

State universities brace for another brutal year

Alison Damast

With dwindling support from recession-battered state governments, many schools are bracing for more cost-cutting and steep tuition hikes.

Just two days before Christmas, Louisiana State University Chancellor Mike Martin received an unwelcome holiday surprise. The state had just slashed \$12.6 million off the Louisiana flagship campus' \$430 million operating budget, and Martin had just two weeks to make a round of fresh cuts. When students returned to campus in early January, the school had laid off employees, canceled several required courses, and implemented several other painful cost reductions.

Martin says he doesn't want to be caught off guard next time around. Anticipating further severe budget cuts for fiscal year 2011, which begins in July, he recently sent notices to 300 non-tenured instructors informing them that they may not have jobs by the end of the year. Other cutbacks may include implementing furloughs and closing academic programs. "We have been coping with the consequences of a pretty big hit," says Martin. About \$43 million was cut from LSU's budget over the last year, including the recent \$12 million reduction. "The uncertainty that remains is not only fiscally difficult to deal with but also difficult to deal with in respect to morale because people are feeling under assault."

The past year has been one of the most brutal for the higher education world in decades, with private schools struggling to stay afloat and even some of the most elite institutions suffering huge endowment losses and cutbacks. But state schools perhaps have been hit the hardest, with dwindling government support and increasing student demand casting their collective future in doubt. Already battered by the economic downturn, many are bracing for an even tougher year ahead.

'Apocalyptic' predicament

In the last six months colleges and universities in states from California to Illinois have already done what they would have deemed unthinkable a few years back—laying off hundreds of employees, raising tuition by double digits, and capping enrollment. And it doesn't look like it is going to get easier anytime soon. Mid-year budget shortfalls have opened in at least 41 states this fiscal year, and early indications are that many states will face deficits in the next fiscal year that are just as big, if not larger, according to a Jan. 28 report from the Center on Budget & Policy Priorities, a nonpartisan think tank in Washington.

State support for higher education continues to lag. At least 37 states have made cuts to public colleges or universities or hiked tuition because of insufficient state funding, the report shows. For example, Massachusetts cut \$62 million out of its higher education budget this fall. The money that was replaced by federal stimulus funding, but many educators worry that the cuts will be even more drastic come next year. "We've already been subject to very disruptive budget cuts before and then gradual recovery, but this one feels apocalyptic," says Nancy Folbre, author of a new book "Saving State U" and an economics professor at University of Massachusetts. "I'm in a real panic about what will happen next year when the federal stimulus funds are not going to be there to break our fall."

Folbre has good reason to be concerned. In the 2009 fiscal year, state support for higher education nationally fell from \$80.7 billion to \$77.9 billion, and this year it's expected to fall an additional \$2.7 billion, to \$75.2 billion, according to the annual Grapevine survey out of Illinois State University's Center for the Study of Education Policy. The impact of those reductions has not been fully felt yet, because nearly \$40 billion was provided to states by the federal

government through the State Fiscal Stabilization Fund, part of last year's \$787 billion stimulus package. With those federal funds soon running out and state and local tax revenues still in decline, many public university presidents are looking anxiously toward the 2011 fiscal year, worried that they'll have to take even more draconian measures.

Complicating matters, demand for public universities and colleges continues to surge, with enrollment up by as much as 10% in some states, says Paul Lingenfelter, president of the State Higher Education Executive Officers in Boulder, Colo. "We're seeing enrollment go up and support not go up, something we've not experienced for a long time," he says. "State revenues usually take 18 months to two years after the end of a recession to fully recover, so that suggests we are going to have some real challenges for the next two to three years."

15% tuition hikes

Many universities are trying to raise additional revenue by hiking tuition. This tactic, employed by public institutions during economic downturns, has become accelerated as a result of the current economic meltdown, says Terry Hartle, senior vice-president of government and public affairs at Washington-based American Council on Education, a trade association representing colleges and universities. For example, Florida's state schools this year saw a 15% tuition hike, while in New York students had to pay 14% more. With 80% of the country's college-age students attending public universities, these steep increases are being felt by millions of families. "Historically, when the economy is good, states are very positive about funding higher education and tend to be generous," says Hartle. "But when the economy heads south, states tend to decide that public colleges and universities have a lot of people who look like paying customers and let the customers pay more."

A school in this position is the University of Washington, which raised tuition 14% this year for residents and plans to increase it another 14% next year. The school has seen its state funding decline by 26%, or \$95 million, for fiscal year 2010, says University President Mark Emerett. "We were able to partially replace the money with increased tuition, but we still had some very large budget holes," he says. To cut expenses, the university is offering about 5% to 10% fewer classes—which means large and crowded lectures. It also has closed its writing center and some libraries and shrank the size of the freshman class by about 300 students. Perhaps the most drastic measure Emerett has taken is the elimination of 850 jobs, including 300 vacant positions. "One of the things I was quite adamant about was that we not take temporary measures, like furloughs or temporary pay cuts," he says. "We eliminated positions because I'm convinced that these are not temporary problems, but significant changes in the way higher education is going to be financed going forward."

Some public institutions are weighing significant shifts in the way they operate. At the University of Montana, Robert Durringer, the vice-president for administration and finance, proposed a four-day workweek to faculty and staff, a suggestion that "has been very controversial," he says. The university is facing a \$7.5 million budget gap and once the federal stimulus funds run out in 2012, the school will have to come up with some more creative cost-cutting measures, he says. "The federal stimulus money just bought us some time and extended the plank we're walking on," he says.

Student anger

The 10-campus University of California system, faced with unprecedented budget cuts of more than \$813 million in the last two years, has taken some of the most extreme measures. Students are facing a 32% tuition hike this year, and the schools reduced enrollment for the current freshman class by 6%, or 2,300 students. Adding to the angst has been a wave of layoffs, furloughs, and reduced course offerings. Student anger over the actions reached a

fever pitch this November, with thousands of students at the University of California, Berkeley, and other UC campuses organizing protests, sit-ins, and occupations of campus buildings.

Victor Sanchez, a senior at University of California, Santa Cruz, and head of the University of California Student Assn., says he has experienced the impact of the budget cuts firsthand. His school's library is closed on Saturdays and has limited hours during the week, several academic programs have been eliminated, and some students are being forced to delay graduation because they are unable to get into the classes they need for their majors, he says. He was involved with this fall's campus protests over the tuition hikes and is helping to organize a March for Higher Education on the steps of the state capital on Mar. 1, followed by a statewide campus "day of action" on Mar. 4, events that he hopes will convince state legislators of the need for more higher education funding. He's also trying to mobilize student groups in other states including Arizona, Massachusetts, Oregon, Washington, and Wisconsin. "That sense of anger among students here hasn't gone away," Sanchez says. "By working with other states, it gives us a sense of camaraderie because we're organizing around the same issues. It helps us build this into a broader movement."

The higher education world's budget woes are not limited to public universities. Private institutions, even those with hefty endowments, are being more prudent with their money as endowment earnings lag. The nation's college and university endowments had a brutal year in 2008-09, sustaining an average loss of 18.7%, their worst performance since the Great Depression, according to a study of 842 endowments by the National Association of College & University Business Officers and the Commonfund Institute.

This month, Yale University cut more than \$50 million from its 2010-11 budget and said it plans to trim its capital program by 60%, to \$250 million, next year. Meanwhile, Dartmouth University announced plans this week to cut 38 of its 3,400 nonfaculty workers, part of a move to close a \$100 million budget deficit over the next two years, with more job losses expected this spring. Complicating matters, nearly 30% of private colleges are projecting a decline in net tuition and fee revenue in the 2010 fiscal year, according to a report from Moody's Investor Service (MCO). That's a sharp change from recent years, when on average less than 10% of these institutions reported declines.

Schools feeling the economic pinch most acutely are the hundreds of private colleges and universities that are heavily dependent on tuition and fees for their operating budget, says John Nelson, the managing director who oversees university ratings for Moody's. To cope with smaller potential revenues, these schools are accepting more students, offering larger scholarships, and trying to keep their classrooms as full as possible. And with more parents opting to send their children to public universities to save money, some private schools are voicing concerns that they may not be able to stay in business, says Nelson. It's a scenario that is unlikely at the moment, but for many the fear exists, he says. "They're using every tool in their war chest, if you will— discounting tuition, asking faculty to take no salary increases, and hunkering down to have less costly operations," he says. "For them, that's a much better outcome than suffering a decline in their entering class and risking word-of-mouth harm to their reputation."

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