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## Today's News

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# Downturns, on Wall Street and Beyond, Affect States and Their Colleges

By [ERIC KELDERMAN](#)

College and university officials in New York are bracing for the financial aftershocks of the latest upheaval on Wall Street, which generates about one-fifth of the Empire State's revenues.

Even before the quick succession of corporate casualties hit Lower Manhattan, the state was projecting a \$6.4-billion revenue shortfall for the current fiscal year and bracing for a deficit that is estimated to grow to as much as \$26-billion over three years.

By the end of July, the securities industry had lost \$42-billion over the previous year, according to a statement by Gov. David A. Paterson, a Democrat, who pointed out that the same firms had earned \$6.5-billion in the nine months following the terrorist attacks of September 11, 2001.

"Wall Street, as we know it, is ceasing to exist. That's extraordinarily bad for New York," said Robert B. Ward, who leads research into state and local finances for the Albany-based Rockefeller Institute of Government, the public-policy research arm of the State University of New York.

And what's bad for New York is almost certainly bad for its public colleges. The State University of New York and the City University of New York each saw cuts of 3.6 percent in the 2007-8 budget year, and lawmakers have cut 7 percent of each of their current budgets

John B. Simpson, president of SUNY's Buffalo campus, said the \$20-million in cuts that he expected his institution to absorb this year equals the entire operating budget of three of its schools. "I understand that the state has to take real and significant steps to get its financial house in order," Mr. Simpson said on Wednesday during his annual community address, "but I believe it's very short-sighted to cut higher education when our state's economy is foundering."

### Turns of Fortune Elsewhere

Just as investors in the stock market expose themselves to risk when they fail to diversify, state economies that rely too heavily on one industry are especially vulnerable to economic busts. That lesson is being learned beyond Wall Street, too.

Nevada's fortunes, for example, are even more tied to the fates of the state's gaming industry than are New York's to its financial markets. Nearly 28 percent of Nevada's revenue comes from taxes on gaming. Income on the Las Vegas Strip was nearly 15 percent lower in July than it was in the same month last year, and the casinos have seen seven straight months of declining business.

“If gaming is down, everything else is down,” said James E. Rogers, chancellor of the Nevada System of Higher Education.

State funds for colleges were cut by 4.5 percent in the middle of the 2007-8 academic year, and Gov. Jim Gibbons, a Republican, is proposing to slash more than 14 percent of colleges’ funds in the next budget cycle. The chancellor has mounted a very public campaign against the governor, arguing that cuts could shutter crucial education programs throughout the state.

The economic malaise is also taking its toll in places like Rhode Island, where state budget cuts of 17 percent forced colleges to cut course offerings and leave more than 150 positions unfilled this year. Florida’s colleges eliminated hundreds of staff and faculty positions and froze enrollments after a 6-percent cut in their state finances. Arizona’s three public universities eliminated mostly administrative positions to respond to a nearly 5-percent cut in state funds.

### **Domino Effects**

And Wall Street’s woes now threaten the efforts to diversify economies that universities seek to foster. Just this year, a panel appointed by Eliot Spitzer, the former governor, recommended a \$3-billion fund to attract cutting-edge research to the state. That measure will now face long odds in the Statehouse.

In Buffalo, a classic example of a struggling Rust Belt city whose steel and automobile industries declined, the state university is seeking to attract new companies and customers. The institution plans to expand by 40 percent in 12 years and to add an academic health center for 7,000 students and faculty members. The university “cannot achieve this under the current economic conditions, with our hands tied behind our back,” Mr. Simpson said.

Gail O. Mellow, president of the City University of New York’s LaGuardia Community College, said colleges across the state were pursuing ways to spark new business opportunities. But she warned that even the boroughs of New York City could suffer the economic decline that upstate has experienced without continued state support for efforts to train workers and foster research in emerging industries.

“If we don’t invest in higher education, then we’ll all look like Buffalo,” Ms. Mellow said.

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