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Lawmakers in New York and Illinois Leave Higher Education in Limbo

By Eric Kelderman

Fiscal conditions are bad for public colleges nearly everywhere, but lawmakers in Illinois and New York have put state universities in particularly difficult spots in recent weeks.

In Illinois, as many as six of the state's nine public universities are considering borrowing money just to cover a portion of the \$464-million in appropriations left unpaid at the end of the 2010 fiscal year. Though the state promises to repay that amount by the end of the calendar year, the institutions may have to pay for the interest on the funds they borrow and could find themselves in the same situation a year from now if the state's economy does not improve. Some universities are already planning for more cost-cutting, including furloughs and possible layoffs, if the state doesn't meet its obligations.

In New York, leaders of the state and city public-university systems are anxiously waiting to see if legislators will grant them some operating freedom to help deal with major budget cuts. Three months after the start of that state's fiscal year, lawmakers have yet to finalize all of the legislation for the state's budget and remain hung up on measures that would allow some campuses to set higher tuition, lease land, and enter into public-private partnerships.

Borrowing Time and Money

Guiding a state university through the Illinois budget crisis would test any administrator. But the decisions facing some colleges there will be especially difficult this fall.

Although the state passed a budget on time, it is still expecting tax revenues to fall some \$13-billion short of what is needed to pay its bills for the fiscal year that began July 1, including nearly \$5-billion owed to state agencies for the previous budget. And lawmakers have yet to find a way to cover those overdue bills and future obligations, with legislators opposing a proposed income-tax increase and, so far, a plan to borrow \$3.7-billion. Instead, they have authorized public universities to borrow up to 75 percent of what they are owed by the state—amounts ranging from nearly \$5.5-million for Chicago

State University to more than \$277-million for the University of Illinois system.

Administrators will have to decide by the end of August whether they will need to borrow money to make payroll and cover other expenses later in the fall. Several of the state's universities have either sought approval from their boards of trustees to borrow those amounts or indicated that they are considering it, says Michael S. Baumgartner, executive deputy director of the state's Board of Higher Education.

But the state has not been consistent in its payments the past two years, and college administrators are concerned that if they borrow money, the state might not come through.

Southern Illinois University may have the toughest decisions among the Illinois colleges. The state still owes the system \$85-million, or 36 percent of its state appropriation.

"This is a difficult situation for us," says Glenn Poshard, president of Southern Illinois University at Carbondale. "We are told that we will not get that final payment until the end of December, and then maybe not the full amount."

He expects that the latest infusion from the state will carry the university through mid-October. At that point, the university may need to rely on borrowed money.

When talking about SIU's predicament, Mr. Poshard says, he does not want to mention the word "closure," because that might make people panic. But the university could have real trouble paying its bills this fall.

"I have asked the chancellors to put a furlough and layoff plan in place, and we will probably have to enact that later in the summer or early in the fall," he says. "That may be the only way we can get through this now."

Western Illinois University may have to borrow at least \$10-million to make payroll in October. The university is owed about \$17-million from the state, close to 30 percent of its 2010 appropriation.

"It's not something that we want to do," says Alvin Goldfarb, president of Western Illinois, "but we don't have much choice."

Daniel J. Hurley, director of state relations and policy analysis for the American Association of State Colleges and Universities, says the situation in Illinois is frustrating to campus leaders.

Administrators "have to deliver on their missions on a daily and weekly basis," Mr. Hurley says. "To have this huge revenue source continually in flux makes planning remarkably difficult."

In addition, he warned that continually delaying payments to state agencies could further erode the state's bond rating, which has already been downgraded by several rating agencies in recent months due, largely, to Illinois' unfunded pension liability. The lower bond rating means that the universities, and the state overall, could have to pay a much higher cost for their loans, since even small changes in interest rates can add up to millions of dollars on large debts.

Hoping for Financial Stability

In New York, the fiscal year began on April 1, but leaders of the state and city university systems are still waiting for lawmakers to finalize the budget, and hoping for a package of policy changes they say will help them be more efficient with their state dollars and earn more money from other sources.

At the request of the university systems, Gov. David A. Paterson introduced a package of regulatory changes in January as part of his initial budget proposal, including giving public colleges more tuition authority, reducing state oversight of some purchasing and construction rules, and allowing a wider range of business partnerships.

"Currently, Albany micromanages everything from the chalk campuses purchase to the cost of tuition that students pay. This burdensome overregulation threatens the ability of our public higher education systems to promote economic development and successfully adapt to changing educational and fiscal circumstances," Gov. Paterson said at a January event announcing the proposal.

Nancy L. Zimpher, chancellor of the State University of New York, has championed the measures as a way to gain some financial stability for the system without asking for more state appropriations.

In recent weeks, lawmakers passed the bill setting amounts the state is authorized to spend for the budget year, and handing the university system a \$210-million cut. But legislators have not completed the final piece of budget legislation, referred to as the revenue bill, that university leaders say is their final chance to enact the policy reforms they are seeking.

The state Assembly passed a revenue bill without including any of the higher-education regulatory changes. But a handful of state

senators are holding up that chamber's version of the legislation to try to force their colleagues to include the measures.

John B. Simpson, president of the State University of New York at Buffalo, one of the system's top research institutions, says that the \$18-million cut in his institution's budget is bad enough. But many lawmakers are refusing to give the universities the tools they need, such as greater flexibility to set and keep tuition, to deal with the drastic reductions in state money.

"If we knew that we would have more control over tuition in the future, we would have a better idea of how to plan," he says. "The university is a long-term proposition—not a year-to-year deal like the state budget."

Scott Carlson contributed to this article.

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