

Budget shortfalls and planned cuts threaten higher education across the US

Alexander Fangmann**16 May 2020**

Colleges and universities across the US are announcing layoffs and eliminating programs in response to huge declines in state revenue, as well as financial pressures from dormitory refunds and other costs incurred as they moved classes online when the COVID-19 pandemic took hold in March. Still struggling from the budget cuts carried out in the wake of the Great Recession, some have already announced they will be shutting down completely.

While trillions have been handed over to the financial aristocracy, the provisions of the already-passed CARES Act and the Health and Economic Recovery Omnibus Emergency Solutions (HEROES) Act passed by Democrats in the House of Representatives yesterday make clear that the ruling class has no intention of providing a lifeline to struggling colleges and universities. Indeed, without a massive intervention to financially prop up the higher education sector, what has already been announced will only be a prelude to deeper, permanent attacks.

According to the Center on Budget and Policy Priorities (CBPP), states are expecting a \$650 billion budget shortfall over the next three years as a result of declining tax revenues from the pandemic. A report from the State Higher Education Executive Officers Association shows that average state spending levels on higher education remain only two-thirds of what they were prior to the Great Recession. For many institutions, the looming cuts to state funding will simply be the final nail in the coffin.

The American Council on Education is predicting that enrollment at schools will drop by 15 percent nationwide, which would amount to a \$23 billion decline in revenue. Additionally, international enrollment is expected to fall 25 percent. This will further hurt schools, as international students typically pay the full costs outright, making them more valuable from a budgetary perspective.

On Thursday, California Governor Gavin Newsom announced a revised state budget that would cut 10 percent from community colleges as well as the California State University and University of California systems in the coming fiscal year. Amounting to roughly \$1.7 billion in

spending, the announcement means the systems will not receive increased funding they had been previously promised and will have to make cuts despite seeing increased costs from technology and other purchases made necessary by the pandemic.

New Jersey froze \$1 billion in spending due to budget pressures, including \$113 million in higher education funding. Robert Kelchen, a professor at Seton Hall University, told *Inside Higher Ed*, “Unless there’s a massive influx of federal funds, I expect many states to give 20 to 30 percent cuts to state higher education budgets. State revenues as a whole are likely to trend down by at least 10 percent.”

Many of the universities facing imminent closure or announcing drastic cuts were facing financial issues before the COVID-19 pandemic. Besides making the financial pressures even more dire and foreclosing available options, the pandemic is also allowing school administrations to carry out actions that would have previously been politically difficult.

One of the deepest attacks so far has been at Missouri Western University (MWU), which announced it is laying off 31 non-tenured faculty members. Twenty more will be given terminal, one-year contracts. Altogether, this means a 25 percent reduction in the faculty ranks outright, while more will be offered early retirement. Programs being targeted for elimination include core subjects such as English, history, philosophy, political science, economics, sociology, Spanish, French and the arts. According to *Inside Higher Ed*, MWU overspent its budget by \$11 million over past five years. At the time, administrators blamed declining state appropriations.

On May 11, Northwestern University said it is furloughing 250 staff members in order to shore up a \$90 million budget shortfall. Northwestern also announced it was suspending contributions to employee retirement plans, leaving those to be funded entirely out of workers’ own pockets. Top college leaders including President Morton Shapiro would also take a token 20 percent cut in their obscene levels of pay, while

deans will see a 10 percent pay cut. Northwestern was originally awarded \$8.5 million of federal money, but turned it down after a public backlash directed against private universities with enormous endowments.

The message announcing the budget measures from Shapiro noted, “Even if we resume on-campus activity in the fall, as we hope to do by phases, we are likely to see a significant shortfall in the 2021 fiscal year as well, perhaps as great as or greater than what we are experiencing this year.”

Loyola University in Chicago has also announced that it has a budget gap of \$50 million, and is furloughing staff. The college president’s pay will be reduced by 15 percent, 10 percent for vice presidents, 5 percent for deans and between 2.5 to 3 percent for other administrators. They also instituted a hiring freeze for staff positions except those deemed “essential,” and said they would be “slowing” faculty hires beyond the already glacial pace of academic hiring. Supplementary funds directed to faculty pay-raises would also be eliminated, as would planned salary increases scheduled for January 2021. Like other schools, they are also cutting by 50 percent the number of PhD students admitted to the university. The University of Chicago, with an \$8.2 billion endowment, has not announced whether it will pursue the \$6.2 million it was allocated.

The University of Chicago expects a \$220 million revenue shortfall, part of which is the result of a downturn in revenue from its medical center and hospital. Many universities with medical schools rely on the revenue generated by their hospitals and clinics to shore up their budgets. Like other medical centers, they have seen their revenue decline as a result of the suspension and delays of elective procedures. The University of Chicago is also instituting a salary freeze, a freeze on staff hiring and a faculty hiring “slowdown.” They are also cutting spending on supplies, services and other “discretionary” spending by 10 percent.

Another major issue is revenue from dorms and meal plans, which many colleges rely on to balance their budget. Some colleges and universities are closing entirely due to the decline in revenues from these sources. MacMurray College, a private college in Jacksonville, Illinois, is closing after 174 years after a deal with a developer to buy back its dorms fell through when it became apparent that students might not be back in the fall semester.

Wells College in Aurora, New York, has also said if students cannot return for the fall, the college will have to shut down. President Jonathan Gibralter said, “A substantial amount of the College’s operating budget comes from room and board revenue, so without enough students participating in our residential life, the College cannot afford to reopen.”

Indeed, this consideration is likely part of the push on the

part of the ruling class to reopen schools in the fall. At a Senate hearing on Tuesday, Dr. Anthony Fauci responded to a question from Republican Senator Lamar Alexander of Tennessee, who asked what Fauci would say to the chancellor of the University of Tennessee, Knoxville, “about how to persuade parents and students how to return to school in August?” Fauci pushed back, saying, “I would be very realistic with the chancellor and tell her that in this case, that the idea of having treatments available, or a vaccine, to facilitate the reentry of students into the fall term would be something of a bit of a bridge too far.”

The austerity enacted in the wake of the Great Recession led to layoffs and cuts of all kinds and resulted in larger class sizes. The fall in state-level support to higher education left many public colleges and universities public in name only and has contributed to increased inequality in higher education. Furthermore, the tuition hikes used to plug budget holes led to a corresponding explosion in the levels of student debt.

Many reports on cuts to higher education have placed hopes in the “relief” bill passed on Friday by House Democrats. The proposal, which even they acknowledge has no chance of passing the Senate or being signed by Trump, is itself entirely inadequate. It follows on the previously passed CARES Act, which included \$14 billion for higher education, a drop in the bucket.

The so-called HEROES Act supposedly sets aside \$90 billion as a “state fiscal stabilization fund” that would go to K-12 and higher education, with 30 percent, or \$27 billion, slated for the latter. On top of that, \$10.5 billion would be allocated to help with pandemic related costs and another \$1.7 billion would be apportioned for historically black colleges and schools and other minority-serving institutions.

A struggle is necessary in order to protect college and university faculty and staff from layoffs, and to prevent higher education from being even more restricted to the wealthy. Educators and students should begin building rank-and-file committees, and establish International Youth and Students for Social Equality clubs at every campus, to organize and prepare to fight back against the impending cuts.



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