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*Colleges Brace for Cuts as State Economies Take a Turn for the Worse*

*By Sara Hebel*

This was supposed to have been the “year of education” in California, a designation proclaimed last year by Gov. Arnold Schwarzenegger as he looked ahead to 2008.

But, like his counterparts in many states, the Republican governor finds himself entering the new year facing a budget gap. California’s revenues are flat-lining, in part because of the slumping housing market, and are expected to fall \$14.5-billion short of the state’s costs over the next 18 months.

Educators who had hoped “their” year might come with spending increases now face cuts. Mr. Schwarzenegger has proposed slashing the budgets of all state agencies, including the University of California and California State University, by 10 percent.

Those institutions would receive some increases for their basic operations and to cover costs of some enrollment growth, but university administrators warn that the reductions would still limit the number of students they could accommodate. They would also lead to higher tuition, with the governor’s budget assuming an increase of at least 7 percent at the University of California and 10 percent at Cal State for the 2008-9 academic year.

Beyond spending cuts, Mr. Schwarzenegger has called for budget reforms and proposed suspending the financing guarantees of Proposition 98, which sets a minimum level of state support for community colleges and public schools.

## **Coast to Coast**

**Across the country, many other states are also beginning to struggle to make ends meet. In**

**the third quarter of last year, which ended in September, state tax revenues dropped from the previous year when adjusted for inflation for the first time in four years, according to a report released on Tuesday by the State University of New York’s Nelson A. Rockefeller Institute of Government.**

The lackluster housing market, in particular, has strained the budgets of about half the states, according to the American Association of State Colleges and Universities, which notes that the effects have been particularly harsh in California, Florida, and Nevada.

At the same time revenues are taking a hit, the costs of health-care programs like Medicaid, as well as other state programs, are escalating, further squeezing state finances. Faced with gaps, state officials are proposing reductions in appropriations for next year and considering midyear cuts in current budgets. Among the states considering midyear cuts are California, Florida, Kentucky, Maryland, and Nevada, according to the state-colleges group.

## **A Jarring Turn**

The change of fortune may be especially jarring to college officials after a year in which state appropriations for higher education saw their biggest annual increase in more than two decades (The Chronicle, January 11). State-tax support for higher education climbed 7.5 percent, to \$77.5-billion, in the 2007-8 budget year, the fourth year in a row of growth, according to the Center for the Study of Education Policy at Illinois State University.

As they face proposed cuts, higher-education officials in many states are fighting back. In Kentucky, for instance, leaders of the state’s eight public universities, the community- and technical-college system, and the state association of private colleges

sent a letter to their new governor, Steven L. Beshear, warning of dire consequences if the cuts he has asked them to plan for take effect.

The governor, a Democrat who campaigned last fall on a pledge to put college within reach of more Kentuckians, asked the state's institutions to outline how they would absorb a 15-percent cut in their budgets over the next two years, given that the state faces a budget gap of \$430-million.

The higher-education officials told the governor his plan would cause "immeasurable damage," requiring them to cut academic programs, lay off faculty and staff members, and limit enrollment growth. The leaders also said such deep cuts would stall the state's progress toward reaching the goals of an aggressive reform plan Kentucky put in place a decade ago that seeks to raise the state's college-going rates sharply.

### **Economic-Development Arguments**

In some states, governors have sought to protect higher education, or proposed new sources of funds for colleges, even as they worked to balance budgets.

In New York, which faces a \$4-billion deficit, Gov. Eliot Spitzer, a Democrat, floated the possibility of partially privatizing the state's lottery in order to finance a new endowment he wants to create for

the state's public universities. He proposed using the endowment to add 2,000 faculty members to the institutions.

Virginia's governor, Timothy M. Kaine, proposed issuing \$1.65-billion in bonds to pay for construction and renovation projects at the state's colleges, which he said would help advance research and further colleges' roles in work-force development. The governor, a Democrat, is grappling with a budget deficit of \$618.3-million but said that "if we want to make sure that Virginia's economy remains strong in the future, we must make strategic investments in higher-education capacity and research."

That economic argument for protecting spending on higher education seems to be resonating more and more with governors and state lawmakers, says Daniel J. Hurley, director of state relations and policy analysis for the American Association of State Colleges and Universities. Compared with five years ago, the last time appropriations for higher education fell from the previous year, state lawmakers now seem to be even more reluctant to turn to college budgets' first when they are looking for places to make cuts, he says.

When state leaders face tough budget choices, Mr. Hurley says, "this time around, higher education might take precedence."