

Source: American Council on Education (ACE)

Coronavirus Stimulus Bill Allocates \$14 Billion to Higher Education; Higher Education Community Says More Is Needed

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President Donald Trump signed a \$2 trillion coronavirus relief bill on Friday, an effort to address some of the worst effects of the economic downturn resulting from the coronavirus pandemic.

ACE President Ted Mitchell [called](#) the higher education provisions in the plan, which total approximately \$14 billion, “woefully inadequate” while noting that some aspects—such as the regulatory flexibility given to colleges and universities—will help institutions better serve their students in the coming months. ([Read](#) what ACE and the higher education association community had asked Congress to include in the stimulus bill for students and institutions.)

The plan—known as the Coronavirus Aid, Relief, and Economic Security (CARES) Act—provides \$30.75 billion to the Department of Education (ED) for an “Education Stabilization Fund” that is divided into three pools.

The first part is almost \$14 billion that will go directly to higher education institutions to support the costs of shifting classes online, and for grants to students for food, housing, technology, and other purposes (50 percent—about \$7 billion—of the funds that institutions receive must be used for direct emergency aid to students). The bill reserves 7.5 percent (slightly over \$1 billion) for minority serving institutions, and 2.5 percent (\$349 million) for grants to institutions particularly impacted by the pandemic. ([Click here](#) to see a more detailed breakdown of this figure.)

The second part of the stabilization fund provides a little over \$13 billion to elementary and secondary schools. The third part is roughly \$3 billion that will go to states based on a formula that factors in school age population, and the youth and young adult population. Governors have broad discretion to use that funding any way they want.

Distribution of funds: The higher education funds will be allocated to institutions by formula using ED’s student financial aid distribution system. The formula allocates 75 percent of the funds available (about \$9.4 billion) based on the full-time equivalent enrollment of Pell Grant recipients. The remaining 25 percent (about \$3.2 billion) is based on the full-time equivalent enrollment of students who did not receive a Pell Grant.

Importantly, the formula excludes students who were enrolled exclusively in online coursework prior to the pandemic.

By distributing the formula basis through the Pell Grant distribution system, ED can send the money out fairly quickly. The problem is that ED only has access to full-time equivalent data through the IPEDS database. So the department will have to very quickly figure out how to arrange a crosswalk between IPEDS and the Pell Grant distribution system.

Research funding: The legislation gives \$945 million to the National Institutes of Health, \$75 million to the National Science Foundation, \$99.5 million to the Department of Energy Office of Science, and \$60 million to NASA for COVID-19-related research. ACE, the Association of American Universities, the Association of Public and Land-grant Universities, and the Association of American Medical Colleges [sent a letter](#) last week to congressional leaders outlining a strategy for supporting university research during these critical times. The amount allocated is far below those recommendation.

Regulatory flexibility: The plan contains a number of provisions that will help campuses streamline operations in the coming months. Included are terms that allow institutions broad flexibility to disburse Supplementary Educational Opportunity Grant (SEOG) funding as emergency grant aid to students and to make Federal Work-Study (FWS) payments to students for up to one year, even if the campus is closed. The bill also waives the requirements that institutions match federal funds and waives the limits on transferring funds between programs in the SEOG and FWS, among other provisions.

On a related note, Mitchell sent a letter to Education Secretary Betsy DeVos last week, asking her to delay the release of the final Title IX rule and the Higher Education Act Section 117 information request. Read that letter [here](#).

Temporary relief for federal student loan borrowers: The bill suspends borrowers' obligation to make payments on their federal Direct Loans through September 2020; suspends interest on the payments; and suspends garnishment of wages, Social Security, and tax refunds for borrowers in default during this period. Approximately 20 percent of borrowers may not qualify for the relief, depending on the type of federal loan these borrowers possess.

Delayed payment of payroll taxes: Employers, including public and private nonprofit institutions, are permitted to delay payment of FICA payroll taxes until Jan. 1, 2021. Employers who choose to delay payment of payroll taxes will have to repay 50 percent by Dec. 31, 2021, and the remaining 50 percent by Dec. 31, 2022.

Encouraging more charitable giving: The bill provides an expansion of incentives for charitable contributions, in terms of a temporary universal charitable tax deduction for donations by individuals who do not itemize, and a suspension of donor limitations for the 2020 tax year. While this provision was not as expansive as the amendment proposed by Sen. James Lankford (R-OK) that ACE [supported](#), it is still considerable.

Emergency loans: Congress did not provide loans directly for institutions, as a way to provide funding to meet a cash flow emergency, as the higher education community had recommended. What it did do was expand existing borrowing authority at the Small Business Administration (SBA). Any institution with less than 500 employees will be able to apply for an SBA loan on generous terms and conditions. This will not help very large institutions, but many colleges and universities have fewer than 500 employees and may be able to exercise this authority if they choose.

It appears that student employees count toward the 500-employee cap, which could keep many schools from participating.

What's next: The action will now move to the Department of Education, and ACE has already reached out to offer assistance in getting the money distributed to campuses as quickly as possible. There also is likely to be a fourth and even a fifth stimulus bill, the contours of which both the preK-12 and higher education communities have already begun discussing.