

SUMMARY OF HIGHER EDUCATION RELIEF – FEDERAL CARES ACT

Updated April 24, 2020

On March 27th, the President signed into law the bipartisan [Coronavirus Aid, Relief, and Economic Security Act \(CARES Act\)](#), a \$2 trillion emergency economic relief package in response to the global COVID-19 pandemic. Broadly, the measure provides emergency federal funding for unemployment benefits, food aid, hospitals, and schools and universities, including a \$150 billion Coronavirus Relief Fund that will be allocated to state, tribal and local governments. The CARES Act also includes critical aid to help address the needs of students, student loan borrowers, and colleges and universities.

The summary below outlines the higher education provisions in the CARES Act. A summary of the entire CARES Act, section-by-section, can be found on the [U.S. Senate website](#).

SUMMARY OF EDUCATION-RELATED WAIVERS (Title III)

Title III, Subtitle B of the CARES Act includes a slew of education waivers meant to relax administrative provisions related to federal financial aid. Specifically, this legislation:

- Waives the institutional matching requirement for **campus-based aid programs**. [Section 3503]
- Allows institutions to transfer unused **work-study** funds to be used for supplemental grants. [Section 3503]
- Allows institutions to award **Supplemental Education Opportunity Grants (SEOG)** to students impacted by COVID-19. [Section 3504]
- Institutions may issue **work-study** payments to students who are unable to work due to work-place closures as a lump sum or in payments similar to paychecks (for up to one academic year). [Section 3505]
- For students who dropped out of school as a result of COVID-19:
 - Excludes the term from counting towards **lifetime subsidized loan eligibility**. [Section 3506]
 - Excludes the term from counting toward **lifetime Pell eligibility**. [Section 3507]
 - The student is not required to repay **Pell grants** or **federal student loans** to the USDE. [Section 3508]
 - The student's grades do not affect a student's federal academic requirements to continue to receive **Pell Grants or student loans** (waiving SAP requirements). [Section 3509]
- Requires the Secretary to defer **student loan payments, principal, and interest** for 6 months (through September 30th, 2020), without penalty to the borrower for all federally owned loans. [Section 3513 – more information on this below]
- Authorizes the Secretary of Education to waive or modify current allowable uses of funds for **institutional grant programs** (TRIO/GEARUP/Title III/Title V/and sections of Title

VII) so colleges can re-deploy resources and services to COVID-19 efforts. Permits institutions to request waivers from the Secretary of Education for financial matching requirements in competitive grant and other MSI grant programs in the Higher Education Act so colleges can devote institutional resources to COVID-19 efforts. [Section 3518]

- For teachers who could not finish their year of teaching service as a result of COVID-19, their partial year of service shall be counted as a full year of service toward TEACH grant obligations or **Teacher Loan Forgiveness**. Waives a requirement that teachers must serve consecutive years of teaching service for Teacher Loan Forgiveness eligibility, if a teacher's service is not consecutive as a result of COVID-19. [Section 3519]

SUMMARY OF CORONAVIRUS RELIEF FUND (Title V)

Title V of the CARES Act would provide **\$150 billion to state, tribal and local governments** to cover costs that:

- Are necessary expenditures incurred due to the public health emergency caused by COVID-19
- Were not accounted for in the budget most recently approved for the state or government
- Were incurred between March 1, 2020, and Dec. 30, 2020.

Each state would receive funds based on population (Census data), with no state receiving less than \$1.5 billion. A portion of each state's allocation will go to local governments. Only local governments with populations over 500,000 are eligible for funding. Based on early estimates from the [Center on Budget and Policy Priorities](#), California is estimated to receive over \$15 billion. Under the Act, the Treasury Secretary is required to release funds to states within 30 days of the bill's enactment.

SUMMARY OF EDUCATION STABILIZATION FUND (Title VIII)

The CARES Act appropriates \$30.75 billion to an "Education Stabilization Fund," administered by the U.S. Department of Education (USDE). This pool of funds is divided up as follows:

- **\$3 billion for Governors to distribute at their discretion (divided up among states)**
 - Governors can distribute these funds to K-12 local education agencies (LEAs) and institutions of higher education (IHEs) that have been most impacted by coronavirus. The purpose of these funds is to support ongoing operations and the ability of LEAs/IHEs to deliver education and services to students.
 - According to the [Legislative Analyst's Office \(LAO\)](#), California is expected to receive **\$355 million** from this **Governor's Emergency Education Relief Fund (GEERF)** for educational institutions at any level.
 - The Commission submitted a proposal to the Governor's Office requesting part of this GEERF funding be allocated towards emergency financial aid grants for certain Cal Grant B recipients.

- **\$13.5 billion for formula grants to states for elementary and secondary education.**
- **\$14.25 billion for higher education emergency relief** to defray expenses, such as lost revenue and technology costs related to a transition to distance education.
 - According to the LAO, California is expected to receive **\$1.7 billion** from this **Higher Education Emergency Relief Fund (HEERF)** for colleges and universities.

Of the \$14.25 billion appropriated for colleges and universities via the HEERF, approximately **\$13 billion (90 percent) will be allocated directly to institutions of higher education for emergency relief.** Here are the provisions associated with this funding:

- Half of any funding (approx. \$6.975 billion) that colleges/universities receive must be used to provide emergency financial aid grants directly to students for expenses related to COVID-19 disruptions (e.g. food, housing, course materials, technology, health care, and childcare).
- Funding is heavily weighted towards colleges/universities with large shares of Pell Grant recipients - three quarters of this funding will be distributed based on enrollment of Pell students (not including those exclusively enrolled in online courses prior to coronavirus).
- Funding can be used to cover any costs associated with changes to delivery of instructions due to COVID-19.
- Funding cannot be used for recruitment, bolstering endowments, or building athletic/religious buildings on campus.

As a condition of receiving funds, states must commit to maintaining current levels of funding for K-12 and public higher education for the next three fiscal years (based on previous three fiscal years). This is known as a “maintenance of effort” requirement. However, this provision can be waived by Secretary of Education for states experiencing extreme financial distress.

Institutions receiving aid are to sign a **certification of agreement to receive funding.** Highlights of that agreement include:

- Institutions must provide 50% of the funds as “emergency financial aid grants to students for expenses related to the disruption of campus operations due to coronavirus (including eligible expenses under a student’s cost of attendance such as food, housing, course materials, technology, health care, and child care).”
- The campus has the “discretion to determine the amount of each individual emergency financial aid grant consistent with all applicable laws including non-discrimination laws.”
- The Secretary of Education “recommends the maximum Federal Pell Grant for the applicable award year as an appropriate maximum amount for a student’s emergency financial aid grant in most cases, and the [institution] should be mindful of each student’s particular socioeconomic circumstances in the staging and administration of these grants.

- The Secretary “strongly encourages the [institution’s] financial aid administrator to exercise the use of professional judgment...to make adjustments on a case-by case basis to exclude individual emergency financial aid grants from the calculation of a student’s expected family contribution”
- CARES Act funds are not considered federal financial aid under Title IV.
- The funds “shall not be used for any purpose other than the direct payment of grants to students for their expenses related to the disruption of campus operations due to coronavirus, such as food, housing, course materials, technology, health care, and child-care”
- Campuses have one year to spend the funds.
- Campuses agree to reporting requirements and agree to consent to examination of records.

The allocation formula is as follows:

- 90% of the funds will be awarded to institutions of higher education (IHEs) based on two formula factors:
 - 75% of the funds will be awarded to IHEs based on each IHE’s share of full-time equivalent (FTE) enrollment of Pell Grant recipients who were not enrolled exclusively in distance education prior to the coronavirus emergency, relative to the total FTE enrollment of such individuals in all IHEs; and
 - 25% of the funds will be awarded to IHEs based on each IHE’s share of FTE enrollment of students who were not Pell Grant recipients and who were not enrolled exclusively in distance education prior to the coronavirus emergency, relative to the total FTE enrollment of such individuals in all IHEs.

The allocation that each institution will receive is available on the USDE’s [website](#). The USDE also released [guidance](#) that only students who are eligible to participate in Title IV financial aid programs can receive federal relief aid. This means that undocumented students will not qualify for federal relief from this Fund.

SUMMARY OF TEMPORARY RELIEF FOR STUDENT LOAN BORROWERS (Title III, Subtitle B, Section 3513)

The CARES Act also includes provisions related to relief for student loan borrowers. Specifically, this bill:

- Direct the USDE to **automatically suspend payments on most federal student loans through September 30th, 2020.**
 - No interest will accrue during this payment suspension
 - Suspended payments will not affect credit score

- Suspended payments will not interrupt progress towards any federal loan forgiveness programs like Public Service Loan Forgiveness or income-based repayment
- Does not apply to private loans, federal Perkins loans, or federal loans held by private lenders
- **Prohibits the USDE from garnishing wages, tax refunds or Social Security benefits of defaulted borrowers through September 30th.**
 - USDE has already started the process of refunding \$1.8 B in tax refunds/federal benefits that were garnished since March 13th when the national emergency was declared.
- **Students will not have to repay student loans they took out for a term they couldn't complete because of COVID-19.**

The CARES Act also **temporarily expands the existing tax exclusion for educational assistance provided by employers**. The tax break would enable an employer to provide up to \$5,250 toward an employees' education costs (existing law) or toward an employees' existing student loan debt (new temporary benefit). This benefit would be excluded from the beneficiary's wages and therefore not taxed. (Subtitle B, Section 2206).