Association of American Universities
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Phase Four COVID-19 Relief and Stimulus Legislative Recommendations to Sustain Research Universities and the Government-University Partnership

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America's leading research universities are at the forefront of the fight against the COVID-19 pandemic. They are developing and administering new diagnostic tests, researching potential treatments and vaccines, and developing new, affordable, and easily mass-produced ventilators and personal protective equipment. These are only a few of the ways research universities are using their expertise to confront this national and global health crisis. Research universities are doing this at same time they are grappling with the greatest disruption to their operations and attendant financial crisis that they have ever faced.

AAU universities have rapidly adopted public health safety measures, closed classrooms and non-essential facilities, shifted to online instruction, and maintained essential research. The financial impacts are still unknown as the crisis and limited operations continue, but the costs of disruption are extraordinarily high and growing while at the same time the loss of revenues will be very significant. Sustaining our nation's research universities and their undergraduate and graduate students, postdocs, faculty, staff, and research personnel is vital during this time of crisis and fundamental to the strength of the longstanding government-university partnership that has been essential to ensuring our public health, national security, and economic growth and competitiveness for decades.

AAU urges Congress and the president to implement the following recommendations to provide relief and stimulate economic recovery.[1]

Sustain the critical human infrastructure and research operations that underpin the U.S. scientific enterprise

Provide supplemental appropriations of $26 billion for the major research agencies including: NIH, NSF, Department of Energy, Department of Defense Science & Technology programs, NASA, USDA, NOAA, NIST, Institute for Education Sciences, and others to cover:

- requests for research grant and contract supplements (i.e., cost extensions) arising from COVID-19 related impact;
- emergency relief to sustain research support personnel and base operating costs for core research facilities and user-funded research services until the facilities can reopen and research activities can return to pre-pandemic activity levels; and
- additional graduate student and postdoc fellowships, traineeships, and research assistantships for up to two years.

[1] AAU's recommendations include and are consistent with the following: AAU-AAMC-APLU-ACE COVID-19 Research Recommendations; COVID-19 Institutional and Student Aid Proposal and Assumptions, Higher Ed Tax Proposals: COVID-19 Relief Package, AAU Responds to House Science, Space, and Technology Committee Seeking Input on Future Stimulus Package, and AAU, Associations Urge Extension of Student Borrower Benefits.

Urge or require federal research agencies to immediately implement uniform guidance and policies that provide flexibility for research institutions to cover salaries, benefits, and tuition support for graduate students and research personnel engaged in federally sponsored research grants and contracts. Agencies that have not taken full advantage of the flexibilities provided in the March 19 OMB guidance should issue uniform guidance that implements flexibilities across all funding mechanisms.

Direct OMB and the research agencies to provide *temporary* regulatory and audit flexibility during the pandemic period and for a year afterwards. Subsequent government audits conducted for this period should allow for additional flexibility, particularly as it relates to accounting of time and effort reporting in this unprecedented and extremely challenging context.

- Agencies and their inspectors general should fully recognize that many universities and their faculties have pivoted very quickly to address immediate research issues and needs associated with the pandemic. When conducting audits and accounting for effort, this rapid reorientation must be taken into account and the flexibilities which have been granted by OMB must be recognized. At the same time, universities must take special care to maintain careful financial records and accounting practices during this period.
- Financial and other regulatory audits specific to research grants should be postponed to allow institutions time to address current exigencies brought on by the COVID-19 pandemic.

Support students and higher education as they are essential elements of growing the economy and preserving employment for tens of thousands of Americans

Provide additional funding of $46.6 billion for higher education students and institutions in the Education Stabilization Fund. The CARES Act established a higher education emergency relief fund as part of the Education Stabilization Fund. The fund divides relief equally between students and the institutions that serve them. Additional relief funds are needed as the impacts and duration of the pandemic have increased.

- **Provide emergency grants to students totaling $23.3 billion to enable them to begin or continue their education.** Student financial needs have increased due to lost jobs and changes in student and family incomes, as well as unanticipated costs attributable to the pandemic. Conservative estimates anticipate a 20 percent increase in the current level of unmet student need of nearly $60 billion that will require an additional $12 billion in need-based financial aid.

- **Provide emergency grants to research universities and other higher education institutions totaling $23.3 billion to enable them to begin filling financial gaps caused by the pandemic.** Conservative estimates predict enrollment for the next academic year will drop by 15 percent, including a projected decline of 25 percent for international students. Colleges and universities are also experiencing plummeting revenues from auxiliary services such as health and recreation facilities, parking, and bookstores.

Provide additional student loan borrower relief through a number of short-term and long-term provisions including:

- **Extend the relief provided by the CARES Act by continuing both zero-interest deferred repayments for borrowers and the suspension of collection activities (wage garnishment, offsets, etc.) for borrowers with defaulted loans during until June 30, 2021, or until the unemployment rates falls below 8 percent for three consecutive months.** These provisions should also be extended to all federal student loans, including, FFEL, Perkins, and health education loans through the Department of Health and Human Services.

- **Extend the current six-month grace period for students leaving school to one year until June 30, 2021, or until the unemployment rates falls below 8 percent for three consecutive months.**
    - Students who complete their programs in the near future will be graduating into the worst employment market since the federal student loan programs were created. An extension of the post-graduation grace period will help them gain their post-graduation financial footing.

- **Provide a 1.5 percent interest rate and zero origination fee for any loan initially disbursed after enactment of the upcoming fourth supplemental appropriations bull and before the expiration of the specified time frame (until June 30, 2021, or until the unemployment rates falls below 8 percent for three consecutive months.)**
    - At present, the interest rate is 4.53 percent on Stafford loans for undergraduates, both subsidized and unsubsidized. The rate is 6.08 percent for unsubsidized Stafford loans for graduate students, and 7.08 percent for both GradPLUS and Parent PLUS**.**
    - Given that the federal government can borrow money at 0.5 percent it does not make sense to burden borrowers with such high rates in a public policy program designed to develop human capital.
    - This lower interest rate would encourage all students to begin or continue their college careers**.**

Ensure that the emergency student financial aid grants authorized by the CARES Act are not subject to taxation.

- The CARES Act authorized the Higher Education Emergency Relief Fund, which allocates approximately $12.5 billion to institutions through the Title IV student financial aid distribution system. At least 50 percent of those funds (or $6.279 billion) awarded to institutions must be used "to provide emergency financial aid grants to students for expenses related to the disruption of campus operations due to coronavirus.
- Unfortunately, under Sec. 117 of the Internal Revenue Code (26 U.S.C. § 117), scholarship or grant aid not spent on "qualified tuition and related expenses" is potentially subject to taxation. As a result, we fear that students who spend this emergency grant aid to help cover permitted essential, non-qualified "tuition and related expenses" will later be taxed on that aid.
- In addition, because the Department of Education has clarified that these funds must first go to the students as cash grants, we believe that even grant awards that a student uses to make a tuition payment could be taxable.
- Taxing this emergency aid would undermine the benefit of the grants to students and negate the intent of Congress in authorizing the aid to help the most vulnerable students. We believe that this is an unintended consequence.

Provide relief to students and universities through tax fixes and adjustments

Expand the paid sick and FMLA tax credit from the recently enacted "Families First Coronavirus Response Act" to make public institutions eligible, and potentially make large private nonprofit institutions eligible for the tax credit if they provide such paid leave.

- Individual public institutions employ thousands of individuals across their campuses so this unfunded mandate undoubtedly will be an enormous expense likely to run in the millions of dollars.

Expand the Employee Retention tax credit from the recently enacted "Coronavirus Aid, Relief, and Economic Security Act" to make *public* institutions eligible.

- The CARES Act creates a refundable payroll tax credit of up to 50 percent of $10,000 of the wages paid to each employee by employers during the COVID-19 crisis. Employers whose operations were "fully or partially" suspended due to government orders related to COVID-19 are eligible for the credit. While private nonprofits are eligible for this credit, public institutions are not.

Temporarily suspend the taxability of scholarship and grant aid.

- Temporarily suspending the taxability of scholarship and/or grant aid would permit low- and middle-income students to retain more of this aid.
- It is also important to shield the emergency grant aid to students provided in the CARES Act from being taxable.

Temporarily reinstitute the ability to advance refund tax-exempt bonds, which were eliminated in the Tax Cuts and Jobs Act (TCJA).

- This would permit colleges and universities to take advantage of lower interest rates to reduce their debt service costs.

Create a temporary Pandemic Response Bond program that would allow both public and private nonprofit institutions to issue bond debt for COVID-19 costs (incremental costs and lost revenue) and for capital projects.

- Bond financing would help institutions more quickly supplement lost revenue, absorb new COVID-19 related expenses, and amortize the costs over the long-term.
- Bond financing would also help support institutions to provide additional debt bond financing instruments for capital infrastructure expenses.

Temporarily enhance current higher education tax credits to provide greater support for low- and middle-income students, many of whom have already lost their jobs or are facing other economic challenges.

- American Opportunity Tax Credit (AOTC): possible options: (1) Increase credit per year from $2,500 to $3,000; (2) Increase refundability from 40 percent to 60 percent.
- Lifetime Learning Credit (LLC): modify credit to cover 100 percent of the first $2,000 of the AOTC eligible expenses; currently, LLC covers 20 percent of up to $10,000 of annual eligible expenses (maximum credit of $2,000).

Suspend private nonprofit institutional Investment Income Excise tax (Endowment Tax).

- One of the many challenges from the crisis will be the long-term fallout from the significant losses in the markets. This will not only hurt schools that rely significantly on endowment revenues for operations, but also drive up student and family need and affect both short- and long-term philanthropy.

Ensure international students and researchers can continue their studies and research

Provide sufficient funding for the State Department and USCIS within the Department of Homeland Security to ameliorate as soon as possible the backlog of pending visa renewals and applications for new nonimmigrant visas

- The strain on the U.S. scientific workforce due to restrictions on the international flow of talented students and researchers is growing during the COVID-19 crisis. State Department and USCIS should be given all the resources and funding support necessary to clear visa backlogs. Action in this regard is critical to the U.S. research workforce in the short and long term, and it will also reinvigorate international student tuition revenues to American universities.

Support cultural institutions through the National Endowment for the Humanities

Provide supplemental appropriations of $425 million to the National Endowment for the Humanities to support:

- Additional graduate student and postdoc fellowships and internships at cultural organizations to ensure humanities scholars facing an uncertain job market can continue their work and sustain the talent pipeline needed to preserve our cultural history and address current and future challenges.
- Development of digital content and infrastructure by colleges and universities that is needed as K-16 education transitions to virtual learning and cultural organizations, particularly in rural communities, work to serve their communities remotely.
- Humanities research critical to our understanding of past pandemics and the current crisis including the intersection of culture and public health.
- Preservation of the human experience during the pandemic so we may study and learn from it in the future.

Support for our nation's research infrastructure

If Congress considers national infrastructure needs as part of the next COVID-19 relief and stimulus bill, we encourage the inclusion of research infrastructure important to addressing the pandemic and to enhancing our nation's overall research capabilities and competitiveness.

- The COVID-19 pandemic is demonstrating the need for more resilient, comprehensive, and efficient research infrastructure. It also is revealing some unmet needs that are hampering to varying degrees the fight against COVID-19 and holding back our nation's research capabilities and those of the entire U.S. innovation system.
- We encourage new investments in research infrastructure important to addressing the pandemic and to enhancing our nation's overall research capabilities and competitiveness for years to come, including, but not limited to:
    - high-speed computation;
    - easily accessible and large-scale research data repositories;
    - laboratory and research working environments with greater resiliency to pandemics; and
    - core facilities upgrades to modernize shared instrumentation and equipment to increase their research capabilities, services, and efficiency.