



Insight

Education Provisions in the HEALS Act

TOM LEE | JULY 30, 2020

Executive Summary

- The Health, Economic Assistance, Liability Protection, and Schools (HEALS) Act contains several education provisions that expand upon those in the Coronavirus Aid, Relief, and Economic Security (CARES) Act.
- Under HEALS, states would receive an additional \$70 billion to disburse to school districts, of which two thirds would be available only for school districts that have in-person classes.
- HEALS would revamp the federal student loan system by reducing the number of repayment options from nine to two.

Introduction

On July 27, Senate Republicans introduced the Health, Economic Assistance, Liability Protection, and Schools (HEALS) Act for the next phase of the federal response to the COVID-19 pandemic. The HEALS Act contains several education provisions that expand upon those in the Coronavirus Aid, Relief, and Economic Security (CARES) Act. HEALS allocates \$105 billion in total for education budgets, including \$70 billion for elementary and secondary schools, \$29 billion for higher education, and an additional \$5 billion for state governors. Of note, the bill conditions some of this money on schools holding in-person classes. The bill also provides limited deferment for student debt holders and would revamp the student loan repayment options, reducing them from nine currently down to two.

Additional Elementary and Secondary School Emergency Relief Funding

The HEALS Act provides \$70 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 (LEAs). 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 HEALS Act, about a third of the \$70 billion allocated to states would be distributed immediately to LEAs within passage by the original Title I formula allocations also used in CARES. The other two thirds, however, would be only distributed to LEAs that have in-person attendance in the 2020-2021 academic year. The bill states that school districts that hold in-person classes for at least half of its students for at least half of the weeks in the year would receive the full amount they are eligible for. School districts that do not hold in-person classes would not receive any of these conditional funds. School districts that hold in-person classes yet do not meet the above criteria would receive these conditional funds at a pro-rata basis. This provision would force school districts to weigh the potential health costs of holding in-person classes against the benefits students receive from attending in-person classes and the budget benefits of additional funding from the federal

government.

Under the CARES Act, ESSER disbursed on average about \$973,000 to a school district. With the current provisions of the HEALS Act, the unconditional portion of ESSER would disburse on average an additional \$1.4 million to a school district. The portion of ESSER that depends on a school district holding in-person classes would be on average about \$2.7 billion. In total, the average amount a school district would receive from both CARES and HEALS would range from \$2.3 to \$5.0 million.

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

Additional Higher Education Emergency Relief Funding

The HEALS Act provides an additional \$29 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. Like in CARES, the funds in HEALS 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.

The challenge with allocating funds by the number of full-time Pell Grant recipients is that community colleges lose out on funding, as about 65 percent of students at community colleges are enrolled part-time. The Pell Grant program also tends to underserve many eligible students. In California, for example, about 20 percent of community college students qualified for Pell Grants but did not receive them. This issue has not changed under HEALS since it uses the same Pell Grant allocation formulas as CARES.

Student Debt Provisions

Under the CARES Act, student debt holders could defer their monthly interest and principal payments until October 2020. The HEALS Act slightly expands upon this provision by extending deferment for student debt holders that have no income by October 2020. Once they do have income, the monthly payment will be capped at 10 percent of the holder's income. Those that do have an income before October 2020 would have to resume their monthly payments. There are no short-term debt forgiveness provisions.

The HEALS Act would completely revamp the federal student debt system by reducing the number of repayment options from nine currently to two. The two options would be a standard 10 percent monthly income-based repayment plan with forgiveness after 20 years and a standard 10-year repayment plan with equal monthly principal and interest payments.