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Stanford declines coronavirus money while other Bay Area schools to reap millions

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Stanford University said Wednesday it will withdraw its application for coronavirus-relief funds, the same day Harvard University reversed its plan to accept the federal CARES Act money after a dustup with President Donald Trump.

Meanwhile, other Bay Area private universities with millions of dollars in endowments are in line to obtain federal money to support students and pay coronavirus-related costs.

Stanford, with a \$28 billion endowment, had been allocated \$7.4 million in Higher Education Emergency Relief funds. “Like all universities, Stanford is facing significant financial pressures during this time of unprecedented uncertainty,” the school said in a Wednesday news release. “The combination of lost revenue, increased costs, and a market downturn that could have a substantial impact on our endowment are all expected to negatively affect the university’s finances for some time to come.”

But Stanford said the pandemic poses “an existential threat” to many smaller colleges and universities. “We believe strongly in the importance of keeping these institutions viable in order to provide access to higher education for as many students as possible, and we had concluded that this should be a priority.”

Stanford said it withdrew its application for CARES Act money on Monday.

The move followed controversy over Harvard’s statement that it would accept \$8.7 million in CARES Act funds, despite having a \$41 billion endowment — the largest among the nation’s private universities, according to a 2019 report in U.S. News and World Report. Trump, though apparently confusing the CARES funding with the small business loan program, noted the endowment and said at a press conference Tuesday, “they have to pay it back.” On Wednesday, Harvard tweeted that it wouldn’t take the money, citing “intense focus by politicians & others on Harvard” that could “undermine participation” in the relief program.

The \$2.2 trillion CARES Act includes \$12.6 billion in direct funding for colleges and universities, with school allocations based on enrollment and percentage of low-income students. At least 50% of each school’s funding is to go toward emergency financial aid for students, Education Secretary Betsy DeVos said in an April 9 letter to college and university presidents.

Data from the U.S. Department of Education show five Bay Area private schools recently reporting large endowments have been allocated millions in CARES Act money. Santa Clara University, with a \$1 billion endowment reported in June, is in line to receive \$3.5 million. The University of San Francisco, with a \$345 million endowment, has been allocated \$7,293,888. Holy Names University in Oakland, with a \$52 million endowment, has been allocated \$895,448. Mills College, also in Oakland, has a \$196 million endowment and is in line to receive \$1,135,582. Saint Mary's College in Moraga, with a \$181 million endowment, was allocated \$3.2 million.

"I don't see any moral justification for any of them accepting funds," said Robert Levy, chairman of the libertarian Cato Institute. "All those institutions that have multi-millions or multi-billions in endowments I think are behaving in an unseemly manner." Although government aid can be justified in response to the pandemic, Congress erred in allocating cash to "these organizations that don't need the money," Levy said.

Because endowments are made up of separate funds, many tied to specific programs, schools' ability to spend money from an endowment to address a crisis varies, said Liz Clark, vice-president of policy and research at the National Association Of College And University Business Officers, which represents more than 1,900 U.S. schools. "Some organizations may have some funds available in their endowment pool that they can tap into for a special appropriation and others may not," Clark said.

At Holy Names University, which confirmed it will accept the federal money, the endowment is restricted by donors for scholarships, and only interest may be spent, said spokeswoman Sonia Caltvedt. "Endowment funds cannot be used to defray any unexpected losses due to the COVID-19 pandemic," Caltvedt said. "Even if we could spend the funds, that would mean we would not have scholarship funding available in the future which would cause more harm to students in the long run."

Holy Names accepted the relief cash in part because the amount is based on its high percentage of low-income students, a school spokeswoman said, adding that almost half the students are recipients of Pell Grants for those in exceptional financial need. Half the federal funding "will be passed directly to students" and the other half will help defray more than \$600,000 in room-and-board refunds to students who left campus by the end of March, Caltvedt said.

University of San Francisco senior vice-provost for academic affairs Shirley McGuire said the school would accept CARES Act money. "We are accepting at least half of the funds on behalf of our students in the form of emergency student aid," McGuire said. "We will also be accepting funds that help the university keep our students safe and educated during the COVID-19 pandemic."

Santa Clara University said it has suffered a "severe financial impact" from the pandemic and will put \$1.77 million of its CARES Act funding "directly towards grants for our hardest-hit students." The school's endowment, which funds less than 8% of operations and is mostly earmarked by donors for specific purposes, has fallen to below \$1 billion since June, the school

said in a statement, adding that it will spend the other half of the federal funds to “address the many needs of our campus community.”

Mills and Saint Mary’s colleges did not respond to requests for comment.

Colleges and universities across the country are confronted with new costs and an uncertain future because of the pandemic, Clark said. Expenses include switching from in-person courses to online education and paying room-and-board refunds to students who have left campuses, while revenue from athletics, university hospitals, bookstores and arts performances has dried up, Clark said. Whether there will be summer programming that brings revenue, or even in-person classes in the fall, are open questions, Clark noted.

“There is a real possibility of closure for any college or university that was operating close to the margin,” Clark said.

The CARES Act funding is intended to not only provide direct support for students, but to prevent job losses at schools, which supports the economy, Clark said.