

April 27, 2020

The Honorable Nancy Pelosi
Speaker of the House
U.S. House of Representatives
H-232, The Capitol
Washington, DC 20515

The Honorable Kevin McCarthy
Minority Leader
U.S. House of Representatives
H-204, The Capitol
Washington, DC 20515

The Honorable Mitch McConnell
Majority Leader
U.S. Senate
317 Russell Senate Office Building
Washington, DC 20510

The Honorable Chuck Schumer
Minority Leader
U.S. Senate
322 Hart Senate Office Building
Washington, DC 20510

Dear Speaker Pelosi, Minority Leader McCarthy, Majority Leader McConnell, and Minority Leader Schumer:

We, the undersigned organizations, applaud your initial investment in students through the CARES Act. By stepping in to defray sudden educational expenses caused by COVID-19, you have helped many of the nation's students weather the most significant disruption to American education in memory.

Unfortunately, public colleges and universities continue to face significant budgetary challenges, and, if unaddressed, those challenges will both severely impact students' ability to pursue their education and exacerbate student debt. As a result of the current economic downturn, states face dire economic challenges. States have already published numbers leading to projections of budget shortfalls as high as \$400 billion, due both to depressed economic activity leading to lower revenue and to unanticipated expenses to address the public health crisis.¹ Historically, during economic downturns, states turn to their public higher education systems — and, ultimately, to students — to balance budgets by cutting state appropriations and increasing tuition. Doing so puts college out of reach for too many and exacerbates already sky-high student debt burdens. Already, several states have frozen or restricted support for higher education.²

To mitigate the impact of the budget crisis on college students, Congress must invest additional dollars to stabilize state higher education budgets, delivering aid to states for public higher education operations and student financial aid. We estimate that at least \$46 billion is needed, and that the funding should include:

- (1) A maintenance of effort (MOE) component, discouraging cuts to operational funding and need-based financial aid. This MOE component should require that, once state revenue has returned to a stable and strong level, state funding per student should be no lower than it was before the pandemic began.

¹ “States Need Significantly More Fiscal Relief to Slow the Emerging Deep Recession,” Center on Budget and Policy Priorities, April 14, 2020.

² Jen Mishory and Peter Granville, “How the Fourth Stimulus Should Address State Higher Education Funding,” The Century Foundation, April 9, 2020.

- (2) A formula that provides greater support to institutions that serve low-income students as determined by Pell Grant or need-based state financial aid recipients. Compared to others, these institutions tend to be lower-resourced, have fewer options to handle budget shortfalls such as endowment support, and are more likely to see increases in enrollment in the wake of a recession.
- (3) Automatic stabilizer provisions to provide additional dollars if negative economic indicators (such as the unemployment rate, unemployment insurance claims, or negative GDP growth) persist or deepen beyond initial projections. Because of the unique nature of this crisis, current estimates may underestimate this recession's economic impact or the medium-term impact on enrollment decisions.

Sending dollars to states, rather than directly to institutions, will equip governors and state agencies with the ability to ensure public money is well-spent, while discouraging cuts to higher education budgets and ensuring states continue their historical role in funding public higher education as the economic crisis dissipates.

Such support is not without precedent. Congress took similar action during the Great Recession, when the American Reinvestment and Recovery Act provided funding for state education budgets. However, while this effort provided a critical investment — and research shows that the law mitigated the worst cuts to school appropriations — it was not enough to protect state financial aid programs, nor was it designed to encourage states to return to their pre-recession per-student investments. It also divided the funds between K-12 and higher education. Providing states with an investment dedicated to higher education at the scale required, while ensuring that states pick up the funding baton once more when this crisis passes, will be critical.

As Congress considers its next legislative response to the COVID-19 crisis, it is urgent that it include investments to address this critical issue. Doing so would prevent long-term damage to our nation's workforce development and further worsening of the student debt crisis.

Thank you for your consideration, and we look forward to working with you on this urgent matter.

Sincerely,

AFSCME Local 3299
American Federation of Teachers (AFT)
American Association of University Women (AAUW)
Education Reform Now
Center for American Progress
Center for Law and Social Policy (CLASP)
Council of University of California Faculty Associations
Generation Progress
Institute for Higher Education Policy
Jen Mishory, Senior Fellow, The Century Foundation
Maryland Consumer Rights Coalition (MCRC)
National Association for College Admission Counseling (NACAC)

National College Attainment Network (NCAN)
National Student Legal Defense Network
New America Higher Education Program
PHENOM (Public Higher Education Network of Massachusetts)
The Education Trust
The Institute for College Access & Success (TICAS)
The Campaign for College Opportunity
The Hope Center for College, Community, and Justice
Student Veterans of America
uAspire
University Council-American Federation of Teachers (UC-AFT)
UPTE-CWA 9119
Veterans Education Success