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Education Provisions in the Consolidated Appropriations Act, 2021

Executive Summary

- On December 21, Congress passed the Consolidated Appropriations Act, 2021 (CAA), which provides additional COVID-19 economic relief and funds the government through the next fiscal year.
- Under CAA, states will receive $54 billion in relief funding to disburse to school districts, in addition to the $13.2 billion in relief funding allocated under CARES.
- Colleges and universities will receive up to $22 billion in addition to the $14 billion allocated under CARES.
- CAA does not contain any student debt forgiveness or deferral provisions, meaning student debt holders will have to resume payment in February 2021.
- The government-funding part of CAA includes FAFSA and Pell Grant simplification, which could make financial aid easier to access for millions of students.

Introduction

On December 21, Congress passed a new COVID-19 relief package along with the broader government funding bill named the Consolidated Appropriations Act, 2021. This new legislation contains several COVID-19 education relief provisions that expand upon those in the Coronavirus Aid, Relief, and Economic Security (CARES) Act. The new relief package allocates $82 billion in total for education, including $54 billion for K-12, $22 billion for higher education, and an additional $4 billion for state governors. It does not contain student debt forgiveness or extended deferral provisions, as some expected.

Under the funding bill, the Department of Education is provided about $73.5 billion in discretionary spending for fiscal year 2021, an increase of $785 million from current levels. This increase is in line with the recent trend of Congress slightly increasing education funding year by year. The most significant developments in the funding bill are the simplifications of Free Application for Federal Student Aid (FAFSA) applications and Pell Grant eligibility requirements. These changes could give millions of students easier access to no-strings-attached tuition aid.

Additional Elementary and Secondary School Emergency Relief Funding

The CAA provides an additional $54.3 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 states with higher proportions of disadvantaged students.

Under the CARES Act, ESSER disbursed on average about $973,000 to a school district. Under the new Act, ESSER will disburse on average an additional $4.0 million to a school district. In total, the average amount a school district would receive from both CARES and the new act would be about $5.0 million in ESSER funding.

These data can be found here.

Additional Higher Education Emergency Relief Funding

The new bill provides an additional $22 billion for the Higher Education Emergency Relief Fund (HEER). HEER was created under the CARES Act to provide $14 billion to colleges and universities. As in CARES, the funds in the new bill will be allocated to higher education institutions based upon the number of full-time Pell Grant recipients they have. 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. Since then, the Trump Administration has pushed that date back twice and now deferment lasts until January 2021. Initial versions of the new COVID relief bill contained provisions to extend deferment again until Spring 2021, but those provisions did not ultimately make their way into the final version of the bill. This means student debt holders will have to resume payment in February 2021.

The CARES Act contained a provision that allowed employers to make tax-free payments, up to $5,250, toward their employees' student debt, and this provision was set to expire in December 2020. That deadline has now been moved back to December 2025. Depending on employer take up, this provision could benefit student debt holders who remain employed or will soon be newly employed.

FAFSA and Pell Grant Changes

Arguably the most significant education developments in the $1.4 trillion omnibus bill are the simplification of FAFSA applications and Pell Grant eligibility requirements. FAFSA is completed by prospective and current college students each academic year to determine

their eligibility for financial aid. Lawmakers have specifically agreed to reduce the number of questions on FAFSA applications from 108 to 36.

The new legislation will ensure that all families who make less than 175 percent of the federal poverty level will receive the maximum Pell Grant amount of $6,000. This change is projected to enable an additional 1.7 million students to receive the maximum Pell Grant reward and make another 555,000 students newly eligible. In the 2017-2018 academic year, there were 7.1 million current Pell Grant recipients. Under these relaxed requirements, the number of million Pell Grant recipients in academic year 2020-2021 could grow to 7.5-8.0 million. According to the National Student Clearinghouse Research Center, however, freshmen enrollment for Fall 2020 was 13.1 percent down from the previous year and overall enrollment was down 2.4 percent from the previous year. Expanding Pell Grant access to an additional 555,000 students could offset some of these decreases in enrollment numbers due to the COVID-19 pandemic.