



Key Funding & Policy Priorities for Phase IV Federal Emergency Supplemental Funding Bill

The nation's colleges and universities were some of the first institutions to take action in response to the COVID-19 pandemic, swiftly closing classrooms, laboratories, and other facilities on campus to help slow the spread of the novel coronavirus. As this public health crisis has continued to unfold, public research universities have been at the forefront as researchers worked to identify treatments and cures, develop new technologies, and ensure the needs of their campus communities are being met.

The full impact of COVID-19 has not yet been realized but the personal tragedy of the pandemic has touched many of our campus communities. The economic toll of the virus's spread has also been immense, with staggering levels of unemployment and the CBO forecasting an economic cost of \$7.9 trillion over the next decade. These costs severely impact public universities, their students, and their staff. For public universities, steep declines in revenue, substantial increases in costs, and state budget cuts result in financial emergencies.

Our nation's public universities play a critical role in responding to the dual health and economic crises unfolding nationally. But their ability to continue their critical education, research, and community engagement missions in the face of this continued crisis is reliant upon additional federal investment.

As noted in APLU's [statement](#) on the Coronavirus Aid, Relief, and Economic Security (CARES) Act, the resources provided in that legislation have been helpful, but fall far short of what is needed. In order to help mitigate the damage COVID-19 has caused to students and schools, the federal government should urgently act to stabilize public higher education and address the challenges students and campuses are facing.

1. Provide Emergency Aid to Students and Support for Institutions

APLU requests \$120 billion for funding to students and institutions.

The financial impact of the novel coronavirus on institutions is extreme and the costs continue to mount. As employers of 2.3 million faculty and staff and as institutions that are educating and preparing 19.4 million students to be part of the workforce of tomorrow, our nation's public colleges and universities sit in a unique situation as they grapple with the massive fallout from COVID-19.

Institutions incurred significant losses as they quickly moved to online instruction and refunded students for expenses such as on-campus housing and meal plans. At the same time, institutions lost substantial auxiliary revenues and faced a range of further challenges that are unique to each campus.

As public universities started this new academic year, it became increasingly clear that earlier estimates of both the financial impact of COVID-19 and the costs associated with resuming classes were far lower than what institutions and students are now experiencing. Many campuses have opened and remain open successfully. Others have been forced to close temporarily before reopening, and still others have shifted to fully remote instruction. Regardless of an institution's status, costs have rapidly multiplied as colleges and universities adapt to the circumstances they are facing. These costs include significant investments in COVID-19 testing and contact tracing, the purchase of personal protective equipment, a range of actions to implement social distancing, and more.

Further, revenue losses continue to mount. Across the country, states have begun enacting significant cuts to higher education funding that will have a detrimental impact on public colleges and universities. The pandemic has also dramatically impacted international student enrollment this year, which had a clear negative impact on university campuses in terms of both student talent and in terms of campus finances.

In short, costs have skyrocketed while revenue has plummeted, as the pandemic extends into the new year with increasingly severe consequences.

Through the CARES Act, Congress created a structure for emergency support to institutions of higher education and students. Under the law, colleges and universities received funding based on their proportion of Pell Full Time Equivalent (FTE) students and Non-Pell FTE students, while not counting students who were exclusively enrolled online prior to the COVID-19 crisis (\$12.6 billion). Additional resources were provided to HBCUs and MSIs (\$992 million) as well as governors to use at their discretion to support K-12 or higher education (\$3 billion). Half of the funding received by institutions under this formula has been used to support students through emergency grants.

The resources were incredibly helpful and are greatly appreciated, but these funds have been largely spent on student emergency aid and institutional expenses incurred this past spring and summer. Public universities continue to face an unprecedented financial emergency and need additional resources commensurate with the challenge.

APLU joins in support of the higher education community's \$120 billion request in Phase IV legislation.

2. Protect Against State Cuts to Higher Education

APLU requests that Congress enact a meaningful Maintenance of Effort (MOE) provision to ensure federal funding does not supplant state investment.

As Congress provides additional funding for higher education, it should ensure that the federal investment supplements, rather than supplants, state investment. As demonstrated during the Great Recession and other economic downturns, higher education is often the first to be cut by states with the expectations that costs can be shifted to students and families. States still have not caught up from the harm of recession cuts. According to a report, "overall state funding for

public two- and four-year colleges in the school year ending in 2018 was more than \$6.6 billion below what it was in 2008 just before the Great Recession fully took hold, after adjusting for inflation.” These cuts impact not just tuition levels but also the ability of colleges and universities to employ faculty and staff, offer student support services, and provide a quality education. Since the start of the pandemic, some states have already limited funding for public colleges and universities.

Given the immense pressure state budgets are facing, Congress has an obligation to ensure that its funding does not simply replace or inadvertently reduce state support or else the federal funds will not have the intended impact. At the same time, Congress must also be realistic about what is possible for states under difficult circumstances.

APLU supports the MOE language in the Coronavirus Childcare Education Relief Act, S. 4112, with one modification. We propose adding one instance in which the Secretary of Education may waive the requirement upon application by a governor in fiscal years 2021, 2022, and 2023. The waiver would be granted if the state demonstrates its percentage spending on K-12 and higher education separately is at least equal to the greater of the corresponding percentages spent in fiscal years 2019 or 2020. For the purposes of this waiver, state health care expenditures should be excluded in all applicable years. The use of “proportionality” for granting the waiver (and only the waiver) is congruent with the basic concept of the Health, Economic Assistance, Liability Protections, and Schools (HEALS) Act’s MOE.

3. Supply Supplemental Research Funding to Institutions

APLU [requests](#) at least \$26 billion in emergency research relief funding for federal research agencies to support the research workforce, which includes graduate students, postdocs, early career researchers, principal investigators, and technical support research staff. This funding would also help federal agencies mitigate the disruptions to research and core research facilities, and ramp up research that has been halted or slowed due to the pandemic.

As enterprises conducting \$52.8 billion in research, public research universities play a key role in identifying cures, developing new technologies, and ensuring the needs of their communities are met.

These funds do not expand the nation’s investment in research but are desperately needed just to preserve the current investment. This recommendation is based on the best available information at this time from the federal research agencies, the duration of the public health emergency and its impacts on research activities, and our understanding of the complexities of restarting research at research institutions in every state nationwide.

We recommend this funding be apportioned to federal research agencies, at a minimum, as follows:

- Department of Defense (DOD) – \$3 billion
- Department of Energy (DOE) – \$5 billion
- National Institutes of Health (NIH) – \$10 billion

- National Science Foundation (NSF) – \$3 billion
- National Aeronautics and Space Administration (NASA) – \$2 billion
- U.S. Department of Agriculture (USDA) – [\\$380 million](#)¹

As part of the at least \$26 billion for federal agencies, we request supplemental appropriations for other federal agencies with a research budget greater than \$100 million, including NOAA, NIST, EPA, the Institute for Education Sciences, and others. Like the aforementioned major federal agencies, significant research disruptions necessitate additional funding to these agencies to protect the research workforce and complete taxpayer-funded research projects.

Campuses are responding to COVID-19 public health recommendations and working diligently to ensure the safety of their employees. However, much of our nation’s research workforce is effectively idled due to closed laboratories and severely limited research activities. While some are able to repurpose their efforts to aid in the fight against COVID-19 or attempting to analyze existing data and making other attempts at telework, for many more their federally supported research is delayed or will be set back because they are unable to access their laboratories and research facilities. Interrupted, delayed, or halted research will mean: some graduate students will not complete their degrees on schedule; a need for extended post-doctoral work; missed and delayed academic research career opportunities for early career researchers; and the loss of work and pay for the many staff scientists and technical workers who support research efforts on our campuses and at other major national research facilities. Continuing salary, benefits, stipend, and tuition support for graduate students, postdocs, principal investigators, and other research personnel and technical staff funded by federal research grants is critical to sustaining our research enterprise.

Federal agencies have provided some flexibility to continue to pay the salaries of grant personnel. We request these [flexibilities](#) continue through the end of the calendar year. Greater uniform implementation from the agencies is needed, and many researchers will need supplemental funding, or “cost extensions,” to support the additional salary for their staff and students and to ramp up their work again when they are able to resume lab operations. The unknown duration of the crisis, coupled with the simultaneous tightening of budgets from non-federal sponsors, including state governments, foundations, private industry, and others, is creating a long-term problem of how research personnel and the research itself will be supported as compensation costs eat away at salary dollars originally included in grant, contract, and agency budgets.

In addition, there are significant ramp down and eventually ramp up costs to suspending research grants. These include:

- donation or repurposing of personal protective equipment (PPE) from non-medical laboratories to hospitals and front-line medical professionals,
- loss, necessary destruction, or cryo-storage of cell cultures and biological samples,
- disposal of hazardous materials and other environmental and safety costs,
- care for animals,

¹ This request includes \$80 million for the Cooperative Extension System for Smith Lever, 1890s Extension, and the NTAE lines as described in the item below.

- delays in clinical research caused by safety concerns for participants and use of healthcare facilities to for COVID-19 patients; and
- restarting experiments that could not be completed due to the closure of research facilities, inability of personnel to interact in the field, or missed seasonal opportunities such as plant or animal life cycles.

APLU urges Congress to include \$26 billion in supplemental funding to research agencies so that agencies can extend grant funding to help provide additional “cost extensions” to grantees where work on a federal grant was disrupted due to a COVID-19 campus closure or illness. This supplementary funding will help to protect the capacity of the U.S. research infrastructure we need to support the health, defense, and economic prosperity of our nation.

4. Extend Access to Tax Relief and Low-Cost Capital

APLU [requests](#) state entities be made eligible for existing tax credits to offset paid leave and for employee retention, access to low- or zero-interest loans, and other tax measures to support institutions and students.

Across the entire higher education sector, colleges and universities last year directly employed 3.6 million individuals. When factoring in those individuals who work for companies that do a significant amount of business with a college or university, higher education accounts for approximately 6.7 million U.S. jobs, equaling more than \$383 billion in labor income. The total gross output of these institutions is nearly \$1 trillion. These contributions by higher education to the overall economy are in jeopardy as colleges and universities confront the fallout from COVID-19.

While much of Congress’ focus has rightfully been on the impact on students, the financial consequences for institutions – and by extension the economy overall -- are likely to be historic. It is of national importance to get colleges back on their feet. Access to affordable capital is a necessary lifeline for institutions and the communities they serve if they are to weather the storm and restore operations.

Paid Leave Tax Credit

First, the Families First Coronavirus Response Act (FFCRA) created two new forms of paid leave for workers impacted by the outbreak: 1) paid emergency leave through the Family and Medical Leave Act (FMLA); and 2) paid sick leave. To help employers pay for these leave provisions, the Act created a refundable tax credit which public institutions are currently ineligible to receive. APLU requests that governmental entities, including public institutions of higher education, are made eligible to claim the tax credit to help recoup the associated costs of implementation.

This is a top priority for APLU and its members, as the emerging cost estimates from public universities to implement the paid leave provisions climb into the tens of millions of dollars for some institutions. As Congress has sought to help financially stabilize institutions in COVID-19 response legislation, this well-meaning provision has done the opposite. We appreciate the

inclusion of this correction in the House-passed HEROES Act and request that it is included in the final negotiated package.

Employee Retention Tax Credit

Further, the recently enacted CARES Act created a refundable payroll tax credit of up to \$5,000 for wages paid by employers (including private nonprofit institutions, but not public institutions) to employees during the COVID-19 crisis. Employers whose operations were “fully or partially” suspended due to government orders related to COVID-19 are eligible for the credit. As public research institutions are closing residence and dining halls, shuttering research labs, and moving instruction online, APLU requests that public institutions be made eligible for the tax credit to help support employee retention and the local and state economies those jobs support.

Low-or-Zero Interest Loans

Additionally, APLU requests the federal government ensure that otherwise financially stable institutions can access zero- or low-interest loans and other forms of liquidity provided through the CARES Act and made available through the Federal Reserve. This will be critical as institutions seek to replace short-term revenue disruptions and expenses incurred as a result of COVID-19. This infusion of capital will enable institutions to remain solvent until the virus recedes and normal operations can resume. Access to such funds would help relieve pressure on state budgets that will be under severe pressure due to declining tax revenue and increased health and other expenses.

Pandemic Response and Advance Refunding Bonds

APLU also requests Congress provide colleges and universities with access to Pandemic Response Bonds that would allow institutions to issue bond debt for COVID-19 costs (both incremental costs and lost revenue) and for capital projects. The COVID-19 pandemic is harming institutions in profound ways, and bond financing could help address the mounting costs. First, many of the expenses and revenue losses incurred are operational and currently ineligible for tax-exempt financing. Access to debt bond financing to partially recover these costs would help public universities supplement lost revenue, absorb sizeable new COVID-19 related expenses, and amortize the costs over the long-term. Debt bond financing instruments for capital infrastructure expenses would also help universities generate and sustain construction jobs for campus capital projects.

APLU further requests that Congress temporarily reinstitute Advance Refunding Bonds, which were eliminated through the Tax Cuts and Jobs Act (TCJA). During this time of intense financial stress, providing institutions with access to Advance Refunding Bonds would permit colleges and universities to take advantage of lower interest rates and reduce their debt service costs.

5. Offer Institutions Temporary and Limited Liability Protections

APLU requests temporary and limited liability protections to prevent expensive and protracted litigation in cases where universities have taken appropriate action to prioritize the health and safety of the campus community.

As colleges and universities assess the extent to which they can reopen campuses for education and research, their top priority remains the welfare and safety of the campus population and surrounding communities. APLU's [letter](#) to House and Senate leadership on the topic provides many examples of actions institutions are taking.

Despite appropriate and exhaustive efforts to prioritize the safety of the campus community, institutions fear that excessive lawsuits and extended and expensive court battles will needlessly hinder our mission while frustrating the public good. Even with institutions taking every appropriate precautionary measure it is impossible to completely eliminate risk. The specter of costly, protracted litigation looms large. For public universities, litigation will be a significant drain on state entities at a time they can least afford it.

A limited protection conditioned on institutions complying with appropriate health agency guidance and not acting in a grossly negligent manner can help provide that appropriate balance. Such protections will help public universities appropriately reopen and go back to work in advancing education, research, and community engagement.

6. Provide USDA Funding to Increase Capacity of Cooperative Extension Services

APLU requests \$80 million for the Cooperative Extension System to meet the direct needs of the public related to combatting the spread of and recovery from COVID-19.

The Cooperative Extension System (CES) is part of the 112 land-grant institutions located throughout the nation. Land-grant colleges and universities along with Cooperative Extension System educators and agents build long-lasting and trusted partnerships with individuals, community organizations, and local businesses. Due to the increased need to reach people in their homes and the fact that nearly all educators are themselves working from home, it is imperative that Cooperative Extension increase its capability to virtually provide essential programming and engagement services in ways that can effectively reach people who have a much different access to adequate broadband.

The funding would be allocated via current Smith Lever and 1890s Institution Extension formulas, as well as through an ongoing contract for the NIFA New Technologies for Ag Extension (NTAE). The NTAE provides technical assistance to Extension agents and educators for effective delivery of virtual extension programs, including educational and meeting platforms, training on new meeting formats, and customized support for scaling programs. NTAE will provide Tribal colleges with financial support and assistance.

APLU requests an allocation of funding as follows:

- \$63 million to 1862s – Smith Lever
- \$11.5 million to 1890s – 1890s Extension
- \$5.5 million to NTAE – (\$1.5 million to 1994s Land-Grant institutions through the NTAE line without any overhead)

This supplemental funding would enable CES educators and agents to, among other critical contributions:

- Collaborate with emergency responders using digital resources to reduce the impact of COVID-19 on communities.
- Help businesses identify safety precautions to avoid COVID-19 spread to employees or customers and provide them with resources they can use to reach a larger audience to help maintain their businesses.
- Guide parents online to help families find innovative educational materials, access the Internet, and connect with mental health resources.
- Assist business owners to apply for loans and identify ways to offer services and products at a distance.
- Connect families to information on telemedicine, how to safely purchase and prepare food, how to determine how they could be affected economically by COVID-19, and educational materials to support children in finding ways to socialize, engage in informal learning, and exercise.
- Support farmers through remote services to work with them towards the short- and long-term profitability of their enterprise.
- Help businesses identify safety precautions to avoid COVID-19 spread to employees or customers and provide them with resources they can use to reach a larger audience to help maintain their businesses.
- Provide seniors living alone with online programs to maintain their social connections and well-being.

With enhanced virtual learning capabilities, Cooperative Extension can strengthen its service as an educational and community backbone for individuals, families, farms, businesses, and communities.

In addition to the appropriation, APLU requests inclusion of the following provision to avoid state match issues associated with this request: “Provided, notwithstanding any other provision of law the Secretary may waive matching requirements.