



Insight

The American Rescue Plan's Education Provisions

TOM LEE | FEBRUARY 12, 2021

Executive Summary

- The House Committee on Education and Labor has allocated \$170 billion for education as part of President Biden's American Rescue Plan.
- States will receive an additional \$130 billion in relief funding to disburse to K-12 school districts in addition to the sums allocated under the Coronavirus Aid, Relief, and Economic Security (CARES) Act and the Coronavirus Response and Relief Supplemental Appropriations Act (CRRSA).
- The American Rescue Plan requires states and local governments to keep their own education expenditures stable so that they do not use the federal dollars to offset their own spending.
- Colleges and universities will receive up to \$40 billion in addition to the \$14 billion allocated under CARES and \$22 billion allocated under CRRSA.
- The American Rescue Plan does not contain any student debt forgiveness; payments on student loans are currently deferred until September 2021.

Introduction

House Democrats are currently working on the Fiscal Year 2021 budget reconciliation package, with hopes of passage in the Senate in the next two weeks. This new legislation contains several COVID-19 education relief provisions that expand upon those in the Coronavirus Aid, Relief, and Economic Security (CARES) Act and the Coronavirus Response and Relief Supplemental Appropriations Act (CRRSA). The new relief package allocates \$170 billion in total for education, including \$130 billion for K-12, \$35 billion for higher education, and an additional \$5 billion for state governors. It does not contain any student debt forgiveness.

Additional Elementary and Secondary School Emergency Relief Funding

The American Rescue Plan provides an additional \$170.3 billion for the Elementary and Secondary School Emergency Relief Fund (ESSER). ESSER was initially created under the CARES Act to grant \$13.2 billion of federal funds to states that then disbursed those funds to local education agencies. The funds were distributed according to current Title I allocation formulas. These formulas weighted more federal funding to local educational agencies with higher proportions of disadvantaged students.

Maintenance of Effort Requirements in K-12 Funding

The American Rescue Plan contains several "maintenance of effort" requirements, which require state and local governments to maintain their education funding levels in 2022 and 2023 proportional to pre-pandemic levels. These requirements are likely entirely necessary, as the combined federal funds from CARES, CRRSA, and the American Rescue Plan account for between 16 and 53 percent of states' 2018 education spending.

These data can be found [here](#).

Additional Higher Education Emergency Relief Funding

The new bill provides an additional \$35 billion for the Higher Education Emergency Relief Fund (HEER). HEER was created under the CARES Act to initially provide \$14 billion to colleges and universities, and it was continued under CRRSA with an additional \$22 billion. The funds in the American Rescue Plan will be allocated to higher education institutions based upon the number of full-time Pell Grant recipients they have, the same formula as in CARES and CRRSA. Pell Grants are federal funds given to students who demonstrate financial need for their tuition, and, unlike loans, Pell Grants do not need to be paid back. Using the Pell Grant distribution formula will direct the funds more heavily toward schools with higher numbers of low-income students.

Student Debt Provisions

Under the CARES Act, student debt holders could defer their monthly interest and principal payments until October 2020. Numerous executive orders issued by Presidents Trump and Biden have pushed that date back until September 2021. While the American Rescue Plan does not contain any student debt provisions, during his campaign President Biden signaled his support for cancelling \$10,000 for each holder of federal student loans. This loan forgiveness will most likely be proposed in separate legislation at a future date.