

As college students and parents demand robust COVID-19 response, university finances suffer

By Andrew Mikula, Peters fellow

College enrollment [has increased](#) in every economic recession since the 1960s, as young people have difficulty finding jobs at their previous level of education. But the COVID-19 crisis has all but upended higher education's business model, given the [high susceptibility](#) of college campuses to viral outbreaks.

Since a vaccine will likely not be available [until 2021](#), universities could be facing [up to three consecutive semesters](#) of [remote learning](#) and reduced revenue from meal plans, housing, athletics, and events, including the current spring 2020 semester. If a university wants to open campuses earlier, it would first need to invest considerably in safety measures, physical accommodations, and additional health personnel.

Many small private universities have already experienced [financial challenges](#) and [declining enrollment](#) over the past decade, before the coronavirus pandemic hit. In December 2019, Moody's Investor Services [estimated](#) that one in five small private colleges faces "fundamental stress" over their finances. That same month, NPR logged [an 11 percent decline](#) in enrollment at U.S. colleges over just eight years.

Going forward, even more students may choose to forego or delay their education if schools convert to online models to keep the virus at bay. In early April 2020, [a study](#) found that 90 percent of parents of college students are "not comfortable with their children returning to [the] status quo learning experience" under COVID-19. At the same time, [47 percent](#) of parents of students at private colleges said they were expecting a "meaningful reduction in price" because of the limitations of online learning and the deprivation of campus life. Combined, these statements mean both [expensive adaptations](#) and [reduced revenue](#) for universities. Citing the fallout from COVID-19, at least [one small private college](#) has already permanently closed, with a potential abundance of others to follow.

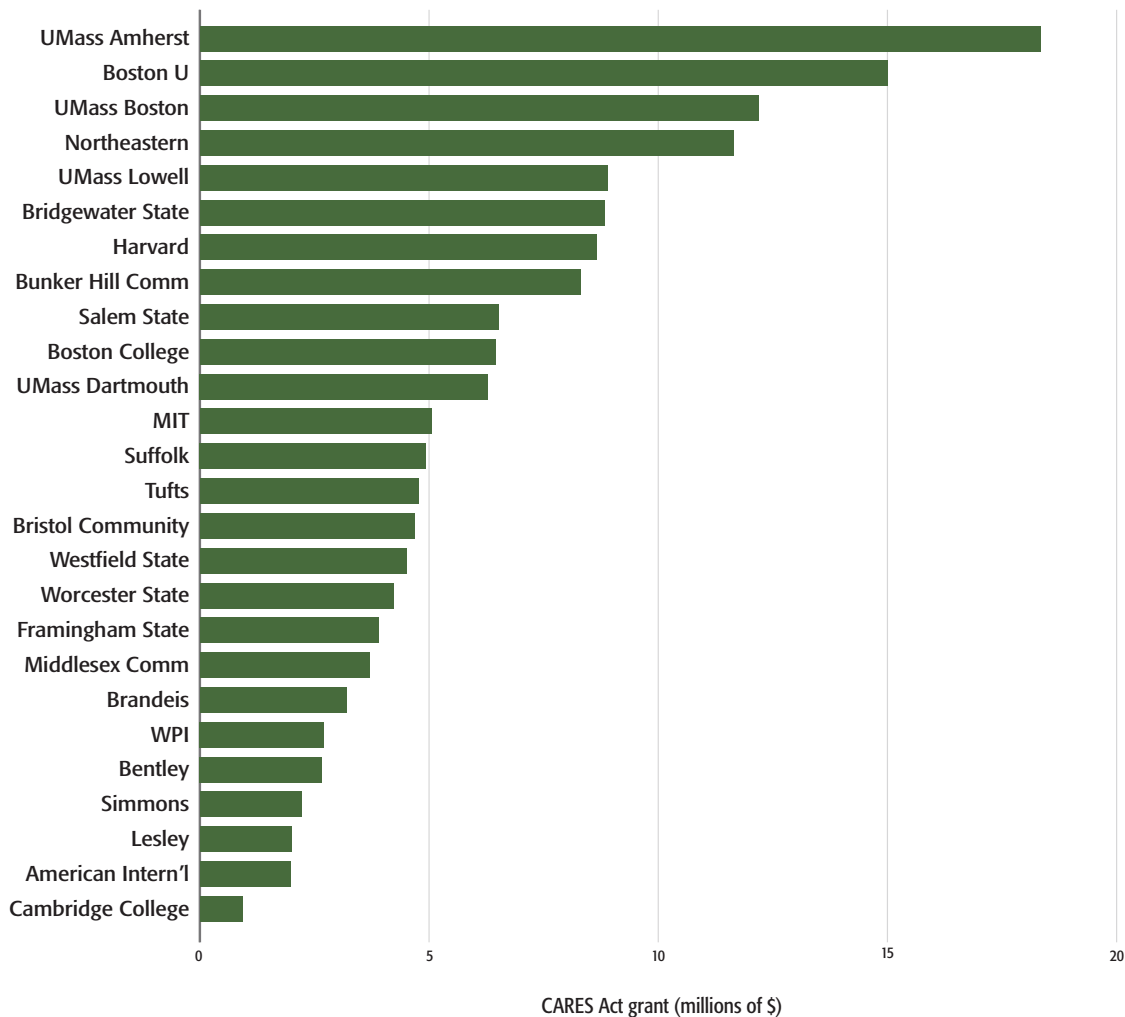
Public institutions, which account for [some 80 percent](#) of U.S. college students, could suffer disproportionately as state budgets [are reworked](#) to close deficits. State budget cuts in the aftermath of the Great Recession constitute an [oft-cited reason](#) for rising tuition costs, and some state legislators have already started [making tough fiscal decisions](#). While the federal government has intervened to provide [short-term relief](#), some observers have lamented [the simultaneous bailout](#) of private institutions with large endowments (see Figure 1). The COVID-19 crisis will also limit their ability to minimize the damage by [recruiting international students at full price](#) and [raising tuition](#).

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Figure 1: Grant allocations for large colleges and universities in Massachusetts under the federal CARES Act, in millions of U.S. dollars



Moreover, the potential losses to university revenues from declining enrollment will likely dwarf funding apportioned for colleges and universities in the CARES Act. The American Council on Education [projected](#) that “enrollment for the next academic year will drop by 15 percent, including a projected decline of 25 percent for international students, resulting in a revenue loss for institutions of \$23 billion.” This \$23 billion figure is almost double the [\\$12.5 billion](#) Congress allocated to higher education institutions, and also doesn’t include foregone revenues from athletic events, room and board charges, and the like. The American Council on Education even suggested that, given COVID-19’s impact on household budgets, financial aid programs alone would incur [\\$12 billion in added costs](#) to meet the needs of students’ families in fiscal year 2021.

The American Council on Education’s projections also reflect

the harsh reality for foreign students, as travel restrictions remain in place and close familial connections are more important than ever. With classes confined to online platforms such as to Zoom and extracurricular activities severely limited, the quality premium of American universities will likely diminish.

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Meanwhile, domestic students are left to weigh whether the cost of a college education is worth it ([if it ever was](#)) without the traditional experiences of campus life. As a “wait and see” attitude [pervades college administration](#), some university personnel are advising incoming freshmen to [take a gap year instead](#). With the COVID-19 pandemic ongoing, none of these decisions are easy right now. But it’s up to college administrators and policymakers to conduct higher education’s coronavirus response in a way that minimizes the burden on disillusioned students.

