WASHINGTON UPDATE

JULY 2020

House Appropriations Committee Releases Labor, HHS, and Education Appropriations Act

On July 7, 2020, the House Appropriations Subcommittee on Labor, Health and Human Services, Education and Related Agencies approved the Fiscal Year (FY) 2021 Labor, Health and Human Resources, Education and Related Agencies Appropriations Act, by a party vote of 9-6. No amendments were offered to the bill during the subcommittee markup. The bill would provide $196.5 billion in discretionary funding for the Department of Labor, Department of Health and Human Services, and Department of Education, an increase of $2.4 billion over the FY 2020 enacted level and $20.8 billion over the President’s budget request.

Some of the key education provisions include:

- $73.5 billion in discretionary funding for the Department of Education, which is $716 million above last year’s level and $6.9 billion above the President’s budget request.
- A maximum Pell Grant award at $6,495, an increase of $150 over the FY 2020 enacted level.
- $880 million for the Federal Supplemental Educational Opportunity Grant program, an increase of $15 million above the FY 2020 enacted level and $1.2 billion for Federal Work-Study, an increase of $30 million above the FY 2020 enacted level.
- Modifying the 90/10 rule, by requiring for-profit colleges to derive more of their revenue from non-federal sources (making it an 85/15 rule) and classifying all federal funds in the calculation.
- Language providing incarcerated individuals with Pell Grants at public and nonprofit institutions of higher education under certain conditions.

“This spending bill determines the critical federal investments in health, labor, human resources, and education, and builds on this subcommittee’s efforts at the center of the health and economic crises, both of which have exposed serious disparities,” said House Appropriations Subcommittee on Labor, Health and Human Services, Education and Related Agencies Chairwoman Rosa DeLauro (D-CT) in a press release.


Senators Hassan, Durbin, Brown, and Warren Propose a Series of NDAA Amendments to Protect Service Members and Veterans

On July 1, 2020, Senators Maggie Hassan (D-NH), Dick Durbin (D-IL), Sherrod Brown (D-OH), and Elizabeth Warren (D-MA) introduced “a series of amendments to the National Defense Authorization
Act (NDAA) to protect service members and veterans from predatory higher education practices.” On July 2, 2020, the Senate agreed to vote on a half dozen amendments to S. 4049, the National Defense Authorization Act (NDAA), which did not include those proposed amendments.

- An amendment led by Senator Maggie Hassan (D-NH) would require the Department of Education to create a tracking system to collect complaints about colleges, including their recruiting and marketing practices.

- An amendment led by Senator Sherrod Brown (D-OH) would prohibit any college from using Department of Defense Tuition Assistance money for "advertising, recruiting, or marketing activities."

- An amendment led by Senator Dick Durbin (D-IL) would make changes to the federal 90/10 rule, which would impose a cap on the amount of federal student aid that can flow to for-profit colleges. Under the proposal, for-profit colleges' receipt of all federal funds, including Department of Defense and GI Bill benefits, would be capped at 85 percent.


Senate Democrats Introduce New Coronavirus Relief Package

On June 30, 2020, Senate Democrats, led by Senator Patty Murray (D-WA), Ranking Member of the Senate Health, Education, Labor and Pensions (HELP) Committee, and Senate Democratic Leader Chuck Schumer (D-NY), introduced a new coronavirus relief bill, the Coronavirus Child Care and Education Relief Act (CCERA), that would provide additional aid for institutions of higher education and impose a number of restrictions on the Department of Education’s (ED) authority in the implementation of the new bill. Of the $430 billion included in the bill, $132 billion would be available for institutions of higher education, including Historically Black Colleges and Universities (HBCUs), tribal colleges, and Minority-Serving Institutions (MSIs).

The bill would:

- Change the allocation formula used in the CARES Act to distribute funds using student headcount, instead of full-time enrollment.

- Provide ninety percent of the $132 billion in the bill to public and private non-profit institutions, which still must use at least 50 percent of the funds to provide emergency financial aid grants to students.
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- Clarify that emergency financial aid grants awarded to students could be used for any components of a student’s cost of attendance, and remove the CARES Act requirement that grants could only be awarded to cover expenses related to the disruption of campus operations due to COVID-19.
- Allow access to HEERF funds by non-Title IV eligible students, such as DACA students, students who have not filed a FAFSA, students who have a minor drug conviction, borrowers who have previously defaulted on a student loan, and those students who are veterans using the GI bill.
- Permit colleges and universities to use the institutional portion of their allotment to cover lost revenues, which are not permitted in the allowable uses under the CARES Act.

The bill would allocate 1 percent of the $132 billion to proprietary institutions, vocational institutions, and institutions outside the United States that have been deemed eligible for Title IV aid. All of these funds would be required to be used for emergency financial aid grants to students. An additional 1.5 percent would be distributed among proprietary institutions to “prevent, prepare for, and respond to the qualifying emergency.”

The Ranking Member is expected to ask unanimous consent on the Senate floor to pass the bill. Senate Republicans are expected to object to its passage. Senate Majority Leader Mitch McConnell (R-KY) said the Senate will focus on the next relief package following the Senate’s two-week recess that started July 3rd, with the goal of finalizing the package before Congress adjourns in August.

A fact sheet on the bill is found at:

House Fails to Override President’s Veto of H.R. Res. 76 to Nullify Borrower Defense Rule

On June 26, 2020, the U.S. House of Representatives failed to override the President’s veto of House Joint Resolution 76, which used the Congressional Review Act to nullify the Department of Education’s borrower defense to repayment rule. The vote to override H.J. Res. 76 failed by a vote of 238-173. Therefore, the September 23, 2019 borrower defense to repayment rule will go into effect on July 1, 2020. The House passed H.J. Res. 76 in January by a vote of 231-180 vote and the Senate passed the Resolution by a vote of 53-42 in March.

A copy of the President’s veto message is found at:
Secretary Releases Statement on Executive Order Signed by President Trump to Transform the Federal Hiring Process

On June 26, 2020, Secretary of Education released a press release praising the President for signing an Executive Order, which would transform the federal hiring process to replace one-size-fits-all degree-based hiring with skills-based hiring.

The President’s Executive Order states:

“This order directs important, merit-based reforms that will replace degree-based hiring with skills- and competency-based hiring and will hold the civil service to a higher standard — ensuring that the individuals most capable of performing the roles and responsibilities required of a specific position are those hired for that position — that is more in line with the principles on which the merit system rests.”


Senate Democrats Sends Letter to Education Secretary DeVos and Treasury Secretary Mnuchin Urging them to Halt the Seizure of Tax Refunds from Student Loan Borrowers

On June 25, 2020, Senate Democrats, led by Senate Finance Committee Member Ron Wyden (D-OR) and Senate Health, Education, Labor and Pensions Committee Ranking Member Patty Murray (D-WA), sent a letter to Secretary of Education Betsy DeVos and Treasury Secretary Steven Mnuchin, urging them to halt the seizure of tax refunds from federal student loan borrowers in default and refund any payments seized despite the prohibition in the Coronavirus Aid, Relief, and Economic Security (CARES) Act.

The Senate Democrats’ letter said: “The continued seizure of tax refunds, known as a tax offset, violates a provision in the CARES Act that suspends the collection of all federally held defaulted student loans until September 30, 2020. This provision was intended to provide relief to student loan borrowers experiencing financial strain during the COVID-19 crisis.”

Congressman Harder Sends Letter to Education Secretary DeVos and Treasury Secretary Mnuchin Demanding that their Agencies Stop Garnishing Tax Refunds from Student Loan Borrowers

On June 11, 2020, Congressman Josh Harder (D-CA) sent a letter to Secretary of Education Betsy DeVos and Treasury Secretary Steve Mnuchin demanding that their agencies stop garnishing tax refunds from student loan borrowers as required under the Coronavirus Aid, Relief, and Economic Security (CARES) Act. Congress passed the CARES Act to provide economic relief to Americans, and one of the provisions guaranteed that student loan borrowers would be protected from having their tax refunds taken to cover loan expenses. However, the federal government continued to take these payments.


Senate Democrats Send Letter to Senators McConnell and Schumer Urging them to Increase Federal Support for Institutions of Higher Education

On June 11, 2020, Senate Democrats, led by Jeff Merkley (D-OR), sent a letter to Senate Majority Leader Mitch McConnell (R-KY) and Minority Leader Chuck Schumer (D-NY) urging them to include $47 billion in support for institutions of higher education in the next COVID-19 relief package that is currently under discussion in Congress. The Senators also stated that “students are facing complex financial emergencies that threaten their ability to remain on their path to degree completion.” The Senators concluded that “the threat of ongoing financial uncertainty stemming from enrollment declines and state cuts threaten the financial stability of schools” which is why institutions need significant additional emergency relief from Congress.”


Biden-Sanders Release Unity Platform

Former Vice President Joe Biden and Senator Bernie Sanders (I-VT) released several policy recommendations developed by six unity task forces that were established by both campaigns in May
to cover a variety of policy issues. The recommendations include the following items related to higher education:

- Make community colleges tuition-free for all students and to make public four-year colleges tuition free for students from families earning less than $125,000 annually;
- Historically Black Colleges and Universities, Hispanic-Serving Institutions, and other Minority Serving Institutions should receive federal grants to lower college costs;
- A Title I for Postsecondary Education should be created to enable colleges and universities to more comprehensively serve the needs of low-income and/or underprepared students;
- The federal government should provide $10,000 in student loan debt relief and provide up to $50,000 in student loan forgiveness for educators;
- Student loan payments and interest for borrowers making less than $25,000 should be suspended, and payments should be capped at no more than 5 percent of discretionary income for those borrowers making over $25,000;
- The Public Service Loan Forgiveness enrollment process should be made automatic and forgiveness should be increased up to $10,000 per year for five years;
- The federal government should end the garnishment of Social Security benefits pay federal student loans;
- The federal government should ensure that loan cancellation will not force borrowers to incur any additional tax liability, and borrowers should be automatically in income-driven repayment programs; and
- The federal government should increase lender accountability to ensure borrowers receive adequate loan training and understanding, and the Department of Education should end federal contracts with loan servicers with a pattern of misleading or mistreating student loan borrowers.

Page 26 of the recommendations includes the following warning for for-profit colleges under a Biden Administration:

“Democrats will crack down on predatory for-profit higher education programs, including by issuing requirements that these programs be able to demonstrate their value and effectiveness before becoming eligible for federal student loans. We will call upon the Secretary of Education to use her authority to forgive debt carried by students who were ripped off by predatory schools, including by programs that defrauded students or that misrepresented program offerings or program outcomes, as well as debt held by the permanently disabled. And we will protect veterans and servicemembers from being steered into low-performing for-profit higher education and professional programs.”

Former Vice President’s Recommendations are found at: https://joebiden.com/wp-content/uploads/2020/07/UNITY-TASK-FORCE-RECOMMENDATIONS.pdf.
OPE Provides Update on Required CARES Act Quarterly Reporting

On July 10, 2020, the Department of Education released a Coronavirus Aid, Relief and Economic Security (CARES) Act update on the quarterly reporting requirement, which outlines a process for schools to meet the reporting requirement for any grantee that receives more than $150,000 in funds to report to the Department on a quarterly basis on how those funds are utilized. The Department has determined that monthly reporting requirements specified in the Federal Funding Accountability and Transparency Act (FFATA) of 2006 would meet the CARES Act quarterly reporting requirement. The FFATA reporting appears to be separate and apart from the Higher Education Emergency Relief Fund (HEERF) grants to students reporting requirements.

We expect to hear more about the FFATA reporting in the near future, and we will keep you posted.

A copy of the new reporting requirements for HEERF grants to institutions is found at: https://ifap.ed.gov/electronic-announcements/071020UpdateRequiredCARESActQtrlyReporting.

OPE Announces Additional Regulatory Flexibilities Related to COVID-19

On July 10, 2020, the Office of Postsecondary Education (OPE) released additional flexibilities related to COVID-19 as institutions and their students continue to face challenges. The Department is extending the date for institutions to distribute their Annual Security Reports (ASRs) and Annual Fire Safety Reports (AFSRs) to December 31, 2020. Additionally, the annual crime and fire safety survey will be open from November 18, 2020 through January 14, 2021.

The Department is extending the deadline for submission of the 2021-2022 FISAP until November 2, 2020. The December 15, 2020 deadline for submission of 2020-2021 FISAP edit corrections and the Perkins Cash on Hand remains unchanged.

A copy of the announcement is found at: https://ifap.ed.gov/electronic-announcements/071020AdditionalRegulatoryFlexRelatedCOVID.

FSA Announces that the 2020 FSA Training Conference to be Delivered Virtually

On July 10, 2020, Federal Student Aid (FSA) announced that the 2020 FSA Training Conference will be delivered virtually on December 1-4, 2020. More details will be posted later this summer.

A copy of the announcement is found at: https://ifap.ed.gov/electronic-announcements/071020FSATrainConfFinAidProf2020VirtualDec2020.
FSA Announces Progress on the Next Gen FSA Initiative and StudentAid.gov

On June 29, 2020, Federal Student Aid (FSA) released an electronic announcement summarizing the updates to the Next Gen FSA initiative and StudentAid.gov (https://studentaid.gov). Features that are now available are:

- **Loan Simulator Enhancements:** Loan Simulator, initially launched in February, has been enhanced to allow borrowers with varied loan portfolios to receive more refined recommendations, including multiple repayment plans appropriate for their various loan types.

- **Public Service Loan Forgiveness (PSLF) Help Tool Enhancements:** The PSLF HELP Tool has been updated to provide borrowers with information about employer eligibility through an FSA-managed employer database. After a borrower finds his/her employer, he/she will receive a notification of the employer’s eligibility status as eligible, ineligible, or likely ineligible for PSLF.

Additional updates will be shared throughout 2020.


FSA Announces BPO Contracts for Next Generation Financial Services Environment

On June 24, 2020, Federal Student Aid (FSA) announced that it had awarded five contracts under the Business Process Operations (BPO) component of the Next Generation Financial Services Environment. The five companies are: Edfinancial Services LLC, F.H. Cann & Associates LLC, MAXIMUS Federal Services Inc., Missouri Higher Education Loan Authority (MOHELA), and Texas Guaranteed Student Loan Corporation (Trellis Company). Under the BPO contract, the companies will support customers through direct engagement via contact centers and provide back-office processing support for students, parents, borrowers, and partners at more than 5,800 postsecondary institutions.

Department of Education Delays Consideration of ACICS Accreditation to February 2021

On June 22, 2020, the Department of Education published the agenda of the next National Advisory Committee on Institutional Quality and Integrity (NACIQI), which did not include a discussion of ACICS, as expected. NACIQI was to consider whether ACICS was meeting federal standards around institutional quality because the Department had concluded that ACICS had failed to meet the federal standards in December 2018. The Department’s reason for the delay was that by mistake, the Department had sent ACICS the wrong version of a staff report in April on the findings of their inquiry into ACICS’ oversight of two nonprofit institutions. ACICS responded to the report on May 29, 2020, but the Department realized on May 30, 2020 that it had sent the wrong letter. On June 23, 2020, the Department sent ACICS a letter granting it an extra 90 days to further respond to the correct version of the report and delaying ACICS’ consideration until the February 2021 NACIQI meeting.


FSA Releases Electronic Announcement on Sequester Law Changes to Direct Loan Fees

On June 23, 2020, the Department of Education’s Office of Federal Student Aid (FSA) released an Electronic Announcement providing information regarding changes to Direct Loan fees and the percentage reduction that institutions must apply to awards in the Iraq-Afghanistan Service Grant and TEACH Grant Programs as a result of the enactment of the Budget Control Act of 2011.

For loans where the first disbursement is made on or after October 1, 2020 and before October 1, 2021:

- The loan fee for Direct Subsidized Loans and for Direct Unsubsidized Loans is 1.057%.
- The loan fee for Direct PLUS Loans (for both parent borrowers and graduate and professional student borrowers) is 4.228%.

A copy of the Electronic Announcement is found at: https://ifap.ed.gov/electronic-announcements/062320FY21SequesterRequiredChangesTitleIVStudentAidPrograms.

ED Announces the Availability of a New Online Portal for Higher Education Institutions to Report Foreign Gifts and Contracts

On June 23, 2020, the Department of Education issued an Electronic Announcement reminding institutions of their statutory requirement to disclose to the Department information about ownership
and control by foreign sources, contracts with foreign sources, and gifts from foreign sources valued at $250,000 or higher. The Department also announced the availability of a new online portal for higher education institutions to report foreign gifts and contracts. The new reporting system goes into effect immediately and should be used for the upcoming July 31, 2020 reporting deadline.


ED Publishes Interim Final Rule on CARES Act Emergency Grants

On June 17, 2020, the Department of Education published an interim final regulation in the Federal Register, which states that the distribution of emergency financial aid grants to students must be made to those who are Title IV eligible. The rule became effective June 17, 2020, but there is a 30-day comment period until July 17, 2020. The rule officially bars students from receiving the emergency financial aid grants individuals who are living in the country illegally, like those enrolled in the Deferred Action for Childhood Arrivals (DACA), international students, those who defaulted on their student loan, or those who were convicted of the sale or possession of drugs.

A copy of the interim final regulations is found at: https://www.govinfo.gov/content/pkg/FR-2020-06-17/pdf/2020-12965.pdf.


Judge Dismisses AFT Claims Against Department’s Management of Public Service Loan Forgiveness Program

Various publications reported that U.S. District Court for the District of Columbia Judge Dabney Friedrich issued an opinion dismissing the claims of the American Federation of Teachers (AFT) and its President, Randi Weingarten, in a lawsuit that accused the Department of Education of mishandling the Public Service Loan Forgiveness (PSLF) program. The AFT, along with eight student loan borrowers who worked in public service jobs, asked the Judge to order the Secretary of Education Betsy DeVos to implement a better process to handle PSLF applications. Judge Friedrich ruled that the AFT lacked standing to bring the suit, but the Judge also ruled that two of the claims
brought by the individual borrowers with regard to violations of the Administrative Procedure Act (APA) and constitutional due process could proceed.

Judges Block DeVos’ Efforts to Deny HEERF Funds to Non-Title IV Students

On June 17, 2020, *Politico* reported that on June 17th, U.S. District Judge Yvonne Gonzales Rogers granted a preliminary injunction blocking Secretary of Education Betsy DeVos from enforcing her policies that restrict CARES Act funding only to students who are eligible for Title IV aid. The preliminary injunction only applies to students attending California community colleges, which had brought the legal challenge. Judge Rogers wrote that the California community colleges had “argued persuasively” that the welfare reform law did not apply to the CARES Act funding. The ruling blocks the Secretary from “imposing or enforcing any eligibility requirement for students to receive” emergency financial aid grants under the CARES Act.

*Politico* reported that on June 12, 2020, a similar ruling was released from U.S. District Court for the Eastern District of Washington Judge Thomas Rice, who issued a preliminary injunction against implementing the Department’s rule in the State of Washington. Judge Rice said: “The disruption of campus operations due to COVID-19 has caused students at Washington colleges and universities to incur unexpected expenses such as food, housing, course materials, technology, health care, and childcare.” He went on to write: “The harm to students that stems from the eligibility restriction is not only the inability to access HEERF; the harm is in the inability to access these emergency relief funds in a timely manner. Absent injunctive relief, students will continue to be denied access to emergency relief funds to which they are likely otherwise entitled.”

Department Issues Updated Guidance to May 15th Updated Guidance for Interruptions of Study Related to COVID-19

On June 16, 2020, the Department of Education released updated guidance to the May 15, 2020 Updated Guidance for interruptions of study related to COVID-19. The June 16th Update extended the timeframe for relief from Return of Title IV (R2T4) Funds requirements under the CARES Act to periods that include March 13, 2020, or begin between March 13 and the later of December 31 or the last date that the national emergency is in effect. ED also clarified that an institution cannot automatically apply CARES Act R2T4 relief to all students who withdraw during a payment period or period of enrollment unless a disruption to instruction occurred during that period. For institutions that did not undergo changes in educational delivery or campus operations as a result of COVID-19, the institution will be required to obtain a written attestation (including by email or text messages) from the student explaining why the withdrawal was the result of COVID-19.
A copy of the June 16th Update is found at: https://ifap.ed.gov/electronic-announcements/051520UPDATEDGuidanceInterruptStudyRelCOVID19May2020.

ED Releases Supplemental FAQs on the HEERF Fund

On June 16, 2020, the Department of Education released Supplemental Frequently Asked Questions (FAQs) on the Higher Education Emergency Relief Fund (HEERF) under Section 18004 of the CARES Act for emergency financial aid grants to students. The Department notes that the FAQs represents ED’s current thinking and lack the force of law and effect of law. Two items of note include the deadline for the expenditure of HEERF funds being September 30, 2022 and the clarification that if funds remain after institutions make immediate disbursements to students, “eligible students enrolled during subsequent terms may receive emergency financial aid grants even if they were not enrolled during the spring 2020 term.”

A copy of the Supplemental FAQs is found at: https://www2.ed.gov/about/offices/list/ope/caresactsupplementalfaqs61620.pdf.

Trump Administration Rescinds July 6th Guidance that would have Prohibited International Students from Studying at Campuses Offering Online-Only Instruction in the Fall

On July 14, 2020, the Trump Administration rescinded guidance that it had announced on July 6, 2020, which would have prohibited international students from studying at campuses offering online-only instruction in the Fall term and reverted to the earlier March guidance, which permitted international students to enroll in online programs. Pushback came from the higher education community that included multiple lawsuits, alleging unnecessary cruelty by the White House during a pandemic.

The Trump Administration announced its decision to rescind its prior guidance at the hearing held on July 14, 2020 that was related to a lawsuit brought by Harvard University and the Massachusetts Institute of Technology. U.S. District Court Judge Allison D. Burroughs, who presided over the lawsuit, announced that the parties had reached a resolution.

FTC Sends More than $1 Million in Refunds to Victims of Student Loan Debt

The Federal Trade Commission (FTC) announced that it is mailing checks totaling more than $1 million to 41,048 victims who lost money to a student loan debt relief scam. American Student Loan Consolidations and BBND Marketing settled FTC allegations that the companies’ operators
pretended to be affiliated with the Department of Education or with loan servicers to trick consumers into paying hundreds of dollars in illegal upfront fees for help with their student loans. The FTC alleged that the companies falsely promised to forgive student loans, lower monthly payments, and reduce interest rates.