Local colleges to refund upwards of $670M in unused student room and board

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Boston-area colleges and universities are now faced with an unexpected financial obstacle — losing hundreds of millions of dollars in revenue from refunds on unused room and board fees.

Most colleges and universities across Massachusetts have sent their students home to finish the semester remotely to help mitigate the spread of the coronavirus. Several schools in the Boston area — including Northeastern University, Harvard University, Wentworth Institute of Technology, Tufts University, Suffolk University, Boston College, Emerson College and more — have already said they plan to refund students and families for the meal plans and room-and-board services they are no longer using.

Collectively, colleges in the commonwealth could lose $669 million in revenue, according to Business Journal research.

A Business Journal analysis of roughly 800 U.S. colleges and universities nationwide determined that about a quarter of their student-related revenue, some $44 billion in payments during the most-recent fiscal year, came from so-called “auxiliary enterprises” in the form of goods and services sold to students and faculty. The vast majority of that revenue came in the form of housing and food services provided to on-campus residents, according to data provided by the U.S. Department of Education.

Harvard University, the first Boston-area school to shut its campus because of COVID19, stands to lose about $99 million from room-and-board refunds, followed by Boston University, which could lose about $68.4 million. Harvard told students who have departed campus that room-and-board charges will be prorated through March 15.

For its part, Boston University capitulated this week to angry students and their parents demanding refunds after many of the school’s crosstown peers had agreed to refund unused room and board fees. The Boston Herald first reported on BU’s hesitancy to refund students.

**Suffolk’s plan**

Marisa Kelly, president of Suffolk University, said in an interview with the Business Journal last week that students who move out of the residence halls would be eligible for pro-rated refunds based on the time remaining in the semester. Kelly said that Suffolks plans to take the total cost of room and board, then pro-rate it by the total days left in the semester in order to refund student accounts. Remaining meal plans will also be refunded. Students who do not have safe homes to return to, or who face other extenuating circumstances, have been allowed to stay on campus.

“I was involved in academic continuity learning planning in earlier types of outbreaks, but never had to implement those plans,” Kelly said. “This is new territory, but one I am confident we are prepared for. I am absolutely impressed with the
Smaller colleges, smaller hit

For smaller colleges, the hit won't be as high. Stonehill College in Easton could refund $8.4 million and Merrimack College in North Andover could refund $8.3 million in annual room and board fees at 25% of the annual cost.

Wentworth Institute of Technology in Boston, which could refund up to $8.6 million to students, said it is also trying to help students with work-study programs. Wentworth President Mark Thompson said he is not worried about the financial consequences of refunding students.

“I’m not that concerned about it — we are in good financial standing and we are saving operations costs from being shut down,” Thompson said. “I am more concerned about maintaining student services and continuing education.”

Still, the clawbacks could compound the financial strains amid regional declines in enrollment, especially for many smaller private liberal arts schools in New England that rely on tuition dollars for revenue.

One big unknown still remaining is whether schools would see refunds from their food suppliers and related service providers, who support their on-campus dorms and dining halls. Also unknown is whether states will need to alter their budgets in light of the hit many of their largest in-state higher-ed systems are about to endure.

_Craig M. Douglas, Director, Editorial Research & Analysis for The Business Journals, contributed to this report._

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