June 30, 2020.

** These figures were calculated by subtracting the colleges' spring costs from their total revenue estimates.

Sources: A full list of sources is available at https://cdn.americanprogress.org/content/uploads/2020/06/01121714/SourcesCOVID19InstitutionalStabilityTable.pdf.

Future revenue is imperiled by the pandemic

College leaders are facing large revenue losses this summer, and signs are emerging that the fall semester may be financially devastating as well. The California State University (CSU) system—the largest public four-year system in the nation—will largely remain online for the fall semester, and CSU officials are expecting a dip in enrollment.[16] Any college that remains online in the fall faces the likelihood of more revenue losses in areas such as housing and dining as well as continued spending on and increased costs of virtual instruction.

As for the summer, many institutions have already canceled on-campus classes and events.[17] While it might not seem like an important time of year for higher education, many colleges depend on summer classes—and, to varying degrees, other events such as weddings and camps—for revenue. For example, Georgia's 26 public colleges and universities estimate that they will lose $150 million in foregone summer revenue on top of the $200 million they have already lost in canceled events.[18] Altogether, that means that Georgia's public institutions are facing a $350 million revenue loss by the end of summer, which is nearly three times the $125 million they've received through the CARES Act to address institutional costs.[19] University system officials are planning potential solutions to compensate for the revenue loss, including a proposal to eliminate more than 2,000 jobs from the system.[20]

The 13 campuses in the University of Wisconsin system are facing $90 million in lost revenue this summer for canceled summer camps, catering services, and athletics, in addition to the estimated $78 million the system has already spent on refunds.[21] This summer revenue loss alone is double the $45 million in CARES Act funding meant for institutional aid.[22]

Not only do colleges lose money when their physical campuses are closed, but fewer students may want to attend college at all in the fall or even next spring, whether because they prefer traditional in-person classes or because their families are in financial distress. A recent report from the National College Attainment Network shows that 350,000 fewer students have refiled their Free Application for Federal Student Aid (FAFSA)—the federal financial aid application form—than at the same time last year. Applications from students from families making less than $25,000 are down 8 percent.[23]

Absent federal intervention, large state cuts are coming

As dramatic as colleges' losses already are, a much bigger threat is in the offing: the potential for multiple years of severe state budget cuts. Forty-six states and Washington, D.C., have constitutional or statutory requirements to balance their budgets.[24] States are already reporting record deficits in revenue during the pandemic as lost wages, low sales, and people staying home translate into less tax revenue.[25] The Center on Budget and Policy Priorities estimates that states will face a $765 billion shortfall over the next three years.[26]

In some states, painful cuts have already begun. For example, public institutions in Ohio have seen their state funding slashed by 3.8 percent, or $76 million, for the remainder of the fiscal year that ends on June 30, 2020.[27] Ohio State University—the largest institution in the state—faces a $14.9 million loss in state appropriations, which is equal to a little more than two-thirds of the $21.4 million it received in institutional relief.[28]

Public colleges and universities in Colorado will see a 5 percent decrease—or $43 million—in their state appropriations for the next fiscal year despite the state legislature cutting funding for higher education by $493 million—a 58 percent decrease from current funding levels. Gov. Jared Polis (D) alleviated the steep cut by doling out $450 million to higher education from the portion of the CARES Act that is designated for states.[29] Although the CARES Act funding might soften the financial blow to institutions for the upcoming fiscal year, it is a one-time financial infusion—and there is doubt about whether state appropriations will return to previous levels in the years ahead. Ten years after the Great Recession, for example, Colorado's investment in higher education has still not returned to pre-2008 levels.[30]

Public higher education will be public in name only.

While there is reason to fear that this recession will be even worse than the Great Recession, the experience of public colleges and universities in the wake of that economic crisis is instructive. Cuts were so deep that state funding levels per full-time enrolled student reached record lows, with students and their families making up the difference.[31] For example, from 2004 to 2014—a time period encompassing the Great Recession—state appropriations per student at public four-year institutions dropped by 19 percent, while net tuition per student increased by 42 percent.[32] In some states, losses were much worse: Students at Louisiana four-year public colleges saw their tuition double over 10 years.[33] Ultimately, rising tuition fed the student debt crisis, as a greater share of students took on student loans and borrowed larger sums. Between 2008 and 2012, students who attended two-year colleges and four-year institutions saw their median debt jump by 30 percent and 25 percent, respectively.[34]

Along with raising tuition to make up for funding cuts, colleges and universities trimmed educational services and basic operations that ultimately affected educational quality. For example, administrators in Louisiana delayed maintenance on old buildings[35]; Washington State University eliminated entire academic programs[36]; and the University of Wisconsin-Madison implemented hiring freezes and widespread layoffs.[37] Many public institutions, such as the University of Minnesota, are already preparing for the upcoming shortfall by instituting hiring freezes and salary reductions.[38] And the president of the University of Akron—a public university in Ohio—has announced plans to consolidate the university's 11 academic programs into five.[39]

States are not blameless for the decade of cuts to public higher education, since many chose to cut taxes or failed to reinvest when the economy improved. But given the depth of the current crisis, states will have no choice but to cut deeply across their budgets unless Congress steps in with additional funding. Struggling colleges and universities will continue to cut back on faculty, services, and academic offerings, and students will struggle with higher tuition and student debt. Public higher education will be public in name only.

Conclusion

In the wake of the Great Recession, only seven states have restored their higher education funding to pre-recession levels.[40] That fiscal reality means that public higher education is in a precarious position. Further cuts to this already underfunded system will be devastating.

Therefore, Congress must act now to protect higher education by distributing the necessary additional funds for public colleges and universities. This includes investing at least $46 billion in states for higher education, including funding a strong MOE provision to ensure that state funding per student remains at levels comparable to before the pandemic, as well as requiring institutional reporting on factors such as enrollment and withdrawals by income and race to not deepen existing societal disparities.

The House-passed HEROES Act would be a good first step, but additional funding will be needed. More importantly, the Senate must recognize its responsibility for ensuring that affordable public higher education survives the pandemic. Public institutions prepare millions of students to enter the workforce as nurses, teachers, and so much more; without this vital benefit, the United States will lack the essential labor force needed to battle future challenges.

Victoria Yuen is a policy analyst for Postsecondary Education at the Center for American Progress.

Endnotes

1 American Council on Education, "Summary Of The Higher Education Provisions In H.R. 748, The Coronavirus Aid, Relief, and Economic Security (CARES) Act" (Washington: 2020), available at https://www.acenet.edu/Documents/Summary-CARES-Act-HigherEd-Provisions-032620.pdf.

2 Rutgers University, "By the Numbers," available at https://www.rutgers.edu/about/by-the-numbers (last accessed May 2020); Bob Makin, "Coronavirus: Rutgers will lose $200 million in revenue due to pandemic, Barchi says," *My Central Jersey*, April 8, 2020, available at https://www.mycentraljersey.com/story/news/education/college/rutgers/2020/04/08/coronavirus-nj-rutgers-lose-200-m-revenue-due-pandemic/5119598002/.

3 Ibid.

4 Daniel J. Munoz, "A breakdown of NJ's $920M in frozen spending," *NJBIZ*, March 27, 2020, available at https://njbiz.com/breakdown-njs-920m-frozen-spending/; Robert Steyer, "New Jersey governor signs bill extending state's fiscal year, tax deadline," *Pensions and Investments*, April 14, 2020, available at https://www.pionline.com/economy/new-jersey-governor-signs-bill-extending-states-fiscal-year-tax-deadline.

5 New Jersey Office of the Secretary of Higher Education, "Governor's Emergency Education Relief Fund: Funding for New Jersey's Public Institutions of Higher Education amid Covid-19 Pandemic," available at https://nj.gov/highereducation/documents/pdf/index/GEERFfactsheet.pdf (last accessed May 2020).

6 U.S. Department of Education, "Allocations for Section 18004(a)(1) of the CARES Act," available at https://www2.ed.gov/about/offices/list/ope/allocationsforsection-18004a1ofcaresact.pdf (last accessed May 2020).

7 Michael Madowitz and Jacob Leibenluft, "A Coronavirus Recovery Demands Substantial, Durable Aid for State and Local Governments," Center for American Progress, April 17, 2020, available at https://www.americanprogress.org/issues/economy/news/2020/04/17/483461/coronavirus-recovery-demands-substantial-durable-aid-state-local-governments/.

8 Kery Murakami, "More State Cuts as Congress Splits on Local Aid," Inside Higher Ed, May 18 2020, available at https://www.insidehighered.com/quicktakes/2020/05/18/more-state-cuts-congress-splits-local-aid.

9 AFSCME Local 3299 and others, "Letter to congressional leadership on necessary additional investments in public higher education," The Institute for College Access and Success, April 27, 2020, available at https://ticas.org/wp-content/uploads/2020/04/State-Higher-Education-Support-Hill-Letter.pdf.

10 Victoria Yuen, "New Insights Into Attainment for Low-Income Students" (Washington: Center for American Progress, 2019), available at https://www.americanprogress.org/issues/education-postsecondary/reports/2019/02/21/466229/new-insights-attainment-low-income-students/; Ben Miller, "New Federal Data Show a Student Loan Crisis for African American Borrowers," Center for American Progress, October 16, 2017, available at https://www.americanprogress.org/issues/education-postsecondary/news/2017/10/16/440711/new-federal-data-show-student-loan-crisis-african-american-borrowers/.

11 Sophia Laderman and Dustin Weeden, "State Higher Education Finance: FY 2019" (Washington: State Higher Education Executive Officers Association, 2019), available at https://shef.sheeo.org/wp-content/uploads/2020/04/SHEEO_SHEF_FY19_Report.pdf.

12 U.S. Department of Education, "Frequently Asked Questions about the Emergency Financial Aid Grants to Students under Section 18004 of the Coronavirus Aid, Relief, and Economic Security (CARES) Act," available at https://www2.ed.gov/about/offices/list/ope/heerfstudentfaqs.pdf (last accessed May 2020).

13 U.S. Department of Education, "Frequently Asked Questions about the Institutional Portion of the Higher Education Emergency Relief Fund under Section 18004(a)(1) and 18004(c) of the Coronavirus Aid, Relief, and Economic Security (CARES) Act," available at https://www2.ed.gov/about/offices/list/ope/heerfinstitutionalfaqs.pdf (last accessed May 2020).

14 Teresa Watanabe, "UC reels under staggering coronavirus costs; 'the worst impacts ... all at once'," *Los Angeles Times*, April 16, 2020, available at https://www.latimes.com/california/story/2020-04-16/uc-reeling-under-staggering-coronavirus-costs-the-worst-impacts-all-at-once.

15 U.S. Department of Education, "Frequently Asked Questions about the Institutional Portion of the Higher Education Emergency Relief Fund under Section 18004(a)(1) and 18004(c) of the Coronavirus Aid, Relief, and Economic Security (CARES)."

16 Shawn Hubler, "Fearing a Second Wave, Cal State Will Keep Classes Online in the Fall," *The New York Times*, May 12, 2020, available at https://www.nytimes.com/2020/05/12/us/cal-state-online-classes.html.

17 Josh Moody, "How the Coronavirus Will Affect Summer College Classes, Programs," *U.S. News and World Report*, March 25 2020, available at https://www.usnews.com/education/best-colleges/articles/how-the-coronavirus-will-affect-summer-college-classes-programs; Alexander C. Kafka, "Canceled and Altered Summer Programs Will Cost Colleges Hundreds of Millions," *The Chronicle of Higher Education*, April 9, 2020, available at https://www.chronicle.com/article/CanceledAltered-Summer/248469.

18 Maureen Downey, "Georgia University System losses from coronavirus expected to reach $350M," *The Atlanta Journal-Constitution*, April 14, 2020, available at https://www.ajc.com/news/local-education/georgia-regents-college-tuition-freeze-amid-expected-loss-350m/BqIq54rbdG269nCzTJz4NP/.

19 U.S. Department of Education, "Frequently Asked Questions about the Institutional Portion of the Higher Education Emergency Relief Fund under Section 18004(a)(1) and 18004(c) of the Coronavirus Aid, Relief, and Economic Security (CARES)."

20 Eric Stirgus, "Georgia's public universities propose cuts to meet state budget gap," *The Atlanta Journal-Constitution*, May 26, 2020, available at https://www.ajc.com/news/local-education/georgia-public-universities-propose-cuts-meet-state-budget-gap/XI59z6wLG557VBaHxg3iiI/.

21 Rich Kremer, "UW System Projects Nearly $170M Hit Due To Coronavirus Precautions," Wisconsin Public Radio, April 12, 2020, available at https://www.wpr.org/uw-system-projects-nearly-170m-hit-due-coronavirus-precautions; Devi Shastri, "Coronavirus has cost UW System $168 million in lost revenue and added expenses as of April 10," *Milwaukee Journal Sentinel*, April 12, 2020, available at https://www.jsonline.com/story/news/education/2020/04/12/cost-coronavirus-university-wisconsin-system-reaches-168-million-april-10/5131233002/.

22 U.S. Department of Education, "Frequently Asked Questions about the Institutional Portion of the Higher Education Emergency Relief Fund under Section 18004(a)(1) and 18004(c) of the Coronavirus Aid, Relief, and Economic Security (CARES)."

23 Bill DeBaun, "New Data: Nearly 250,000 Fewer Low-Income FAFSA Renewals This Cycle Nationally," National College Attainment Network, May 6, 2020, available at https://www.ncan.org/news/505741/New-Data-Nearly-250000-Fewer-Low-Income-FAFSA-Renewals-This-Cycle-Nationally.htm.

24 Kim S. Rueben and Megan Randall, "Balanced Budget Requirements: How States Limit Deficit Spending" (Washington: Urban Institute, 2017), available at https://www.urban.org/research/publication/balanced-budget-requirements.

25 Mary Williams Walsh, "States Are in a Quandary as Taxes Evaporate and Virus Spending Soars," *The New York Times*, April 15, 2020, available at https://www.nytimes.com/2020/04/15/business/economy/state-tax-revenue-debt-coronavirus.html.

26 Michael Leachman, "Projected State Shortfalls Grow as Economic Forecasts Worsen," Center on Budget and Policy Priorities, May 20, 2020, available at https://www.cbpp.org/blog/projected-state-shortfalls-grow-as-economic-forecasts-worsen.

27 Aaron Payne, "More Details Released on DeWine's Cuts to Higher, K-12 Education," WOUB, May 6, 2020, available at https://woub.org/2020/05/06/more-details-released-on-dewines-cuts-to-higher-k-12-education/.

28 Ohio Office of Budget and Management, "College and University State Share of Instruction (SSI) Reductions," available at https://archives.obm.ohio.gov/Files/News_and_Events/Press%20Release/Higher_Education.pdf (last accessed May 2020).

29 Jason Gonzales, "Lawmakers just cut 58% from Colorado public colleges. Federal money will ease the blow," Chalkbeat Colorado, May 19, 2020, available at https://co.chalkbeat.org/2020/5/19/21264509/lawmakers-cut-58-percent-from-colorado-public-colleges-3-3-billion-budget-hole.

30 Michael Mitchell, Michael Leachman, and Kathleen Masterson, "A Lost Decade in Higher Education Funding: State Cuts Have Driven Up Tuition and Reduced Quality" (Washington: Center on Budget and Policy Priorities, 2017), available at https://www.cbpp.org/research/state-budget-and-tax/a-lost-decade-in-higher-education-funding.

31 Laderman and Weeden, "State Higher Education Finance: FY 2019."

32 Sandy Baum and others, "Tuition and State Appropriations: Using Evidence and Logic to Gain Perspective" (Washington: Urban Institute, 2018), available at https://www.urban.org/research/publication/tuition-and-state-appropriations/view/full_report.

33 Michael Mitchell, Michael Leachman, and Matt Saenz, "State Higher Education Funding Cuts Have Pushed Costs to Students, Worsened Inequality" (Washington: Center on Budget and Policy Priorities, 2019), available at https://www.cbpp.org/research/state-budget-and-tax/state-higher-education-funding-cuts-have-pushed-costs-to-students.

34 Wesley Whistle, "Millennials and Student Loans: Rising Debts and Disparities" (Washington: New America), available at https://www.newamerica.org/millennials/reports/emerging-millennial-wealth-gap/millennials-and-student-loans-rising-debts-and-disparities/ (last accessed May 2020).

35 Greg Hilburn, "Louisiana Gov. John Bel Edwards: 'We are failing our students'," *News Star*, March 3, 2017, available at https://www.thenewsstar.com/story/news/2017/03/03/louisianas-college-campuses-crumbling/98645740/.

36 Robin Wilson, "What Happens When Entire Departments Get the Ax," *The Chronicle of Higher Education*, June 18, 2009, available at https://www.chronicle.com/article/When-an-Entire-Department-Gets/44519.

37 University of Wisconsin-Madison, "UW–Madison, UW System Schools Detail Budget Cut Impacts," April 13, 2016, available at https://budget.wisc.edu/uw-madison-uw-system-schools-detail-budget-cut-impacts/.

38 Niamh Coomey, "University administration invokes hiring freeze, other financial measures," *Minnesota Daily*, April 9, 2020, available at https://www.mndaily.com/article/2020/04/university-administration-invokes-hiring-freeze-other-financial-measures; Hana Ikramuddin and Abbey Machtig, "Regents move to increase student fee refunds, discuss financial implications of COVID-19," *Minnesota Daily*, April 7, 2020, available at https://www.mndaily.com/article/2020/04/n-regents-move-to-increase-student-fee-refunds-discuss-financial-implications-of-covid-19.

39 Robin Goist, "University of Akron to eliminate six of 11 colleges as part of cost-saving measures due to coronavirus pandemic," Cleveland.com, May 4, 2020, available at https://www.cleveland.com/education/2020/05/university-of-akron-to-eliminate-six-of-11-colleges-as-part-of-cost-saving-measures-due-to-coronavirus-pandemic.html.

40 Laderman and Weeden, "State Higher Education Finance: FY 2019."