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# Federal Rescue Package for Higher Ed

Congress and the Trump administration should act now to save higher education amid the pandemic and recession, writes Nate Johnson.

By [Nate Johnson](#) // March 19, 2020

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College and university administrators and state policy makers are rightly focused on the public health implications of COVID-19. But immediate planning for the economic consequences of the pandemic could help stave off the worst consequences for vulnerable institutions and students. The economic crisis is in the early days, when federal intervention could make the biggest difference.

That intervention should take the form of immediate assistance, through existing channels, to middle- and low-income students and the colleges that serve them. Bigger policy discussions about student debt forgiveness, free college and the need for innovation in higher education delivery are also critical, but almost any direction we go in or after the upcoming election will benefit from short-term federal action now.

For higher education, if not for the rest of the economy, the coming recession could easily surpass the Great Recession in scope and depth. The fiscal pressures on public budgets are similar. Where I live, for example, shutting down Disney World bodes ill for the state tax collections Florida's public colleges depend on.

In other ways, things are worse. Typically, enrollments rise in recessions as unemployment goes up, providing institutions a boost in tuition revenue even as state support and endowment transfers decline. At least for the moment, however, institutions are sending students home, not taking them in. The prospect of even more closures poses a psychological appeal of higher education as an economic "safety valve" even when the physical health crisis subsides.

And in the Great Recession, while mortgage-drunk states like Florida and California suffered disproportionate economic damage, even rich states like Texas and North Dakota had a cushion in the form of high prices and new technologies. Some institutions in those states went on hiring binges even as academic personnel elsewhere took furloughs and pay cuts. Given the current oil price war, we can't count on that again.

State legislators and governors will have to start grappling with the budget implications of the coronavirus crisis soon. But for now, the battle is squarely in the federal government's court. On top of any broad-based stimulus, I propose an approximately \$72 billion higher education rescue package -- equivalent to about 12 percent of total higher education spending in the U.S. -- that can be quickly and easily delivered where needed using existing channels. This should include:

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- Refund payments of \$2,000 through institutions to all federal direct loan recipients. This covers a broader income range than Pell Grants and includes some graduate students, but is still well targeted for maximum impact (\$18 billion).
- Refund payments of \$1,000 through the IRS to every taxpayer claiming the American Opportunity Tax Credit for 2019 (\$8 billion). This includes families with incomes up to \$200,000 for joint filers, providing middle-class students with at least a modest level of support.
- Payments of \$1,000 to institutions for every Pell Grant and direct loan recipient who receives a refund through this program. This serves as both an incentive to deliver the student funding and as no-strings-attached resources to shore up the institutions that serve lower-income students and are confronting major operational challenges (\$17 billion).

This approach focuses on students, while also providing a substantial cash injection to institutions. Very little additional auditing or oversight would be required beyond what already happens to validate student and taxpayer eligibility. Much of the stimulus provided to students probably also will end up supporting institutions by enabling students to continue their educations if they want to do so, even as part-time jobs in the service sector dry up and their geographical and occupational expectations shift unpredictably.

Without this kind of intervention – as with coronavirus itself – problems could get exponentially worse and harder to fix. Students could get derailed from their educational programs permanently. The rails themselves could disappear, as institutions close or lay off large numbers of faculty and staff under the dual pressure of public budget cuts and lost tuition. The gap between higher education's haves and have-nots could widen as wealthier institutions and students find creative ways through the crisis that others cannot afford.

More will be needed – probably a lot more – and what form that takes should be an issue in the upcoming election. In the meantime, we need bipartisan agreement on a combination of tax and grant stimulus to make sure that students and institutions are ready for whatever comes next.

SUMMARY OF PROPOSED IMMEDIATE HIGHER EDUCATION RESCUE PACKAGE						
	Estimated Number	Proposed Amount to Each Student	Total Amount	Proposed Amount per Student to Institutions	Total Amount to Institutions	Total Amount
American Opportunity Tax Credit	8,068,544	\$ 1,000	\$ 8,068,544,000			\$ 8,068,544,000
Pell Grants	8,200,000	\$ 3,537	\$ 29,000,000,000	\$ 1,000	\$ 8,200,000,000	\$ 37,200,000,000
Federal Direct Loans	8,800,000	\$ 2,000	\$ 17,600,000,000	\$ 1,000	\$ 8,800,000,000	\$ 26,400,000,000
<b>Total</b>			<b>\$ 54,668,544,000</b>		<b>\$ 17,000,000,000</b>	<b>\$ 71,668,544,000</b>

#### Sources:

Enrollment and unemployment rate correlation (<http://www.insidehighered.com/views/2015/08/27/unemployment-rate-community-college-enrollments-and-tough-choices-essay>).

Differences in state higher education experiences of Great Recession (<https://www.luminafoundation.org/resources/college-costs-prices-and-the-great-recession>).

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134.10, 334.20, 334.30

FY 2019 Pell Grant and Federal Direct Loan amounts and recipients (<http://www2.ed.gov/about/reports/annual/2019report/fsa-report>).



Student Aid Annual Report

Number of American Opportunity Tax Credit claimants (<https://www.irs.gov/statistics/soi-tax-stats-individual-statistical-tables-by-income>): IRS Publication 1304, Table 3.3



## Bio

Nate Johnson is principal of Postsecondary Analytics and a consultant on higher education policy, affordability, finance and student success.

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