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### **Obama's Budget, Though Generous, Still Signals Austerity for Colleges**

*By Paul Basken*

As state budgets tightened in recent years, colleges increasingly turned to their friends in Washington for help. Entering his first budget negotiation with a Republican-led House, President Obama is gently signaling some limits.

Over all, the fiscal 2012 budget that Mr. Obama announced last week was another testimonial to the president's admiration for education. He proposed maintaining the maximum value of a Pell Grant even as its use hit record levels, suggested expanding the Perkins Loan program, and scheduled above-inflation increases for university research.

"The president's support for research and higher education and student expenditures is excellent," said M. Peter McPherson, president of the Association of Public and Land-Grant Universities. In fact, the budget proposal would expand total Education Department expenditures by 20 percent over two years and nondefense research and development by 6.5 percent.

Yet Mr. Obama, facing Republican demands to sharply cut all types of government spending as the federal deficit spirals, didn't give colleges everything. He proposed ending the use of Pell Grants during summer sessions, cut support for career and technical education, and called for ending the in-school interest subsidy on graduate student loans.

Even if lawmakers give colleges most of what Mr. Obama has requested, the cascading combination of other financial pressures—including declines in state support and charitable donations, and an influx of low-income students—may soon manifest itself in new levels of austerity on college campuses.

Colleges looking to cut costs "have probably harvested all the low-hanging fruit," said Becky Timmons, assistant vice president for government relations at the American Council on Education. For campuses that have so far avoided them, the next wave of

responses will probably include a wider reliance on adjunct professors, the elimination of low-enrollment courses, and greater private support of research, Ms. Timmons said.

The administration's budget choices could be seen as reflecting the path of least political resistance. Other than those most directly affected—graduate-school leaders who fear the loss of the loan subsidy, and community colleges that worry about the elimination of summertime Pell Grants and loss of career-education support—none of the cuts have attracted widespread protests.

"They get most of the big trade-offs right," said Barmak Nassirian, associate executive director of the American Association of Collegiate Registrars and Admissions Officers.

At the same time, Mr. Obama appears to be pushing back, at least slightly, against a growing sentiment that the federal government should get substantially more involved in financing higher education, perhaps even supplanting the primary role traditionally held by the states.

His budget reflects that strategy of trying to use federal money to leverage more financial support from states and other sources. One proposal would extend the administration's signature "Race to the Top" program from schools to colleges by offering \$50-million to states that make changes in their higher-education systems. Another would create a \$125-million grant competition within the Fund for the Improvement of Postsecondary Education to test innovations in college access and completion.

Mr. Obama also proposed replacing the Teach Grant program, which provides grants of up to \$4,000 to students who agree to teach in a high-need field after graduation, with a \$185-million competitive program for the states. Winning states, the administration said in its budget outline, could use the money to award \$10,000 scholarships to future schoolteachers "attending the most effective programs in the state."

The incentives send an important message to states that Washington can't fully bail them out, said William E. Kirwan, chancellor of the University of Maryland system. "It's unrealistic to think that the federal government, in this fiscal environment, could contemplate sort of replacing the state investment in higher education," Mr. Kirwan said. "So a strategy to sort of serve as a catalyst for greater investment seems the best hope."

Mr. McPherson's association has been a leader in trying to convince federal lawmakers that their investment in higher

education should better reflect the importance of colleges to the nation and its economy. He discounted the likelihood that the incentives proposed by the Obama administration will have a meaningful effect on states, many of which are in desperate financial shape.

"It's not clear quite yet what all this involves," Mr. McPherson said, promising to study the plans in greater detail in the days ahead. But, he said, "the money involved is small."

A bigger concern for higher education was the budget proposal offered this month by House Republican leaders, which would chop \$1.63-billion, or nearly 5.4 percent, from the National Institutes of Health, and \$359.5-million, or 5.2 percent, from the National Science Foundation. It would also slash the maximum Pell award by 15 percent, or \$845, the largest cut in the program's history.

Though the Republicans' Pell proposal won't survive in the Democrat-controlled Senate, it could signal the difficulty facing Mr. Obama in getting the amounts he's proposed. Total expenditures on Pell have doubled in just three years, due to the economic downturn and growth in the maximum award. Next year the program is expected to run a \$20-billion shortfall. Even if Mr. Obama prevails this year, future cuts in the program are probably inevitable, student aid experts and members of Congress say.

Cutting Pell at a time when colleges are raising tuition would make higher education increasingly unaffordable for low-income students, and could shift students from four-year institutions to more affordable community colleges.

Federal budget battles aren't the only problem facing colleges. At least 35 states anticipate revenue shortfalls for the 2012 fiscal year, and some are predicting double-digit percentage drops in funds for higher education. Donations to colleges and universities fell 0.6 percent in the 2010 fiscal year when adjusted for inflation, the Council for Aid to Education reported this month. That followed an 11.9-percent drop the year before, the steepest in the past 50 years. Moody's Investors Service, in an annual report last month, maintained a negative outlook for the majority of higher-education institutions, saying they're too dependent on tuition, auxiliary income, and state support.

Many colleges have also relied heavily on the federal stimulus package to offset big cuts in state appropriations. But that money—nearly \$9-billion went directly to higher-education budgets from

the 2009 to 2011 fiscal years—is going away this summer. For states like Colorado, Louisiana, Montana, and Nevada, where stimulus funds accounted for more than 10 percent of state appropriations for higher education, the coming year promises to be particularly painful.

Colleges can take some comfort in the likelihood that the House Republican budget plan is "a political document" designed to show intent more than a serious attempt to write a budget, Mr. Timmons said.

But the forces of declining governmental and private support, and growing student demand, are real. "We definitely know that the pressure is long-term pressure," she said, "and that everyone has said to us that however fiscal '11 ends, fiscal '12 will be worse and the year after that may be worse still."

*Kelly Field and Eric Kelderman contributed to this article.*

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I'm a low income student and this education cut is really sad because I go to a private university in the city and I honestly cannot afford the tuition without all the financial help I have received. Cutting the Pell grant has to be the start of my financial worries now. Oh the pressure... Good article though!

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