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Trump Administration Turns Up Heat on Harvard With Financial Lever

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The Education Department's recent move against Harvard is currently more of an administrative annoyance than a true financial threat.Adam Glanzman, The New York Times, Redux

The Education Department has continued its efforts to punish Harvard University, announcing Friday that it was placing it on "heightened cash monitoring."

That status, usually reserved for institutions that are in danger of financial failure, requires the university to pay out amounts for federal financial aid to students and then get reimbursed from the government — initially, at least, more of an administrative annoyance for the university than a true financial threat.

The university must also post a bond of $36 million, according to the department's announcement, as "a financial guarantee to cover potential liabilities and ensure that Harvard meets its financial obligations to both students and the Department."

The department cited several reasons for its actions, including that Harvard had issued $1 billion in bonds, partly to protect against the government's efforts to cut off federal research funding to the university.

The department also continues to allege that Harvard is in violation of federal civil-rights laws and warned in the letter that the university could lose access to all federal financial aid.

"Taking on the additional debt may make it materially more difficult for Harvard to satisfy any liabilities with the Department in the event that it loses access to federal funding," the department said in its news release.

Early in September, a federal district court judge ruled against the government's efforts to cut off federal research funds. In June, the same judge issued a preliminary injunction against the government's effort to ban international students from enrolling at Harvard, but the U.S. Department of State has opened new investigations to determine if the university is complying with federal rules on admitting such students.

Harvard and the White House have reportedly been in talks to settle the issues, but no agreement has been announced. Neither

Harvard nor the department responded to requests for comment.

The Education Department's announcements Friday will create more of a bureaucratic problem for Harvard than a financial one, said Robert Kelchen, head of the department of educational leadership and policy studies at the University of Tennessee at Knoxville.

"Harvard won't have any issues posting a $36-million line of credit, and getting reimbursed for aid after the fact won't be an issue," Kelchen wrote in an email. "It's just more paperwork for Harvard and represents an opportunity for the Department of Education to keep pushing Harvard for a settlement."

A 15-Percent Threshold

One aspect of the Education Department's decision to sanction Harvard was unusual: that it was in part influenced by the university's sale of bonds in the last year.

"The Department believes the issuance of these bonds is likely to have a significant adverse impact on the financial condition of Harvard. The face value of the bonds amounts to roughly 15 percent of Harvard's annual revenue."

If that standard were to be followed across higher ed, a *Chronicle* analysis determined that more than 200 private, nonprofit universities would have violated it had it been in effect between the 2021 and 2023 fiscal years.

Among those institutions: Sacred Heart University, where Education Secretary Linda McMahon was a trustee during the 2021-22 academic year. Sacred Heart issued $100 million in bonds, including for refinancing debt, which represented 30 percent of the $333 million generated in total revenues in the 2022 fiscal year.

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