

Congress Should Retain the Use of a Full-Time Equivalent (FTE) Measure in the Next Supplemental Funding Bill

Key Points

- An FTE measure appropriately provides greater funding to institutions with the highest expenses to prioritize a safe reopening
- An FTE measure provides more funding to institutions with the largest losses and revenue declines
- An FTE measure supports low-income students. The share of public four-year students who receive Pell Grants is slightly greater than the share of community college students that receive Pell Grants (35 percent to 33 percent according to IPEDS data)
- As institutions struggle financially, an FTE measure provides funding to help with retention of larger workforces

Our nation's public colleges and universities have been economically hit hard by the coronavirus pandemic. According to an American Council on Education [estimate](#), colleges and universities will face approximately \$73 billion in costs for the fall semester to maximize safety in response to COVID-19. These expenses coincide with overwhelming revenue losses from the spring and summer, further revenue losses expected in the fall due to declines in enrollments, and substantial state cuts which are already beginning to inflict damage to public universities.

As Congress looks to build on the CARES Act to help financially stabilize the nation's colleges and universities as they open in varying ways based on individual circumstances, as well as provide critical support to students, it is important to understand the impact of an enrollment-based methodology to allocate any funds to schools. Specifically, a critical decision for lawmakers is whether to use full-time equivalent (FTE) enrollment, which counts part-time students as a portion of a full-time student, or headcount enrollment, which counts part-time and full-time students equally. Each choice would result in a starkly different allocation of funding that institutions would receive. There are times when it is appropriate to use headcount and there are times when it is appropriate to use FTE. For purposes of COVID-19 relief to support institutions of higher education and students, FTE is by far the more appropriate measure as it considers disproportionate expenses and losses of schools relative to full-time students, particularly those in a residential setting.

FTE Measure Funds Institutions with Greatest Costs to Safely Reopen

Colleges and universities are facing unprecedented new expenses to prioritize safety in partially reopening campuses in the fall. The American Council on Education estimates that schools could face more than \$73 billion in costs related to personal protective equipment (PPE), contact tracing, enhanced cleaning efforts, and modification of residence halls, dining facilities, and classrooms to accommodate social distancing standards. Compared to non-residential schools, residential campuses are incurring a significantly higher amount of these expenses such as robust disinfecting

and cleaning of dining and residence halls and the purchasing and installing of plexiglass and other safety materials. Additionally, due to the significant size of their faculty and staff, public universities will also face disproportionate costs for PPE, contact tracing, and on-campus quarantining facilities. In 2018, public four-year universities employed more than 2 million faculty and staff compared to 567,000 employed by community colleges. The numbers demonstrate the unique expenses and services utilization of full-time students, particularly in a residential setting.

Use of FTE Helps Institutions with the Greatest Losses and Expenses

A significant focus of the Education Stabilization Fund of the CARES Act was to help institutions deal with significant financial losses and expenses due to COVID-19. While there are a multitude of areas in which colleges and universities are taking financial hits, none are bigger than in the areas of housing/dining and tuition revenue. A land-grant university in New England conservatively projects lost revenue of \$51 million in the fall semester with \$47.4 million (93 percent) related to tuition and fees (domestic students only) and housing and dining losses. More than half of a public HBCU's estimated \$12 million in revenue losses for the fall is related to declines in revenue from tuition and fees and housing/meal plans. The University of California lost \$460 million in non-medical campus operations through April 30th, \$239 million or 52 percent of that loss was due to providing students prorated refunds for their housing and dining contracts. Florida State University estimated that 53 percent or \$17 million of its \$32.2 million in lost revenue for the spring and summer semesters was due to refunds and cancellations of housing and meal plans.

These massive financial losses due to revenue shortfalls from housing, meal plans, and tuition disproportionately affect residential campuses with a large share of full-time students. According to data from the Department of Education, 32 percent of full-time students live in on-campus housing compared to just 9.6 percent of part-time students. Because a greater share of full-time students live on campus, full-time students are also much more likely to purchase meal plans and utilize university services to support students such as health centers.

Additionally, on average full-time students pay more in tuition than part-time students. For example, a full-time student at a public four-year university pays \$10,000 in tuition and fees while a part-time student pays \$4,200. Thus, losses in enrollments of full-time students disproportionately hurts institutions.

While operations may look different in the fall than in the spring and summer, it is clear that under a partial reopening, there will be significant losses in housing and auxiliary services.

Use of FTE Supports Low-Income Students

Another area of focus of the CARES Act was to provide financial support to students in the form of emergency grants. Members of Congress are rightfully interested in support for low-income students. This has been one of the leading arguments behind using headcount rather than FTE as it would divert significantly more funds to community colleges, which play a critical role in providing a postsecondary education to low-income students. However, it is important to note that public four-year universities not only educate as many Pell Grant students as community colleges (2.2 million to

2.3 million according to 2017-18 IPEDS data¹), but the share of public four-year students who receive a Pell Grant is slightly greater than the share of community college students that receive Pell Grants (35 percent to 33 percent according to IPEDS data). Providing support for low-income college students during this global pandemic is essential. But in determining the methodology to distribute federal funds, it is important to recognize, particularly among public colleges and universities, that two and four-year schools equally share the responsibility of providing postsecondary opportunities for Pell students.

It is important to also consider that direct higher education expenses such as tuition and books will be significantly lower for part-time students. Federal financial aid policy recognizes this through different levels of Pell Grants for full-time and part-time students. Pell Grant awards are prorated for students who attend on a less than full-time, full-year basis. It makes sense to carry the same premise forward to COVID-19 relief bills meant to support institutions and students as the CARES Act did in using the FTE measure.

The CARES Act also helps drive additional funding to institutions educating low-income students by weighting funding by number of Pell students (75 percent) significantly higher than non-Pell students (25 percent). Congress also rightly provided more funding to Historically Black Colleges and Universities (HBCUs) and other Minority-Serving Institutions with direct support in addition to the above formula. However, a switch to a headcount measure would significantly setback funding for HBCUs. According to an APLU estimate, under the House-passed HEROES Act, the headcount measure would provide \$120 million less to HBCUs than if the legislation retained the use of FTE as used in the CARES Act.

Use of FTE Will Help Support the Higher Education Workforce

The CARES Act (Section 18006) requires that, to the greatest extent practicable, local educational agencies, states, institutions of higher education, and other entities that receive funding from the Education Stabilization Fund must continue to pay their employees and contractors during any disruptions or closures related to the coronavirus outbreak.

As mentioned, in 2018 public four-year universities employed more than two million faculty and staff compared to 567,000 employed by community colleges. The numbers demonstrate the unique expenses and services utilization of full-time students, particularly in a residential setting.

¹ Community colleges are defined as schools that had a sector classification of public two year, a Carnegie classification of associates college, special focus two year, Baccalaureate/Associate's Colleges: Associate's Dominant or Baccalaureate/Associate's Colleges: Mixed Baccalaureate/Associate's if they awarded more associate degrees than bachelor's degrees in 2018.