Expanding COVID-19 Federal Emergency Loan Programs to All Nonprofits
Higher Education Talking Points
June 4, 2020

Need:

Institutions of higher education are facing a major cash flow crisis in the wake of the reduced revenues and increased expenses imposed by the COVID-19 pandemic. For our nation’s colleges and universities, access to affordable capital is a necessary lifeline as they navigate the economic fallout from the COVID-19 crisis.

Legislative Ask:

We urge the Senate in the next COVID-19 relief package to expand the Paycheck Protection Program and Main Street Lending Program to all nonprofits, regardless of size, including private and public colleges and universities.

In addition, for these programs and the creation of any new loan program with a maximum employee threshold, we ask that student workers be exempt for the purpose of determining the employee eligibility threshold.

Justification:

*CARES Act-created federal loan programs need to be expanded to all nonprofits*

- The Coronavirus Aid, Relief, and Economic Security (CARES) Act created several programs at the Small Business Administration (SBA) and through the U.S. Department of Treasury and the Federal Reserve to help provide bridge funding to businesses during the COVID-19 crisis. This includes the SBA Paycheck Protection Program (PPP) and the Main Street Lending Program (MSLP) at the Federal Reserve. However, those programs are not ideally suited for nonprofits, including nonprofit private and public institutions of higher education, and in some cases nonprofit institutions are ineligible.

- Recent guidance from the Federal Reserve, which expanded MSLP, also made nonprofits ineligible for the loans. However, language included in H.R.6800 the “Health and Economic Recovery Omnibus Emergency Solutions” HEROES Act, Sec. 110604 “Main Street Lending Program Requirements” would require the Federal Reserve to make nonprofit organizations eligible for the program within five days of the legislation’s passage. The House-passed HEROES Act also includes language that explicitly makes nonprofit private and public colleges and universities, as defined by Section 101 (a) of the Higher Education Act, eligible for MSLP.

- The HEROES Act also expands the PPP to all nonprofits, regardless of size. Currently the PPP program is restricted with nonprofits with less than 500 employees. As the Senate begins to consider the next COVID-19 package, we urge you to expand the PPP to all nonprofits. We also urge you to explicitly make nonprofit private and public institutions of higher education eligible for PPP, just as the HEROES Act did for the Main Street Lending Program.

Developed in support of May 29 letters to Senate Banking Committee and Senate Small Business Committee sent by ACE and other higher education organizations requesting expansion to all nonprofits of the Paycheck Protection Program and Main Street Lending Program.
Financial impact on colleges and universities

- The financial impact of the novel coronavirus on institutions of higher education, who often are the largest or one of the largest employers in their communities and regions, is extreme and the costs continue to mount. Institutions are incurring additional costs to move instruction online, losing substantial auxiliary revenues, and facing a range of further challenges that are unique to each campus.

- At the same time, many colleges and universities are providing significant refunds of expenses such as on-campus housing and meal plans. Costs have skyrocketed while revenues have plummeted. Looming additional losses for the summer and possibly the fall compound the problem, as well as potentially deep cuts in state funding for public institutions of higher education.

- For colleges and universities, every revenue source is down—enrollment and tuition, long-term investments, auxiliary sources such as hotels and conferences space, cancelled athletic events, etc. In addition, colleges and universities will have a longer recovery time following this crisis as any enrollment declines at the start of fall 2020 will affect our institutions for at least several years as that smaller class advances through their degree programs.

Exempting Student Workers

- Institutions of higher education often employ student workers across campus as a part of their overall financial support to help pay for college and provide students with work experiences, while keeping them close to campus for the purposes of their education. When most campuses closed for the spring semester and transitioned to online learning, all or most of student employees left campuses and therefore should not be included for the purposes of the employee threshold.

- Removing student workers from calculations of eligibility for any loan program established to address financial difficulties because of COVID-19 would accurately reflect the size of institutions in their roles as employers and would allow more colleges and universities to access these important loan programs.

Summary Points:

- The new loan programs, created in the CARES Act, to help businesses respond and stay solvent during the COVID-19 crisis, are not ideal for nonprofits, including institutions of higher education. We ask that the Senate expand and make nonprofit private and public institutions explicitly eligible for these important programs, particularly because the financial impact of the novel coronavirus on institutions of higher education, who often are the largest or one of the largest employers in their communities and regions, is extreme and the costs continue to mount.

- For the SBA PPP and MSLP programs, we ask that the employee thresholds for the purposes of eligibility be removed. If employee thresholds are used in future loan programs, we ask that all student workers be exempted from the employee counts for the purposes of eligibility.