

## **Higher Education Community Recommendations: Federal Support for Student Aid and Institutions**

**April 7, 2020**

American higher education is facing unprecedented challenges as a result of the COVID-19 pandemic. Students are struggling to adjust to rapid changes in their families' financial circumstances, while institutions are grappling with closed campuses, wholesale shifts in how they teach, and the unanticipated expenses that arise from serving their students safely during a pandemic. The CARES Act was an important step towards ensuring that students, especially the most vulnerable, have their basic needs addressed. Similarly, federal funds to support colleges and universities will help keep institutions operating, even as they attempt to plug massive holes in their budgets. But the amount of money for students and higher education institutions contained in the CARES Act does not come close to filling the gap. As Moody's reported, the total support to institutions provided in CARES will only be "equal to around 1 percent of total university expenditures," and higher education "continues to face significant financial challenges heading into fiscal year 2021, including potential losses of tuition revenue, state funding, endowment income and gifts."

One only has to look back to the Great Recession to get a sense of the magnitude of problems students and colleges face during a severe economic downturn. Students, states, and schools will all have fewer resources, and greater needs. But this crisis is unique and reaches further. The pandemic is striking during the height of the admissions process, and the requirement to close physical campuses for extended periods, along with justifiable concerns among current and prospective students about when and if to return to campus, are problems higher education did not have in the Great Recession. For these reasons, college and university leaders are fully expecting significant, potentially unparalleled, declines in enrollment, both from students who do not come back, and those who will never start.

The federal government has the sole ability to provide the type of assistance to students, their families, and institutions of higher education that will not only allow colleges and universities to meet the needs of our students and staff, but to continue as engines of local and regional economies. Efforts to stimulate the economy must necessarily include the nearly 4,000 degree-granting, two-year and four-year, public and private colleges and universities. These institutions educate roughly 20 million individuals, generate total revenues of about \$650 billion (in 2016-17 according to Department of Education data) providing a corresponding economic impact in their communities, and employ nearly 4 million Americans across campuses in every state and congressional district.

This document was prepared by the American Council on Education in partnership with the American Association of Community Colleges, the American Association of State Colleges and Universities, the Association of American Universities, the Association of Catholic Colleges and Universities, the Association of Governing Boards of Universities and Colleges, the Association of Jesuit Colleges and Universities, the Association of Public and Land-grant Universities, the Council for Christian Colleges & Universities, and the National Association of Independent Colleges and Universities.

Supporting higher education at this moment is an essential component of growing the economy and preserving employment for tens of thousands of Americans in the public and private sectors. In 2016, the University of Notre Dame contributed \$1.2 billion to Indiana's economy and was responsible for 11,000 jobs. Another study showed that in 2018, the University of Georgia pumped \$5.7 billion into that state's economy. In a number of states, such as California, Iowa, and Maryland, universities are the largest employers. Individuals with a postsecondary education degree earn more, pay more taxes, and are more likely than others to be employed, according to the College Board's *Education Pays 2019*. For instance, in 2018, the median earnings of bachelor's degree recipients with no advanced degree working full time were \$24,900 higher than those of high school graduates, and those individuals also paid an estimated \$7,100 more in taxes. The benefits of a higher education are not simply economic. Having a college degree is associated with reduced unemployment, a healthier lifestyle, lower health care costs, and higher levels of civic engagement. Indeed, on any measure of wellness that demographers can devise, college graduates fare significantly better than those who did not go to college.

Based on extensive conversations with our members and our colleague associations, we have prepared conservative estimates of the support needed to at least partially restore institutions. Many students and families will be earning less, and will have less available to spend on postsecondary education. For that reason, we estimate that a 20% increase in the current level of unmet need of nearly \$60 billion will require an additional \$12 billion in need-based financial aid. On the institutional side, we estimate that enrollment for the next academic year will drop by 15%, including a projected decline of 25% for international students, resulting in a revenue loss for institutions of \$23 billion.

Auxiliary services, which are not related to instruction but provide services to students, faculty, and others, including dormitories, food services, bookstores, health and recreation facilities, and the like, generate revenues for schools. These revenues support day-to-day operations including instruction, academic support, and student services. We estimate auxiliary revenues will decline by 25 percent, which is conservative relative to the numbers institutions have been reporting so far. In FY 2017, America's colleges and universities realized \$44.6 billion in auxiliary revenue, so the expected loss is \$11.6 billion.

All of this adds up to a total estimated need of \$46.6 billion, which would be divided equally between students and institutions.

Emergency grants to students totaling \$23.3 billion will enable them to begin or continue their college educations. Similarly, institutions will be able to use their share to begin filling financial gaps created by the pandemic.

It is important to note that these are conservative estimates, excluding numerous areas where institutions are facing additional challenges. We've excluded \$374 billion in revenues—from sources such as charitable giving, hospital revenues, and investment income to name a few—from this calculation even though a large percentage will undoubtedly be lost. We also do not factor in the significant state disinvestment in higher education that is expected due to substantial financial pressure on states stemming from COVID-19. Accordingly, the figure of \$46.6 billion represents just the floor of the overall impact confronting colleges and students as a result of the pandemic.

To meet both existing needs and to ensure students and families have the resources to return to college in the fall, we propose that the funds continue to be split equally between institutions and students. However, we also request that the funds targeted to students in this supplemental bill be provided by institutions in the form of need-based financial aid, with sufficient flexibility to address sudden changes in students' circumstances that arise from the economic downturn the pandemic has caused.

In order to address these urgent needs, it is necessary for the federal government to provide these critical funds to students and campuses as rapidly as possible. The allocation and distribution formula created in the CARES Act has the benefit of allowing for swift disbursement of assistance, putting resources in the hands of students and institutions as quickly as possible. Because the Department of Education will have already devised the necessary mechanism for delivery of CARES Act funding, use of the same process again will further expedite disbursement. To ensure that federal aid is appropriately targeted, we also support the inclusion of reasonable safeguards on this funding, similar to those included in the CARES Act.

In this short document, we have attempted to outline the enormous and unprecedented challenges facing higher education as a result of the COVID-19 pandemic. We have not attempted to define or enumerate the manifold benefits the nation derives from a diverse and robust network of colleges and universities that offer high quality education and training.