THE UNIVERSITY OF CALIFORNIA THE CALIFORNIA STATE UNIVERSITY

July 30, 2020

CALIFORNIA CONGRESSIONAL DELEGATION:

Dear Members of Congress:

On behalf of the University of California (UC) and the California State University (CSU) systems, we would like to draw your attention to two very important issues for the next COVID-19 supplemental appropriations bill: a change to the CARES Act allocation formula included in House-passed coronavirus relief legislation, H.R. 6800, the HEROES Act, that would have substantial, adverse effects on UC, CSU and a large proportion of four-year higher education institutions across the United States; and support for states and localities.

We wish to first reiterate our appreciation for the decisive action Congress has taken to address higher education priorities in the supplemental appropriations packages that have been signed into law thus far. Our systems continue to depend on federal investments in the nation's higher education institutions throughout this emergency, and we appreciate Congress' recognition that universities are critical components of the state and local communities, delivering vital research and health care services and preparing essential medical and allied health personnel, as well as providing a world-class education to undergraduates and graduate students.

The Higher Education Emergency Relief Fund (HEERF) that was created as part of the Education Stabilization Fund in H.R. 748, the CARES Act, has been particularly important to our institutions and students as we continue to provide educational opportunities and work to bring our students, faculty, staff and researchers back to campuses amidst soaring losses and mounting costs. But the amount of money for students and higher education institutions contained in the CARES Act does not come close to filling the gap. Accordingly, our systems have joined higher education colleagues across the nation in seeking your support for an additional $47 billion to help address near-term campus financial needs – including increased need-based aid for students due to declining family incomes – and revenue losses stemming from enrollment declines and closures of campus facilities that provide auxiliary services. This amount represents a conservative estimate of urgent unmet needs calculated by the nation's higher education associations. We appreciate that several House and Senate proposals for further pandemic relief, including the HEROES Act, would provide additional resources for the HEERF, and we continue to urge a total of at least $47 billion in any final legislation.

<u>Allocating HEERF Funds by FTE is Sound Policy</u>

As the novel coronavirus has ripped through the country, not only have our institutions adapted to educating students via remote instruction, but our campus dormitories and dining facilities have remained open to serve students who could not safely leave campus; our hospitals continue to treat patients and our researchers continue to pursue cures for COVID-19; and campuses have also provided substantial reimbursements for students who elected to leave campus and pursue remote instruction—all at great expense to each campus. While these and many other costs have been extraordinary for many institutions, they have been experienced unevenly, with a *highly* disproportionate share of costs falling on four-year, residential universities that maintain substantial physical and social infrastructure in our communities.

The proposed formula change in the HEROES Act would shift HEERF allocations to a total headcount model, rather than the current full-time equivalent (FTE) model established in the CARES Act. However, FTE more accurately measures student-related institutional expenses. Full time students cost more for institutions to support than do part-time students, as full-time students are more likely to live on campus and require residential housing, dining facilities, and additional support facilities and services, including health-related services. Institutions that must provide these facilities have experienced tremendous COVID-19 related costs including refunding unused portions of housing and dining contracts, and continued debt service on facilities that are no longer generating revenue. To the extent that such facilities do remain open, COVID-19 related safety costs for items such as sanitization, personal protective equipment, and testing of those in residence are high, and are in addition to other fixed expenses mentioned above. Further, institutions serving large numbers of full-time students must maintain (generally with salary and benefits) a larger workforce than those serving predominantly part-time students.

We also note that FTE is the generally accepted form of student measurement at the federal level for both student and institutional aid programs. Federal student financial aid eligibility is generally tied to full time attendance and is prorated for those dropping below 12 credit hours, applying the FTE principle to student engagement. FTE is also the measure chosen by the Department of Education in determining eligibility for institutional aid programs such as those designed to strengthen institutional capacity at minority-serving institutions such as Asian American and Native American Pacific Islander-Serving Institutions (AANAPISI) and Hispanic-Serving Institutions (HSI) under Titles III and V of the Higher Education Act.

Further, full-time and high credit part-time students spend most of their time in class or doing work associated with classes; they tend to spend less time in outside employment. This means they likely do not have access to other sources of income or to many of the pandemic relief measures available to part-time students, such as stimulus payments, expanded unemployment benefits, tax rebates, Medicare and Medicaid, eviction and rental assistance programs and expanded SNAP benefits.

All in all, this means that the heaviest burdens related to costs of operation are being borne by four-year institutions. These costs are significant. For example, since the start of the pandemic through June 30, 2020, the University of California has experienced $1.77 billion in losses and expenditures. Similarly, CSU campuses and auxiliary organizations have estimated $337 million dollars of unanticipated new costs and revenue losses as a result of COVID-19 for the 2020 spring term alone, and expect similar numbers for the fall term.

In order to sustain the critical roles that all segments of California's public higher education system serve, and to ensure the distinct functions they fulfill are preserved for future generations of California students, we strongly encourage you to support maintaining a full time equivalent model in any final relief package.

Further, we request that the Congress clarify that HEERF aid is available to all students with need related to the pandemic, and not solely to students who are eligible for Title IV aid, and believe the language regarding flexibility and eligibility included in the HEROES Act effectively addresses these issues.

We also appreciate that like the CARES Act, the HEROES Act and several other proposals would include additional HEERF resources for institutions that serve large numbers of minority and low-income students, such as HSIs and AANAPISIs.

Such funds are helpful to expand and enhance the academic quality, institutional management, fiscal stability and self-sufficiency of such institutions and are key to closing educational equity gaps that have been exacerbated by the pandemic. We strongly support including additional funding for these programs in future COVID-19 relief legislation.

Funding for States Supports Public Higher Education

Finally, as Congress continues to work on the next supplemental appropriations bill, we strongly urge you to support funding for states and localities. The success of public higher education institutions across the country is intimately tied to state budgets, and investing in states and localities will allow us to continue to provide educational opportunities to Californians. In addition, as two of the largest employers in the state of California, strong funding for states will help drive upward mobility and create the workforce of tomorrow and allow us to continue to be major economic engines as California moves towards recovery.

California is facing a new state budget crisis. State tax revenue has suffered. With a projected budget deficit of $54.3 billion dollars brought on by the economic impacts of the pandemic, Governor Newsom signed into law a budget that will reduce state support of the UC by nearly $260 million and the CSU by $299 million – unless additional federal relief funding is received by October 15. We therefore greatly appreciate the significant funding for states and localities contained in the HEROES Act and urge its inclusion in a final measure.

If you have any questions about these issues or other issues of importance to California's higher education community, please contact our federal governmental relations staff. At UC, contact Chris Harrington (Chris.Harrington@ucdc.edu, 202-997-3150), and at CSU, contact Jim Gelb (JGelb@calstate.edu, 202-365-5668).

Yours very truly,

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