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If the Coronavirus Collapses State Budgets, What Will Happen to Public Colleges?

By Francie Diep | MARCH 26, 2020

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Mel Evans, AP Images

Harvey Kesselman, then acting president of Stockton U., testifies before the Appropriations Committee of the New Jersey Assembly in 2015.

Harvey Kesselman, president of Stockton University, got the bad news in a text from New Jersey's secretary of higher education: Half of Stockton's state operating aid would be held back for the rest of the fiscal year.

On Monday, in response to the coronavirus pandemic, New Jersey announced a spending freeze of \$920 million that had already been allocated by the Legislature, including half of all funds headed to public colleges like Stockton. (New Jersey had more than 6,000 confirmed cases of the new

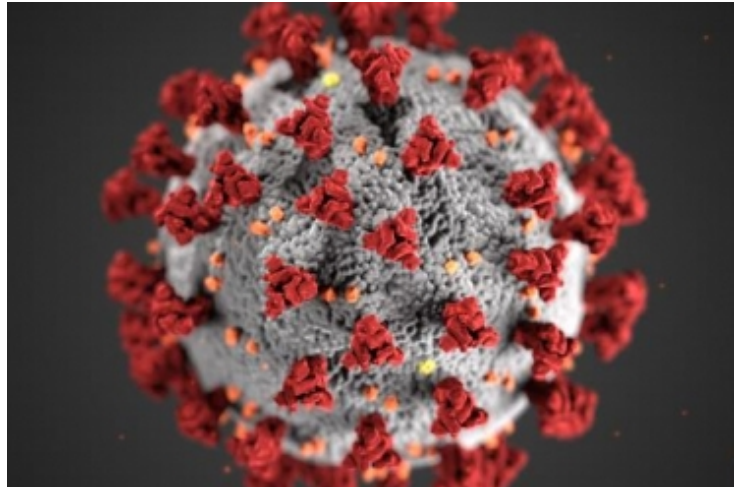
coronavirus as of Thursday.)

The move was one of the first big signs of the troubled waters ahead for state support for higher education. It won't be the last. Skyrocketing unemployment claims portend deep declines in tax revenue for states, many of which have in the past responded to economic downturns by cutting funds for public colleges. If history repeats itself, those institutions could be left scrambling to make up the budgetary gaps.

Coronavirus Hits Campus

As colleges and universities have struggled to devise policies to respond to the quickly evolving situation, here are links to *The Chronicle's* key coverage of how this worldwide health crisis is affecting campuses.

- For Many Graduate Students, Covid-19 Pandemic Highlights Inequities
- After Coronavirus, the Deluge
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- 5 Lessons From Campuses That Closed After Natural Disasters ✓ PREMIUM



Across the country, leaders of regional public universities told *The Chronicle* that they're bracing for cuts in their next year's state appropriations, although the situation also remains remarkably uncertain. The Covid-19 pandemic hit the United States at a time when many state legislatures were still deciding their budgets for the next fiscal year, which for most begins on July 1.

Governors came out with their proposed budgets in January, around the time that the new virus had just been identified in China. They had no idea what lay ahead. Now state lawmakers must rewrite their state spending for an entirely altered future. "We're all trying to adjust in this new world," said John P. Donohue, vice president for advancement at the College of New Jersey.

The Michigan Legislature canceled major hearings on the higher-education budget just before they were set to begin. Steven V. Betz, government-relations officer for Lake Superior State University, said he hasn't heard much from lawmakers since then. "There's no word about what the higher-ed budget's going to look like going forward," he said on Tuesday.

Still, he's understanding. "Quite honestly, it probably would be inappropriate to have that conversation now, anyway," he said. "Once we get back to some semblance of normalcy, then those discussions become more appropriate." The governor signed a stay-at-home order on Monday, citing an explosion of cases in Michigan, from zero to more than 1,000 in less than two weeks.

Lobbyists for the California State University system had planned to meet with lawmakers in Sacramento this month. Those meetings had to be changed to Zoom calls. "Fast-forward two weeks," said Mike Uhlenkamp, senior director of public affairs for the Cal State system, "and the entire nation has basically shut down."

California's public colleges, as well as government agencies, got a letter from the state's Department of Finance warning that because of the costs of fighting the coronavirus in California and the expected effect on the economy, the government may have to undertake a harsh "prioritization" of what spending it will propose for the 2020-21 fiscal year, and "agencies and departments should have no expectation of full funding for either new or existing proposals." (California's public-health department reported more than 3,000 cases of the virus as of Thursday.)

Yet Uhlenkamp was not so much pessimistic about the future as unsure. "We are in kind of a wait-and-see mode," he said, adding that things are still changing: "In terms of where we were as a university 10 days ago to where we are today, it's night and day."

Experts say higher ed will very likely suffer cuts, as all states deal with higher public-health costs and lower tax revenues. "Higher ed is always one of the go-to entities because it's not really discretionary, but it's a heck of a lot more discretionary for the state than a lot of other entities," said Kesselman, Stockton's president. In addition, it often takes a few years for state spending on colleges to rise again after a recession, making for prolonged budgetary pain, said Brian Sigritz, director of state fiscal studies for the National Association of State Budget Officers.

Yet no one knows how bad the cuts will be because no one knows how the coronavirus will continue to spread — and how the illnesses and stay-at-home orders it causes will affect state economies. States don't know what their 2020 tax revenues are, and won't

know until later in the year than is typical, because of extended tax deadlines.

“The most important driver of how much money we have to spend, we just don’t know this year with as much clarity as normal,” said Jennifer Pacella, who works on higher education for the California Legislative Analyst’s Office, which advises the Legislature.

Although most state budgets are in limbo at the moment, there are a couple of exceptions. One is Washington, where legislators finished a budget and appropriated money to respond to that state’s severe Covid-19 outbreak from the rainy-day fund, all before adjourning. The University of Washington’s portion didn’t seem noticeably different from what it expected before the coronavirus hit, said Joe Dacca, its director of state relations.

All bets are off, however, for the budget for the 2021-22 fiscal year. “Obviously that’s a much different conversation,” Dacca said. As the state and country move into an expected recession, Dacca noted that the University of Washington had suffered cuts during the Great Recession of 2007-9.

“If past is prologue,” he said, “we have reason to be concerned.”

Correction (3/27/2020, 9:12 a.m.): This article originally misidentified New Jersey’s secretary of higher education as its secretary of education. The article has been updated to reflect this correction.

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