



SHEEO

STATE HIGHER EDUCATION EXECUTIVE OFFICERS ASSOCIATION

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

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SHEEO

About SHEEO

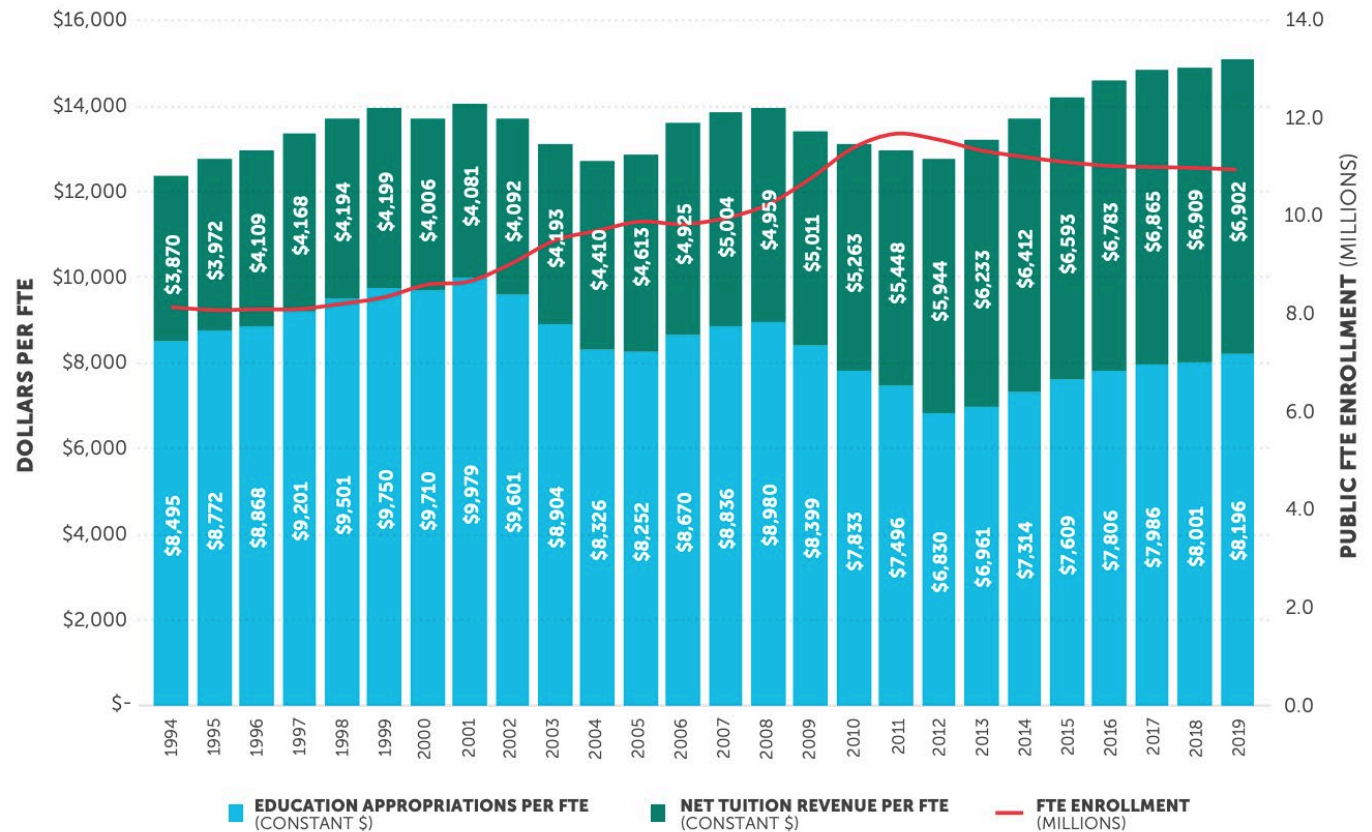
- SHEEO is a national organization based in Boulder, CO and Washington DC serving chief executives of statewide governing, policy, and coordinating boards of postsecondary education and their staffs
- SHEEO has been a presence in American higher education for 66 years
- Committed ensuring the equitable 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

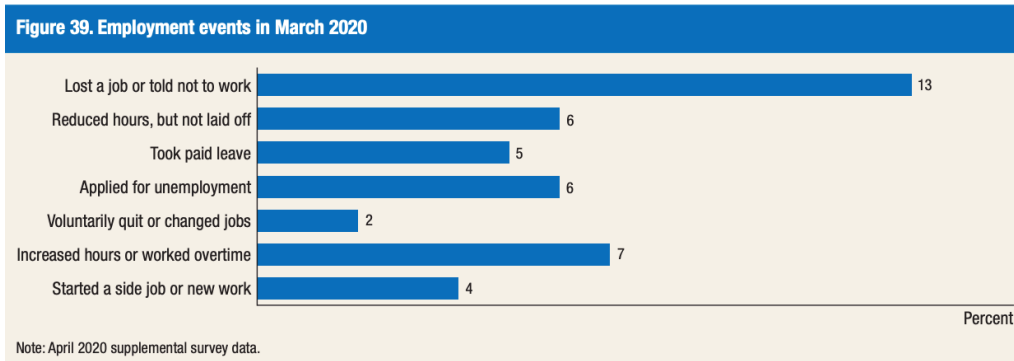
- Losses in tuition and fee revenue
- Losses in campus auxiliary revenue (housing refunds, refunds of dining fees, lost parking revenue, cancelled events, etc.)
- Increased costs due to the transition to online instruction (costs to move employees to remote access, consultants, purchase of laptops, webcams, 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



Sources: U.S. Bureau of Labor Statistics, Federal Reserve, May 2020



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 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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