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THE CHRONICLE REVIEW

Will Coronavirus Close Your College for Good?

For 20 percent of institutions, this may be an existential moment, says Robert Zemsky

By David Wescott | MARCH 25, 2020

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Stuart Goldenberg

In *The College Stress Test* (Johns Hopkins University Press), which came out at the end of last month, Robert Zemsky and his co-authors, Susan Campbell Baldrige and Susan Shaman, distance themselves from "modern-day Cassandras" like Clayton Christensen, who predicted "a future of shuttered institutions." Employing a quantitative model using National Center for Education Statistics data, Zemsky and his co-authors calculate that just 10 percent of the nation's colleges face severe market risk, while another 30 percent face some risk and are likely to struggle. The remaining 60 percent face minimal risk.

But that was before the coronavirus pandemic. Since the book's release, Moody's Investors Service has

downgraded its outlook for higher education from stable to negative. A recent survey found that one in six high-school seniors who expected to attend a four-year college full time may now be reconsidering. The outbreak has broken the admissions calendar, cast yield models into chaos, and left academic leaders unsure of what comes next.

The Chronicle Review spoke to Zemsky, a professor of higher education at the University of Pennsylvania and member of Whittier College's Board of Trustees, earlier this week. Here's what he told us about what's changed — and what hasn't.

How has the coronavirus outbreak shifted your outlook on the financial health of higher education?

Everything is up in the air. This whole tradition of, you know, you get your letter of acceptance and you go to an accepted-applicant event — all of that is gone. The yield process is going to be very weird. Colleges are not going to know what to do with their wait lists, for example. So what will happen on just the admissions front is a massive moment of confusion and uncertainty.

Are colleges doing business as usual in September or even October? If they're not, then all bets are off.

What people really want to know is who's in trouble. Ten percent of institutions are in real stress, almost all of them small privates. There are stressed publics as well, but almost all of their stress is derived from state appropriations. When I was a university officer at Penn, we got money from the commonwealth. They would sometimes send you a nice note saying: "Unforeseen circumstances and we're delaying payment." My bet: There is going to be a lot of delayed payment of public appropriations in the fall, which is going to make all of this more terrifying, more uncertain, and more confusing.

How long is the lockdown going to continue? You have the president talking about 15 days. You have others talking about the vaccine being a year and a half away. The first question an institution should ask on the financial side is: How much real cash reserves do they have? The second question is: Are they going to be eligible for federal relief? An institution with a poor cash position and uncertain applicants is in real danger.

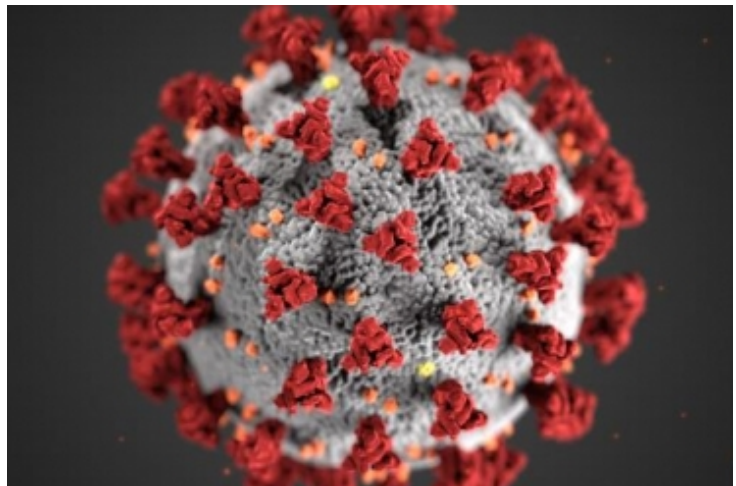
In *The College Stress Test* you say that 10 percent of colleges face severe risk. Does the pandemic change that?

The scale slides. Those at the top are going to feel stressed, but they're fine. Those in the middle — that's where the cash position becomes so important. Some of them are going to have adequate cash, but most of them aren't. I think in the short term, it's not 10 percent that are in real trouble, it's 20 percent. That's not to say 20 percent are going to close. But it ups the possibility. We're now going to have upward of 20 percent really terrified. If this crisis is going to take out all of next academic year, that bottom 20 percent may never come back.

Coronavirus Hits Campus

As colleges and universities have struggled to devise policies to respond to the quickly evolving situation, here are links to *The Chronicle's* key coverage of how this worldwide health crisis is affecting campuses.

- Ritual, Rhythm, Community: Everything Higher Ed Does Best, the Coronavirus Attacks ✓ **PREMIUM**
- As Covid-19 Erases Line Between Work and Home, Professors Learn to Teach Remotely While Watching Their Kids
- 'Do No Harm': The Coronavirus Crisis Calls for Compassion, Say Faculty Members Sharing Advice



Let's say that this is a recession on par with 2008-9. What sort of tools do institutions have in their arsenal?

It depends on what the Fed is going to do. If colleges are treated as small businesses entitled to all kinds of no-interest loans and maybe even subsidies, then it's a different game from 2008. None of that was available then. What I do know is that colleges will be fully ready to take advantage of whatever they get. I think in some past years a lot of distressed institutions just weren't smart enough to know what they could do. That's not a problem now.

Moody's recently downgraded its outlook for the sector. Are there other alerts or cues you're looking for?

If colleges aren't open in September, that's the flag you want to focus on. Let's assume for now they will be. You want to know how many freshmen showed up and how many sophomores and the like came back. One of the things I came to appreciate from our research is that completions are not the signal. The signal is freshman to sophomore retention. Half of American colleges and universities lose a quarter or more of their freshman class in the first year — much of it in the first six weeks, actually. Are your freshmen packing up early? That's probably the first and most important early warning sign out there.

What advice would you give a college president right now?

My first piece of advice: Don't play like you don't have a problem — of course you have a problem. You're going to need to develop strategies for frank talk that doesn't cause panic. That's not easy. Be able to talk openly and frankly about bad news. What's the first piece of bad news you're going to have to confront? It could be: "We only got 80 percent of our freshman class to show up," or something like that.

A second piece of advice is that you're going to have to ask yourself if this is the moment to rationalize the budget. Most of these institutions have very cluttered budgets that don't make a lot of sense. Presidents will have to ask: "Is this the moment when?" The institutions in better shape for that are those that have a lot of adjunct faculty. If your entire faculty is tenured, it's very hard to ask that question. There's a lot of irrationality around: "We love small classes," and, "We want to have 67 separate majors." This might be the moment to have that conversation.

And third: This might be the moment to talk about a three-year degree — a 90-credit college degree. That would get a lot of institutions over a hump. They just think: Well, we'll lose a year of revenue. But no, you're going to be totally repositioned if you actually do it. Do I believe institutions are going to do that? Of course not. But you wanted my advice. That's my advice.

In 2009 you wrote: "For true reform, we need a process that will change most, if not all, institutions simultaneously. What is required is a kind of dislodging event. Such an event might promote reform because the various parts of our higher-education system, despite their distinct missions and organizational arrangements, are linked to one another." Are we now witnessing such a dislodging event?

What you're really asking me is: How deep is the panic going to be? The deeper the panic, the less likely that this would be the moment. Institutions in panic make dumb decisions. One of the blockages for the three-year degree, remember, is accreditors. Imagine, as a thought experiment, accreditors took the lead and said: "We would welcome serious proposals for three-year degrees." That's the kind of unlocking event I was talking about in 2009.

Now, some people will say the unlocking event is free tuition. I don't believe that. Free tuition wouldn't change what goes on inside colleges. The unlocking event has to change what's going on inside the colleges — how they spend their money, to be blunt.

So you think it's too early to say if this is a dislodging event?

Yes. If it's just 15 days, it isn't going to do much dislodging.

You've been a critic of higher ed's status quo for years. What gives you optimism today?

What gives me optimism? Higher ed is full of smart people who ought to be able to figure our way out of this. But I do not see a great leader at one of these universities breaking the mold.

One positive mechanism could be the tuition-reset process — but it can't just be moving numbers around. Two institutions that really impressed us in the book were Utica College and Central College, in Iowa. In both cases the tuition reset was not massive. But it was carefully thought out and tied to other changes.

Part of the problem, again, is these horribly encrusted curricula we have with 67 majors and this and that. The way to reduce the budget is to reduce the curriculum. And it takes a really clever and brave president to lead that process.

This interview has been edited for length and clarity.

David Wescott is an associate editor at The Chronicle Review.

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