Midwest Legislative Perspectives: The Pandemic’s Impact on Higher Education

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SHEEO
About SHEEO

- SHEEO is a national organization based in Boulder, CO and Washington DC serving chief executives of statewide governing, policy, and coordinating boards of postsecondary education and their staffs.
- SHEEO has been a presence in American higher education for 66 years.
- Committed ensuring the equitable education of all Americans, regardless of race/ethnicity, gender, or socioeconomic factors.
The Pandemic and Higher Education

- Pre-crisis higher education financing context
- The pandemic’s effects on campus budgets
- The pandemic’s effects on state higher education budgets
- Economic indicators
- The CARES Act
- Requests for additional support
- The House legislation—HEROES Act
- Next steps
Higher Education Funding-National

FIGURE 2.1
PUBLIC FTE ENROLLMENT, EDUCATION APPROPRIATIONS PER FTE, AND NET TUITION REVENUE PER FTE, U.S., FY 1994-2019 (CONSTANT DOLLARS)

Source: State Higher Education Executive Officers Association, 2020
State Budgets for Higher Education Before the Pandemic

- States have spent years rebuilding support for higher education since the recession
- Nationally, per-student funding is 2/3rd of the way back from pre-recession levels
- This varies markedly from state to state, and some states are in a better position than pre-recession, while others are not.
Campus Budgets and the Pandemic

• Losses in tuition and fee revenue
• Losses in campus auxiliary revenue (housing refunds, refunds of dining fees, lost parking revenue, cancelled events, etc.)
• Increased costs due to the transition to online instruction (costs to move employees to remote access, consultants, purchase of laptops, webcams, etc.)
• Drops in research revenue
• Cleaning and sanitation costs and employee overtime
• Others (Repatriation costs for study abroad students, lost fundraising revenue, etc.)
• Lost revenue from summer courses
• Fall enrollment? Expected dips, including a sharp drop in international students
State Budgets and COVID-19

• Moody’s Analytics=States are facing revenue drops between $158 and $203 billion, or 18 to 23 percent
• CBPP=10% shortfall for this fiscal year, and 25% for FY21
• Higher education has alternative revenue streams and remains a discretionary funding item
• Sample higher education budget cuts
  – CA: 10% proposed cut to CSU, UC
  – GA: 14% cut
  – MO: Possible 10% cut
  – OH: 3.8% cut
  – OR: Prepare for 8.5%
  – NV: Prepare for between 6-14%
The Economy

– April unemployment rate = 14.7%
– Underemployment = 22.8%
– Fed Survey: 39% of people working in February with a household income below $40k reported a job loss in March
– 19% of all adults reported either losing a job or experiencing a reduction in work hours in March

CARES Act-Funding

- Was designed as emergency aid to institutions (public, private, for-profit) and students due to the changes in instructional delivery
- Most higher education funding bypassed states and instead went directly to institutions via the U.S. Department of Education
- Did not deal with underlying state budget dynamics
CARES Act-Funding

- $30.75 billion package for education, K12 & higher ed
- Approximately $3 billion to governors for K-12 and higher education priorities
- Approximately $14 billion for higher education, of which $6.3 billion reserved for student grants
- Weak maintenance of effort (MOE) provision, and MOE only applies to K-12 and governor’s fund
- Concerns over the administration of the program, including windfall to tiny institutions
Requests for additional support

- NGA asking for $500 billion to the states
- SHEEO plan asking for $31.2 billion in block grants to states for higher education
- Higher ed presidential associations asking for $46.6 billion in aid split between institutions and students (public and non-public) in similar form to the CARES Act
House Bill-HEROES Act

- $90 billion to support states for education
- 65% of the funding, or nearly $58 billion, goes to states for K-12
- 30% of the funds, or nearly $27 billion, for public higher education
- 5% appears to be discretionary for states
House Bill-HEROES Act

- For the public higher education funds, states are a pass-through.
  - 75% of the funding is based on Pell enrollment at an institution relative to other institutions in the state
  - 25% of the funding is based on relative share of total enrollment to other public institutions within the same state
  - Fully online students excluded in the count, and it does not seem to be based on FTE
  - Wide authority in use of funds
  - Each institution with at least 500 students will receive $1 million
House Bill-HEROES Act

- Strong MOE provision: at least the average of the last three years preceding the legislation on a per-FTE student basis for FYs 20, 21 and 22, as well as percent of total spending on elementary, secondary, and postsecondary education. No waivers.
- Also includes $10.15 billion fund for higher education to specialized institutions, private nonprofit institutions, and minority-serving institutions
- Continues suspension of student loan payments without interest or penalties until Sept. 30, 2021
- Funds in HEROES and CARES are available to all enrolled students
- Up to $10,000 in relief for economically distressed borrowers
House Bill-HEROES Act

- Expand eligibility for non-profit institutions for the Main Street lending program
- Expands the PPP to institutions of all sizes and set-asides for nonprofit institutions
Next steps

- The HEROES Act is not likely to be taken up in the Senate, but rather used as a marker for negotiations.
- Senate wants to see the CARES Act to be fully implemented before considering another stimulus package.
- Sen. McConnell remains concerned over debt level and wants liability protections in the next bill.
- Timetable remains unclear on Senate moving forward with another stimulus
- Many institutions are still undecided about in-person classes for the fall, and campus leaders remain concerned over lawsuits.
SHEEO Emails

- We have a daily higher education policy email
- The latest reports, government documents, and news clippings
- Both state and federal policy
- Available at https://sheeo.org/sheeo-newsletter-signups/

Tuesday, March 31, 2020

3/25 SHEEO Statement on Bipartisan Stimulus Deal

National Policy Update

Report: Do College Applicants Respond to Changes in Sticker Prices Even When They Don’t Matter?
NBER (Date posted: March 2020)

Report: Preliminary Simulation of Distribution of Funds under the CARES Act
American Council on Education (Date posted: March 25, 2020)

Pelosi Floats New Stimulus Plan: Rolling Back SALT Cap
The New York Times (Date posted: March 30, 2020)

After Three Coronavirus Stimulus Packages, Congress Is Already Prepping Phase Four
The Wall Street Journal (subscription required) (Date posted: March 29, 2020)

More Stimulus? Here’s the Case for Adding On
The Wall Street Journal (Date posted: March 30, 2020)
Questions?

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