INTRODUCTION: THE CASE FOR A NEW DEAL FOR HIGHER EDUCATION NOW

There has never been a more important time to invest in colleges and universities. The higher education system in the United States serves as an engine of mobility and of critical thinking that strengthens our economy and our democracy. The increased education of the US workforce has enabled generations of people to secure upward mobility and higher—standards of living. Higher education helps students to understand themselves in the world and teaches them to work collaboratively with diverse groups of people, vital skills needed in today's economy. Further, higher education is one of our nation's most important employers, offering stable jobs to millions and producing pathbreaking research that addresses our world’s biggest challenges. The total gross output of higher education institutions from research investments and wages is $1 trillion annually.

Yet when Congress passed the CARES Act in March, it invested only a very small relative portion in higher education. Half of this federal higher education aid went to students in need, and the rest went to colleges and universities—including for-profit institutions—with few strings attached. Colleges and universities were not required to use the funds for instruction, to retain employees, or to reduce fees or tuition.

Consequently, with increased federal support for higher education stalled and universities and colleges facing the economic fallout of the COVID-19 pandemic in the more than eight months since the CARES Act passed, some administrators began making drastic cuts—firing faculty, eliminating departments and programs, furloughing staff, and even closing entire campuses. Higher education leaders and economists predict that the next few years will bring huge state budget shortfalls, massive cuts to faculty and staff positions, and more increases in tuition, as well as forcing a shocking number of colleges to close.
Instead of meeting these challenges with stopgap measures, now is the time to press for a bold New Deal for Higher Education that prioritizes a) affordability, b) secure higher education employment, and c) stabilized funding streams. These reforms will help ensure universal access; remediate inequality; promote a stable, inclusive economy; and deploy public funding fairly and effectively. Further, they will complement any administrative action by the Biden administration to cancel student debt, helping to ensure that we do not merely sustain the same broken system that created today’s $1.6 trillion in outstanding student debt. This brief explores how federal funding for higher education (most immediately, in a next stimulus package) can advance progressive priorities.

**HIGHER EDUCATION’S LONG-BREWING CRISIS**

Even before COVID-19 hit, most non-elite institutions of higher learning were struggling economically. Their financial strain exacerbated deep-seated inequities in the higher education system and across the nation at large. Most public universities have experienced a decades-long decline in funding, as states reallocated revenue-starved budgets toward other uses. As public funding sources were cut, higher education institutions looked to tuition to make up the difference. Tuition at four-year colleges increased almost 200 percent between 1997 and 2017 (Ritholtz 2018). With costs shifting onto individual students, borrowing rates rose astronomically, with Black and brown students taking on the most debt (Kahn et al. 2019). At the same time, schools that served a disproportionate number of low-income students, first-generation students, and students of color were more likely to experience severe funding cuts, often resulting in larger class sizes and fewer tenure-track faculty.

Funding models were driven by tuition, so university leaders embarked on a competitive hunt for students (especially out-of-state and international students). In a race to attract young people to their campuses, many expended millions building new gyms, dormitories, and food courts. The costs of these amenities were passed on to students and their families in the form of ever higher tuition. Many institutions also hired a large class of highly-paid administrators instead of investing in faculty, librarians, maintenance staff, and service employees. At many universities, support staff in housing, maintenance, and food preparation were reduced to a skeleton crew with contingent contracts, or entirely contracted out.
Faculty positions took a similar beating. Between 1993 and 2009, administrative positions at colleges and universities grew by 60 percent, 10 times the rate of growth of tenured faculty positions. In the mid 1970s, about half of university and college faculty had full-time positions; today, only about one-quarter of faculty are full-time (Campos 2015). Meanwhile, contingent and part-time faculty have seen no real wage growth since 2000 (NCES 2010). Recent surveys suggest that, depending on the institution and course, adjunct faculty make between $2,000 and $6,000 per class. At community colleges, the median salary is $2,700 per three-credit course (Flaherty 2020). These part-time positions generally do not come with health benefits or job security. A 2015 study found that one-quarter of adjunct faculty relied on public assistance (Jacobs et al. 2015). Once a provider of stable jobs with good benefits, universities are now contributing to the growing instability of our nation’s workforce.

To be clear, the primary culprit for rising tuition costs and worsening employment conditions at public universities is state defunding. A study by Demos found that between 2001 and 2011, roughly 80 percent of rising tuition costs could be credited to cuts in state funding. Increased spending on administration and the construction of amenities each accounted for only 6 percent of the rise in tuition (Woodhouse 2015).

Declining state funding has not hit all public institutions equally. Flagship schools tend to have significantly more alternative resources—endowments, donations, and out-of-state and international students—while branch campuses and two-year institutions rely more heavily on state funding. It is these campuses, which typically serve a lower-income population and a disproportionate number of Black and brown students, that have suffered most.

These same students are suffering disproportionately from a catastrophic debt crisis. The $1.6 trillion in outstanding student debt is constricting the economic well-being and career choices of a generation, holding young people—and particularly people of color—back from purchasing houses, marrying, and having children. Black students have not only taken on a disproportionate share of debt to fund degrees—systemic racism also leads them to command a lower wage when they enter the workforce. Research shows that 12 years after entering college, the average Black borrower still owes more than they borrowed. The median white student, on the other hand, has paid off about 40 percent of their loan (Miller 2017).
COVID-19 AND HIGHER EDUCATION

The economic recession caused by the COVID-19 pandemic is exacerbating inequities and fostering instability in higher education. Public colleges and universities face steep funding cuts from states, which are themselves facing new expenses and catastrophic losses of revenue. Very few public institutions or Minority Serving Institutions have significant endowments, but what donations they have are dependent on a volatile stock market. Further, many colleges and universities are facing declines in enrollment, as some families cannot afford to send their children back to college, and many students do not like online learning. The average drop in freshman enrollment this fall was 13 percent, with a nearly 15 percent drop in international student matriculation; this drop was accompanied by declines in tuition revenue (NSCRC 2020).

Meanwhile, students too face a crisis, with a predicted 20 percent increase in unmet financial aid next year (Kim et al. 2020). According to one poll, 77 percent of students are unsure if they will stay on track to graduate; for Black and Latinx students, these percentages are even higher, at 84 and 81 percent respectively (Smith 2020). Black and Latinx students also indicated that they are significantly more likely than white students to switch to alternative forms of higher education—for example, online degrees (Strada 2020). This raises significant concerns about students turning to predatory, for-profit institutions that already serve a disproportionate number of Black students while producing high levels of debt and extremely poor results (Kahn 2019a). Another study found that low-income students are 55 percent more likely to delay their graduation plans in response to COVID (Aucejo et al. 2020). This is perhaps unsurprising, since remote learning options are often out of reach; only 40 percent of low-income students said they were able to get the necessary equipment to meaningfully participate in remote learning (Reid 2020).

College and university leadership has responded to the problems created by the COVID-19 pandemic by doubling down on the practices developed over the past 20 years—spending money on amenities and administrative positions, closing departments administrators deem superfluous, raising tuition, and cutting secure employment among instructional and support staff. These practices simply deepen racial and economic inequalities in the system. Moreover, if universities continue to disinvest in their workers and pass costs down to their students, the shock to the individuals, communities, and industries that rely on higher education will radiate out to the larger culture and economy.
It is time for Congress, state legislatures, and college and university leaders to support broad and bold plans for federal funding and reform. The good news is that the nation’s colleges and universities are uniquely positioned to help the US manage the unprecedented challenges of COVID-19. Public institutions alone currently educate 19.4 million students across the nation. Keeping young people in school where they are raising their lifetime earnings, and out of the workforce, will bring huge economic and social benefits in the short and long term if it can be done without saddling students with enormous debt. An educated workforce will assist large and small businesses in the vital work of economic recovery. Further, higher education is itself a major driver of the economy, directly employing 3.6 million people and accounting for 6.7 million jobs in the US. Additionally, we desperately need higher education’s research and teaching, which offers roadmaps for addressing the economic, climate, and racial crises gripping our nation (APLU 2020).

THE CURRENT INADEQUATE FEDERAL RESPONSE

COVID legislation thus far has insufficiently addressed the crisis facing higher education. There are two central problems: First, an insufficient amount of money has been allocated to higher education institutions; and second, the receipt of the limited bailout funds has not been conditioned on reforms to the system. This is striking because in the months immediately prior to the pandemic, there was growing public understanding that the higher education system faced deep problems and needed significant reform. The 2020 Democratic primary featured a robust debate about how to best make higher education more accessible; while candidates disagreed about the best way to achieve this, almost all proposed increasing federal funding in exchange for progressive reforms to college and university operating and employment practices and guarantees that the money would be used to improve access. The CARES Act and further stimulus proposals increased federal funding to higher education institutions but abandoned the second half of this proposition.

The CARES Act provided the largest direct federal infusion of cash into colleges and universities since the Great Recession (Miller 2020). Yet the $14 billion allocated to higher education amounted to less than 1 percent of total CARES direct aid. The sector as a whole received $10 billion less than the airline industry, which employs only one-sixth the number of the workers (US Department of the Treasury 2020; BTS 2018).
The CARES Act also attached relatively few strings to the funding it offered. Ninety percent of CARES Act funding was distributed to schools using a formula that emphasized the number of full-time Pell grant recipients enrolled in each institution. Colleges receiving this funding were required to use at least half of it to offer direct relief to students whose semesters were interrupted. The other half could be used on “institutional needs,” without any requirements. A very small percentage was allocated by a different formula to Minority Serving Institutions and institutions disproportionately affected by COVID (Miller 2020).

In April, higher education industry groups requested $46.6 billion more in emergency aid, the amount industry groups have stated colleges and universities need to survive. House Democrats’ HEROES bill does not offer the full $46.6 billion, but it does propose an additional $37 billion. Of the new higher education funding in HEROES, $27 billion would specifically go to the public higher education system as part of state fiscal stabilization funds earmarked for education. The other $10 billion would go directly to colleges and universities to help with pandemic-related expenses; of this, $1.7 billion would go to Historically Black Colleges and Universities (HBCUs) and Minority Serving Institutions (Murakami 2020).

The combined total funding to higher education under CARES and HEROES, $51 billion, would amount to slightly more than the yearly cost of several progressive congressional reform proposals for higher education. Sen. Bernie Sanders’s (D-VT) College for All Act; Sen. Elizabeth Warren’s (D-MA) free college plan and student debt cancellation plan; and Rep. Ilhan Omar’s (D-MN), Rep. Ayanna Pressley’s (D-MA), and Sen. Brian Schatz’s (D-HI) proposals for debt cancellation and free tuition all proposed annual spending near or below the $51 billion in COVID-related proposed aid (Sanders n.d.). Unlike the pandemic recovery packages, however, these proposals also required states to meet a number of requirements designed to protect students and ensure quality—primarily eliminating tuition and debt, but also addressing issues in faculty employment practices and curbing costs in other areas.

It is clear that further aid is needed to support higher education institutions as the pandemic and the economic devastation it has created continue. It is a tragedy that a new aid package has been stalled for months. For higher education, this aid must come with reform. In the rest of this brief, we lay out key principles for ensuring that critical, increased federal funding helps rebuild a system that lives up to its promise.
PROGRESSIVE GUIDEPOSTS FOR A NEW DEAL FOR HIGHER EDUCATION

At the end of 2019, the Roosevelt Institute released a *Progressive Framework for Free College* (Kahn 2019). The paper presented the progressive values that should shape any free college policy: creating universal access; remediating racial and economic inequality; building a stronger, more inclusive economy; and deploying public power effectively. We believe that now more than ever, we need a free college policy guided by these principles and that it must be paired with policies that create greater equity and stability for higher education institutions, including for the higher education workforce.

At the same time, it is necessary that any federal funding to higher education centers those same progressive values. While the federal government has historically mostly invested in higher education through direct funding to students, the CARES Act offered aid both to students and to higher education institutions themselves. Expanding the ways the federal government funds higher education can help advance progressive policy goals if each funding stream incorporates the principles we suggest below.

ENSURING UNIVERSAL ACCESS BY MAKING COLLEGE TRULY AFFORDABLE

In a *Progressive Framework for Free College*, we argue that there is a moral imperative to achieve not just broader but universal access to higher education (defined as universal ability to attend a postsecondary institution, not universal attendance). Further, access must be meaningful; the options available must be of adequate quality. COVID-19 has introduced new considerations for what constitutes meaningful access. For example, students’ experiences over the last eight months have proven that access to distance learning requires quality WiFi and technology.

Federal investments in higher education that center the goal of universal access should include a few steps: Student aid grants should be expanded to meet increased unmet need during COVID-19 and accompanied by strong new caps on, or even the full elimination of, student tuition and fees at schools where students take federal grant funding. If tuition is not fully eliminated, a federal board of experts could be empowered to set tuition and fee rates at any school accepting federal aid. This would bring the federal higher education grant program more in line with Medicare, through which the federal government subsidizes patients and health-care providers but limits what health-care providers accepting these subsidies can charge patients (Kahn 2019b).
Creating meaningful universal access at this moment also means helping students acquire the necessary technology to participate remotely. Advocates have long pointed out that aid to low-income students must cover living expenses alongside tuition to create meaningful access. We have learned that living expenses must also encompass remote learning capabilities.

**REMEDiate Inequalities Among Higher Education Institutions That Filter Down to Students**

Improving rates of access and success in higher education is considered key to addressing inequality. Yet, this goal is undermined by the fact that in our current higher-education system, wealthier students enjoy access to more elite institutions, better outcomes, and less debt. When not locked out of higher education entirely, first-generation Black and Latinx students are too often concentrated at least-selective, poorly funded schools. Federal relief funds for higher education should not reproduce the inequalities in the system but rather affirmatively try to correct them. The CARES Act included an important stream of funding that went directly to HBCUs and other Minority Serving Institutions. This should be continued, but there is also more to be done.

Going forward, predatory, for-profit schools should not receive government funding, and the formula for distributing funds to schools written into the CARES act must be changed. The Center for American Progress has put forward one proposal for adjusting the current formula that would go a long way in this regard. Their recent report points out that the CARES formula funnels money to schools with more full-time students and more graduate students—generally institutions that are whiter and more elite. Adjusting the formula to include part-time students would distribute funding more equally across the system (Miller 2020).

The same principle—that funding should be structured to ensure that schools serving disproportionate numbers of low-income, first-generation, and Black and brown students should get funding at least on a par with similarly sized, wealthier institutions—should inform the use of any federal funds that go to states to stabilize their public higher education systems. States should be required to adopt formulas to distribute funds that rebalance funding across their public higher education systems.
BUILD A FAIRER AND STRONGER ECONOMY BY IMPROVING LABOR PRACTICES WITHIN HIGHER EDUCATION

As noted above, the employment opportunities provided by higher education institutions are major drivers of the economy. As such, it is important that federal funding be deployed in ways that push back against the increasing concentration of wealth and the erosion of stable jobs that offer living wages and benefits.

To that end, in providing direct relief to universities and colleges, the federal government should require higher education institutions to have actionable plans to move contingent faculty to permanent positions (the College for All Act included a requirement of this sort); pay family-sustaining wages to service workers; adopt fair contracting practices where service work is contracted out; and recognize graduate student labor organizations.

Ideally, in addition to insisting on these basic, fair workplace practices, Congress should pair state higher education funding with a pathway for creating state-level, sectoral bargaining structures for higher education. In the US, worker organization typically takes place at the “firm” level—in this case, university level. However, workers are increasingly employed across multiple firms; in the academy today, adjuncts often work at multiple institutions. State-level boards of higher education employers and workers (including faculty and graduate students) should be brought together to negotiate operating practices and standard pay scales at a sector-wide level.

Sector-level bargaining would be especially useful to adjuncts, but more generally it would also create broader labor union coverage for all university employees. Just as importantly, it would institutionalize coordination both among higher education institutions and among faculty, administrators, and service employees in a way that would help institutions plan and respond to larger challenges.

CREATING STABLE, EQUITABLE STREAMS OF PUBLIC FUNDING

States are quick to cut their higher education budgets during recessions because, in contrast to many other public goods, they have the discretion to do so. Yet historically, it is during moments of economic downturn that more people return to school. In the wake of the Great Recession, when budgets went down as enrollment went up, this left
students taking on untenable levels of student debt. Furthermore, cut budgets were not automatically restored when the economy recovered. At the start of COVID-19, state higher education budgets still had not recovered from the cuts states made in response to the Great Recession.

Going forward, we need to put our higher education system on more stable economic footing with funding streams that recognize the industry’s countercyclical nature. Federal funding that goes beyond student loans is one important way to do this, since the federal government can deficit-spend and states cannot. Such funding could be structured as an automatic stabilizer, increasing when unemployment levels reach a certain rate (a similar structure to the Unemployment Insurance system) (Sitaraman et al. 2020). Building in an automatic stabilizer would protect badly needed funding for higher education from getting stuck in political fights during a recession.

At the same time, it is important to ensure that increased federal funding does not simply allow states to cut their own funding. Federal funding for public institutions should be paired with a reasonable maintenance-of-effort requirement—possibly in the form of a per-student funding floor—so that states cannot offload their investment in higher education onto the federal government. If a maintenance-of-effort requirement was linked to receipt of automatic stabilization funds from the federal government, it could help prevent states from immediately cutting their higher education budgets in the face of a recession.

CONCLUSION

The time is now for a New Deal for Higher Education. We can create a higher education system that works for all and serves as an engine of innovation, prosperity, and democracy. This will start by getting our response to COVID-19 right. But we must also look beyond the COVID crisis and muster the vision necessary to preserve and protect the promise of higher education for the future. That vision must include direct federal support for higher education, accompanied by specific measures that ensure universal access, remediate inequality, and promote a stable and inclusive workforce.
REFERENCES


ABOUT THE ROOSEVELT INSTITUTE

The Roosevelt Institute is a think tank, a student network, and the nonprofit partner to the Franklin D. Roosevelt Presidential Library and Museum that, together, are learning from the past and working to redefine the future of the American economy. Focusing on corporate and public power, labor and wages, and the economics of race and gender inequality, the Roosevelt Institute unifies experts, invests in young leaders, and advances progressive policies that bring the legacy of Franklin and Eleanor into the 21st century.

ABOUT THE AUTHORS

Suzanne Kahn is Director of Education, Jobs, and Worker Power as well as of the Great Democracy Initiative at the Roosevelt Institute.

Jennifer Mittelstadt is Professor of History at Rutgers University.

Lisa Levenstein is Director of the Women’s, Gender, and Sexuality Studies Program and Associate Professor of History at the University of North Carolina Greensboro.

ACKNOWLEDGMENTS

The authors are grateful to Roosevelt staff Anna Smith and Katy Milani for their work on this project, as well as to Sonya Gurwitt for editing. They would also like to thank Scholars for a New Deal for Higher Education: Eileen Boris, Marisa Chappell, Nan Enstad, Adom Getachew, and Annelise Orleck.