INSIDE HIGHER ED

News

Moving the Cliff

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As state legislators around the country craft their budgets for the 2011 fiscal year, public college officials are afraid that they are about to be thrown off "the cliff" -- the steep drop in available funds once the tens of billions of dollars that the federal government made available through last year's economic recovery legislation run out.

But like a movie character whose vehicle magically grinds to a halt just before it goes over the edge, public higher education could catch a break, in the form of **legislation introduced Wednesday** by several Democratic senators that essentially move the cliff. The none-too-subtly titled "Keep Our Educators Working Act of 2010," sponsored by Sen. Tom Harkin (D-Iowa) and others, would provide $23 billion to extend for a year the fund in the American Reinvestment and Recovery Act that gave states money to ward off budget cuts and tuition increases.

Because Harkin has deemed the bill to be "emergency" legislation, the money would come out of federal mandatory rather than annually appropriated funds, and would not have to be offset by cuts in other programs. That is likely to make the bill more attractive to supporters of social programs (since it wouldn't force them to cut other priorities to fund it) but arguably more controversial among budget hawks.

The White House credited money from the recovery act's State Fiscal Stabilization Fund with **saving several hundred thousand jobs**, but with the vast majority of the $54 billion allocated in the 2009 and 2010 fiscal years, the Education Department is estimating that a similar number of teaching and other school and college jobs could be at risk in the coming year, Education Secretary Arne Duncan said **in testimony Wednesday** before Harkin's Senate appropriations subcommittee.

"Job cuts of this magnitude would of course have a devastating impact," Harkin said at the hearing. Not only would they stall the fragile economic recovery, but they would "take a terrible toll on the education system" by forcing colleges and schools to cut back on program offerings, he said.

The proposed Senate legislation is comparable to provisions that were initially included in legislation that the House of Representatives passed last December, but that was excluded from **a compromise jobs bill**, focused on tax cuts, that was enacted last month. (House leaders have now introduced **a freestanding jobs bill** that includes the $23 billion for education institutions.)

Under the **proposed legislation**, each state's governor would receive a formula-driven share of the $23 billion fiscal year with which to replace any money that they have cut or will cut from their 2010 and 2011 budgets for elementary/secondary schools and public colleges and universities. (The governor is supposed to distribute the funds proportionally based on the amounts cut from the two sectors, but can "adjust" the amounts by up to 10 percent of the larger of the two totals.) Unlike the stimulus funds, which states could use either to save jobs or to refurbish facilities, the money in the proposed legislation can be used only for "compensation and benefits and other expenses necessary to retain existing employees" or hire new ones, or for "on-the-job training activities" for "education-related careers."

The money could not be used to "supplant state funds" in a way that restores or supplements "rainy day" funds or pays off debt.

Like the economic recovery legislation, Harkin's bill -- which is co-sponsored by Democratic Senators Jeff Bingaman of New Mexico, Roland Burris and Richard Durbin of Illinois, Sherrod Brown of Ohio, and Kirsten Gillibrand of New York -- requires states to sustain a level of education spending comparable to what they spent in 2006. The legislation would require governors to spend on both higher education and K-12 at least a comparable proportion of their states' revenues in 2010 as they spent in 2006, and a comparable proportion in 2011 as they spent in 2009.

College leaders weren't always 100 percent satisfied with how the education money from the economic stimulus legislation was allocated; about 80 percent of it flowed to elementary and secondary schools over all, and in some states public colleges received virtually none of the funds.

And given that Harkin's proposed extension would only replace funds that have been or will be cut from public college budgets, some state institutions may be unlikely to derive much benefit from the legislation even if it passes.

But given the dire financial situations that many states are in now, higher education officials said, any effort to help colleges sustain employees -- and therefore protect academic programs and keep courses, without having to raise tuition excessively -- will help. A **letter sent to senators Tuesday** by the American Council on Education cited a National Association of State Budget Officers' survey showing that “36 states have been forced to cut $55.7 billion" in 2010, "with 30 states having cut both K-12 and higher education.”

"The $23 billion that would be made available in the Keep Our Educators Working Act will help public colleges and universities prevent massive layoffs across their campuses," wrote Molly Corbett Broad, the council's president. "By directing this funding specifically to the retention and creation of jobs in public higher education, this bill will help sustain educational opportunities for students while ensuring that our economy continues to recover."

Marc S. Herzog, chancellor of the Connecticut Community Colleges system, said in testimony before Harkin's committee Wednesday that "hundreds of thousands [of students] have effectively been denied access to community colleges because of the lack of availability of program offerings" because of budget cuts. With his state and others facing even bigger deficits in the coming year, with the end of the stimulus funds, Harkin's bill would "help us avoid the cliff" and avoid further student dislocation, Herzog said.

Knowing that his legislation is likely to spur complaints from most Republicans and some budget-conscious Democrats, because it would not require spending offsets, Harkin sought to preempt concerns about deficit spending Wednesday.

"We're going to borrow from our kids and our grandkids to pay for this now? That shouldn't be -- we're borrowing too much from our kids and grandkids," Harkin said, channeling criticism he said he anticipated hearing. Harkin said he agreed with the overarching concern. But the fact that this money is targeted for education makes it different, he suggested. "How can you argue on the one hand that it's okay for kids to borrow to go to college, but it's not all right to borrow to make sure there's a college for them to go to? That there are teachers in our high schools and grade schools to prepare these kids for the future? It seems to me if there's one legitimate area where we can borrow from the future, it's in education."

At least one critic of federal spending wasn't buying it.

"This could be the beginning of the realization of the worst-case stimulus scenario: that the stimulus has created a towering, bankrupting new floor for federal education spending rather than being a one-time life preserver," said Neal McCluskey, an education policy analyst at the Cato Institute.

"The reality is that no politician wants to see headlines about education spending reductions -- no matter how big the previous increases -- so it was almost inevitable that federal politicians would prevent education funding from returning to even close to pre-stimulus levels. And it doesn't matter that the evidence shows that K-12 schools and colleges have, if anything, been swimming in cash for decades, or that we have an almost $13 trillion national debt. All that matters is that politicians appear to care."

— **Doug Lederman**