BUDGETING FOR HIGHER EDUCATION IN THE ERA OF COVID-19

The impact of covid-19 on higher education

State Policy Issues and Considerations

NOVEMBER 20, 2020
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NATIONAL CONFERENCE OF STATE LEGISLATURES
CURRENT STATE OF HIGHER EDUCATION

- Campus closures
- Shift to online coursework
- Slowed recruitment and admissions process
- Decreasing enrollment
- Increasing student mobility and transfers
CHALLENGES FACING STUDENTS

- More are seeking short-term degrees and certificates; more are working adults
- Affordability
- Housing disruptions and food insecurity
- Impact of forced online-only courses
- Impact of increased mobility on credit transfer
- Availability of student supports / mentoring / counseling
- Economic uncertainty
National student debt is $1.6 trillion

Average student loan per borrower is $32,731

- 56% of borrowers with outstanding debt owe less than $20,000
- Student loan delinquencies are highest among individuals with smaller amounts of student loan debt

Average annual amount borrowed by parents increased from $5,200 per year in 1990 to $16,000 per year in 2014

- 2.8 million Americans over the age of 60 have taken out at least one student loan to help support a student in the family
- 53% of families borrow to help pay for an undergraduate college education
EXAMPLES OF STATE POLICIES: SUPPORT FOR TODAY’S HIGHER EDUCATION STUDENT

- Short term
  - Flexibility and affordability during the pandemic
  - Student loan relief and payment deferral during the pandemic

- Long term
  - Higher ed funding and affordability
  - Financial aid and FAFSA
  - Student loan oversight / consumer protection
  - Assistance with non-tuition costs
CHALLENGES FACING INSTITUTIONS

- Disrupted admissions and recruitment
- Potential cuts in funding and revenue
- Higher education budgets (state and local revenue shortfalls in sales and property tax)
- Concerns about Institutional sustainability and financial stability
  - PA HB 2171 (2020)
  - MA HB 4099 (2019)
95+ Higher Education bills related to COVID-19

- Waivers of admission criteria including SAT / ACT – Colorado HB 1407
- Waivers of merit-based financial aid eligibility requirements – Louisiana HB 870
- Emergency preparedness & management – Maryland SB 329
- Liability relief – North Carolina SB 208

Entering 2020, States Were Looking to Expand Postsecondary Funding

The Pandemic Several States to Make Immediate Budget Cuts (FY2020)

Many States Avoided Major Cuts by Using CARES ACT Funds to Cover Shortfalls

Funding for FY2021 is Uncertain at Best (& Could Get Worse)

These Funding Challenges Come at A Terrible Time for Institutions
STATE POLICY CONSIDERATIONS:
BUDGETING FOR HIGHER EDUCATION

- Protect Vulnerable Students and Institutions
- Balance Need-based and Merit-based Financial Aid
- Invest in Student Supports for Today’s Students
- Reexamine Credit and Transfer Policies
- Direct Funding for Student Success
  - Funding for equity - CO HB 1366 (2020)
- Provide Reliable Information about Career Pathways
  - Return on investment metrics – CO HB 1260 (2020)
  - In-demand jobs – KY HB 419 (2020)
NCSL POSTSECONDARY BILL TRACKING DATABASES

NCSL Student Loan Bill Tracking Database
tinyurl.com/NCSLStudentLoanDB

NCSL Postsecondary Bill Tracking Database
tinyurl.com/NCSLPostsecondaryDB
FEDERAL UPDATE: HIGHER EDUCATION
CARES ACT
CARES ACT: FUNDS FOR HIGHER EDUCATION

- **Education Stabilization Fund**
  - Higher Education Emergency Relief Fund (HEERF)
    - $14.25 billion for higher education
  - Governor’s Emergency Education Relief (GEER) Fund
    - $3 billion to states, could be used for higher ed
      - NCSL estimates at least $700m allocated from GEER

- **Coronavirus Relief Fund**
  - $150 billion aid to states to respond to emergency costs
    - NCLS estimates at least $4.4 billion allocated from CRF
$6.25b for emergency student aid to cover cost of attendance expenses
- Department rule excluded students who were not eligible for federal financial aid
  - Except in WA, MA, and CA community colleges

$6.25b to colleges for “emergency” costs
- Department excluded revenue replacement
- Can refund for student tuition/room & board reimbursements
GEER Fund Update

- 95% obligated (NGA), 73% tracked (NCSL)
- ~$700m to higher ed, one-third of NCSL-tracked GEER funds
- At least 30 states used GEER for higher ed:
  - TX: $175m for statewide need-based financial aid
  - WA: $54m to community colleges
  - MA: $25m for college reopening costs
  - NJ: $68m formula allocation to public colleges
CRF Fund Update

- Purpose: Flexible aid for state emergency costs
- Challenges: Shifting guidance and Dec. 30 deadline
- $4.4 billion to higher ed from 21 states
- Common uses:
  - Unexpected coronavirus related expenses
  - Transition to virtual instruction
  - Tuition relief and aid for private loan borrowers
CARES ACT: MAINTENANCE OF EFFORT

- CARES MOE provision
  - State support for K-12 and higher ed in FY20 and FY21 = average of support for FY17, FY18, FY19
  - Secretary can waive due “precipitous decline in financial resources”

- FAQ Guidance released June 5

- Potential Higher Ed FY20 waivers
  - AR, MI, MO, NJ, OH
Waiver Application Process
- Data collection: baseline (Sept 2020), FY20 (Oct 2020)
- FY20 and FY21 application available after Sept. 2021
- To “understand economic impact” and single application

Waiver considerations
- Same percentage of resources spent on K-12 and higher ed
- Whether revenue declines where due to COVID-19
- Whether state took steps to “ameliorate support”
Federal student loan payments deferred, interest waived through Sept. 30- extended to Dec. 31 by EO

Halts collection actions and wage garnishment on defaulted student loans through Sept. 30- extended to Dec. 31 by EO

Companies can pay up to $5,250 of employee’s student loan payments each year on a tax-free basis through Dec. 31
STIMULUS 4.0
4TH STIMULUS PACKAGE

- **Timeline:** Weeks away at earliest
  - Negotiations are presently stalled and remain far apart
  - Senate Republicans favor slim package, around $500 billion
  - Democrats still calling for $2+ trillion package, with state/local aid

- **Funding for Higher Ed**
  - Dem HEROES Act: $27b to public IHEs, $4.5b to governors, $10.15b to HBCUS, Private, Online-Only
  - Republicans: $29b to public IHEs, $5b to governors
  - ACE estimate: $74b estimate for reopening safely
BIDEN AGENDA
BIDEN-HARRIS LEGISLATIVE AGENDA

- Congressional Control
  - Senate: Republicans have 50 seats, 2 GA seats in runoff
  - House: Dems have 222 seats, GOP gain +8 so far

- Congressional Leadership
  - Will remain same in all corners (McConnell, Schumer, Pelosi, McCarthy)
  - House Ed & Labor: Chairman Bobby Scott (VA), Ranking Mem. Foxx (NC)
  - Senate HELP: Sen. Murray (WA) for Dems, new lead for Republicans

- Higher Education
  - Tuition free community college
  - Tuition free four-year college for incomes under $125k
  - Double Pell Grant
  - Cancel up to $10k of student loan debt
STATE-FEDERAL COLLEGE AFFORDABILITY PARTNERSHIP

- **Concept**
  - Federal gov’t increases direct support for institutions
    - Increased support, tuition free college, debt free college, completely free college
  - State agree to matching incentive or maintenance of effort, or both

- **College Promise in House Dem’s “College Affordability Act”**
  - Tuition free community college proposal
  - Federal gov’t covers 75% of the cost tuition, states 25%
  - Matching rate based on national average of tuition and fees
  - Works at as first-dollar program relative to federal and state fin aid
  - Supplanting provision and MOE provision
BIDEN-HARRIS DEPARTMENT OF EDUCATION

- Secretary of Education
  - Should know by Thanksgiving, likely has experience as educator, will be union-friendly

- Agenda
  - COVID-19
    - Standards for reopening, tracking school infection rates
    - Suspension of payments/interest accrual on fed student loans expires EOY
    - Executive Action on to cancel student debt?
    - CARES MOE: Likely similar in principle to DeVos guidance
  
  - Regulatory Agenda for Higher Ed
    - Rewrite Title IX sexual assault regulations
    - Restore Obama Gainful Employment and Borrower defense rules
    - Student Loan oversight?