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# Moody's paints grim picture for higher education

Predicting one's own future is an uncertain business. But when institutions known for their prognosticating skills predict your future, you might want to listen. This lesson is one that America's institutions of higher education seem to be failing.

After looking at the budget proposal by the Trump administration, Moody's Investors Service painted a grim financial future for the nation's colleges and universities. According to their analysis, Trump's budget proposal to slash federal research funding and end financial support for the arts and humanities would irreparably harm institutions that rely on those government dollars.

But let's first put things into perspective. Moody's is one of the big three credit rating agencies (together with Standard & Poor's and Fitch Ratings) that rate the bond credit of businesses, governments and other institutions.

They rank the creditworthiness of borrowers based on expected investor loss in the event of a default.

The other thing that we must remember is that colleges and universities – both public and private – borrow money in order to pay for many projects, which, in turn, affects directly the cash flow of these institutions.

Based on the initial proposal by the White House, higher education would lose \$4 billion in discretionary funding.

This money not only covers direct expenses for research projects, but also what is called "indi-

### Dr. Aldemaro Romero Jr. Letters from Academia

rects," which are paid directly to colleges and universities to help them maintain their research infrastructures. Further, some of that money is used to provide what is called "start-up packages" that give new faculty the financial assistance necessary to kick-start their research agendas. Additionally, the president's "America First" budget proposes nearly \$6 billion in cuts to the National Institutes of Health.

The vast majority of biomedical research in this country is funded by the NIH, and cuts of this magnitude would have serious consequences in our constant search for better medicines and medical treatments.

In fact, because of its importance, the NIH budget in the past has had solid bipartisan support in Congress.

While some of the wealthiest universities, like the Ivy League (Harvard, Yale, Princeton, etc.), with their large endowments and large fundraising capabilities from private sources can probably weather the cuts to some extent, most others will not. This will be particularly the case for public institutions, which are the ones that usually serve people in rural areas and those with less financial means. Still, according to Moody's, even for the Ivy League types, it will take years to adjust to the new realities that would be brought about by

such cuts.

And Moody's projections for higher education are not alone, but accompany dire predictions for the National Science Foundation and the Department of Energy. The administration's proposed budget eliminates totally funding for the National Endowment for the Humanities and the National Endowment for the Arts.

Although the last two have rather small budgets (\$140 million each), according to Moody's their disappearance will have a ripple effect on higher education. One of the projections by this credit agency is that by being unable to fund arts and humanities projects, colleges and universities will have fewer programs with which to attract private donors, sending them into a death spiral.

The same can be said of other federal agencies that support research across academia. The Environmental Protection Agency (EPA) budget will be slashed by 31 percent, the Agriculture Department by 21 percent and the Interior Department (where the Fish and Wildlife Service and the National Parks Service reside) will be cut by 12 percent.

Reductions to the Department of Education's budget through the elimination of the Federal Supplemental Educational Opportunity Grant and reduction in Federal Work Study funding would also affect about 550 schools rated by Moody's.

Although there will be a huge increase in defense spending (a \$54 billion increase), which

would provide some research-related funding to higher education, that kind of research is usually concentrated in a rather small number of institutions. And if we decode some of the rhetoric of the current administration, a lot of that money will probably go to private companies rather than to colleges and universities.

And to these cuts the already relentless cuts to public higher education budgets by state legislatures and you have a "perfect storm" that will obliterate higher education as we know it, particularly when it comes to accessibility by students of lesser means.

There was a time when the U.S. was considered the greatest country in the world for, among other things, its system of higher education and its support in the broadest sense for intellectual inquiry.

This support helped to attract the most talented people in the world to come to this nation and use their abilities in science, the arts and humanities in service to the United States. Institutions of higher education have played a major role in the nation's ability to respond to threats to our national security, whether from Sputnik, the arms race, pandemic disease, or climate change. Those times of greatness may be over sooner rather than later.

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