



FREED MAXICK COVID-19 RESOURCE CENTER

CARES Act Impact on Institutions of Higher Education

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The Coronavirus Aid, Relief, and Economic Security Act (CARES Act) provides budgetary relief, student aid support via the COVID-19 Pandemic Education Relief Act of 2020, and tax relief to institutions of higher education through several provisions.

Budgetary Relief

The CARES Act creates an Education Stabilization Fund (the Fund) of close to \$31 billion that is to remain available through September 30, 2021, for the purposes of preventing, preparing for and responding to coronavirus, domestically and internationally. The Fund will be allocated as follows:

- \$13.2 billion for Department of Education grants to elementary and secondary education institutions providing K – 12 education;
- \$13.95 billion for Department of Education grants to colleges and universities providing higher education; and
- \$2.95 billion for grant aid provided directly to states to award elementary and secondary institutions and higher education institutions, mostly at the discretion of the states' governors.

Trust earned.



Additionally, there are separate allocations within the Fund specifically to provide additional funds to tribal colleges and designated minority-serving educational institutions.

Approximately another \$349 million is reserved expressly for schools significantly impacted by the coronavirus, with priority going to schools that receive less than \$500,000 of funds from the Fund, as detailed above, and designated minority-serving educational institutions that have remaining unmet need.

GRANTS TO INSTITUTIONS OF HIGHER EDUCATION

While the Department of Education has yet to finalize the formula for how the \$13.95 billion of grants for colleges and universities will be distributed, it is expected that 90% of the funds will be distributed directly to colleges and universities via the Title IV distribution system. The formula to determine allocated funds is expected to be based on full-time equivalent enrollment of Pell Grant recipients at the college or university (carries 75% weight of the calculation) and full-time equivalent enrollment of non-Pell Grant recipients (carries 25% weight of the calculation).

As such, colleges or universities serving higher number of low-income students will likely see a higher allocation of funds under this formula. 50% of the grants received from this Fund must be used by the college or university for direct emergency aid to students. This includes, but is not limited to, food, housing, course materials, technology, health care and childcare.

The remaining funds can be used at the college or university's discretion but must be used to defray expenses of the institution by supplementing lost revenue or investing in technology to support the transition to distance.

Exceptions to how the funds can be used include endowments, athletic or religious facilities or enrollment recruitment contractors. Additionally, a college or university receiving these funds are required to retain their current level of employment to the "maximum extent possible."

GRANT AID PROVIDED DIRECTLY TO THE STATES

States will receive a portion of the \$2.95 billion grant aid based primarily on its population of individuals between the ages of 5 and 24 (carries 60% weight of the calculation) and the number of elementary and secondary school-age children who reside in their state (carries 40% weight of the calculation).

State governors have the discretion to award these funds to both public and private institutions with their state and are not required to award a set amount or percentage to either elementary and secondary schools or colleges and universities. State governors have the discretion to allocate these funds based on their determination of school that are impacted the most by coronavirus.

Student Aid Support

Division A, Title III, Subpart B of the CARES Act, referred to as the “COVID-19 Pandemic Education Relief Act of 2020” includes provisions for relief for current college and university students, former students with outstanding federal student debt and provides funding to historically black colleges and universities and research and arts agencies and institutions.

CAMPUS-BASED AID

For award years 2019-2020 and 2020-2021, institutions of higher education participating in campus-based programs such as the Federal Supplemental Educational Opportunity Grant (FSEOG), Federal Work Study (FWS) and Federal Perkins Loans (Perkins), the requirement that these institutions provide a non-Federal share to match the Federal funds provided under these programs is waived. Note that this provision does not apply to private for-profit colleges or universities. Institutions will be permitted to transfer up to 100% of unexpended FWS funds to their FSEOG program. However, any unexpended funds under the FSEOG program can not be transferred to the FWS program.

Additionally, institutions of higher education are permitted to reserve any amount of their allocation of FSEOG funds to award emergency financial aid grants assist undergraduate or graduate students for any unexpected expenses or unmet need as a result of COVID-19, but this assistance may not exceed the recipient’s maximum Federal Pell Grant for that award year (currently \$6,195).

Institutions participating in the FWS program may make payments to work-study students who were unable to complete or fulfill their work-study obligations due to the effects of COVID-19 (i.e. workplace closures, etc.). Payments to eligible students are not to exceed one academic year, payments to eligible students must be made in an amount equal to or lesser than the amount the student would have been paid had the student been able to fulfill their obligations and payments may not be made to students who were not already eligible for work-study. Payments to eligible students may be made as a one-time grant or as multiple payments.

An affected work-study student is a student who is enrolled at a participating, eligible institution of higher education who received a FWS award under section 443 of the Higher Education Act (HEA) of 1965 for the academic year, earned FWS from such eligible institution during such academic year and was prevented from fulfilling their work-study obligation for all or part of such academic year as a result of COVID-19.

STUDENT AID PROVISIONS

In determining the eligibility of a borrower for a Direct Stafford Loan, the HEA of 1965 indicates that a borrower shall NOT be eligible if the period of time for which the borrower has received Federal Direct Stafford Loans, in the aggregate, exceeds the period of enrollment as defined as (1) the lesser of a period equal to 150% of the published length of the education program in which the student is enrolled OR (2) a period of time equal to the difference between 150% of the published length of the longest educational program in which the borrower was, or is, enrolled and any periods of enrollment in which the borrower received a Federal Direct Stafford Loan.

This provision will exclude, from a student's period of enrollment for purposes of determining eligibility to receive Federal Direct Stafford Loans, any semester that the student does not complete due to COVID-19.

Additionally, Pell Grants awarded during the emergency will not be counted towards annual or cumulative limits if the recipient is unable to complete a term due to the COVID-19 emergency.

The requirement of the institution to return Title IV funds if the recipient of the assistance withdraws from the institution during the payment period or period of enrollment as a result of COVID-19 is waived as a result. The institution will be required to report the number of such recipients, the amount of grant or loan assistance associated with each such recipient and the total amount of grant or loan assistance the institution has not returned under these provisions.

Under this act, borrowers are relieved of their obligation to repay Direct Loans associated with a payment period if the student withdrew due to COVID-19. Additionally, institutions of higher education are allowed, as a result of COVID-19, to exclude, from the quantitative component of the calculation of satisfactory academic progress, any attempted credits that were not completed by the student without requiring an appeal by such student.

The COVID-19 Pandemic Education Relief Act of 2020 provides for a deferment, for the duration of COVID-19, on the repayment of any institution that has received a loan under part D of title III of the HEA of 1965 (Part D – Historically Black College and University Capital Financing). During the deferment period, the institution would not be required to pay any periodic installment of principal or interest required under the loan agreement. Rather, the Department of Education will make principal and interest payments otherwise due under such loan agreements.

Furthermore, the COVID-19 Pandemic Education Relief Act of 2020 also provides additional to federal research and arts agencies to supplement grant awards to institutions and to further enhance research efforts.

RELIEF FOR STUDENT LOAN BORROWERS

The COVID-19 Pandemic Education Relief Act of 2020 provides relief to borrowers regarding their obligations to make payments on their federal Direct Loans and ED-held FFEL loans through September 2020. Additionally, interest will not accrue on loans during this period.

Borrowers that are currently in federal loan forgiveness programs, will still have this suspension period counted towards their payment requirements, even if payments are not made. Perkins Loans and private student loans are not impacted by these provisions. The Department of Education has stopped, during this period, any involuntary collections of loan payments. This includes the garnishment of wages and/or reduction of tax refunds and other federal benefits for borrowers that are in default.

Recipients of the TEACH Grant and/or Teacher Loan Forgiveness Program will also have their program requirements waived if their teaching and other service obligations were interrupted as a result of COVID-19.

Tax Relief

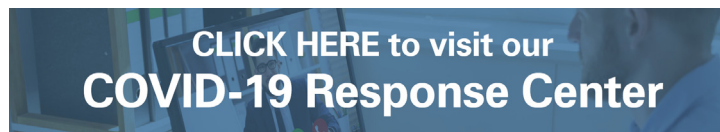
The CARES Act includes a number of provisions with the goal of providing relief to employers and their employees. Please visit the Freed Maxick Covid-19 Resource Center for further information on these provisions and how they may impact institutions of higher education.

Takeaways

The CARES Act provides a number of provisions to assist institutions of higher education across the country. While the extent of the impact these provisions may have on your institution are not yet known, college and university business officers should ensure processes are in place to gather the necessary data to ensure their institution maintains compliance with these provisions and maximizes the benefits available to the institution under the provisions of the CARES Act.

Assistance and Guidance from Freed Maxick

The Freed Maxick Covid-19 Resource Center has a wealth of information and guidance on a wide range of topics related to tax relief and benefits, regulatory relief and benefits, and business continuity in the era of Covid-19.



If you need additional guidance, we are available to discuss your issues and concerns.
Connect with us at 716.847.2651.

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