

CARES Act: 11 provisions that impact higher education institutions

Author:

Michael Lokensgard

920.831.6347

mlokensgard@gklaw.com

Last Friday, March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) was enacted into law. Among its myriad provisions are several that will specifically benefit higher educational institutions, including:

1. Work Study and Supplemental Educational Opportunity Grants (SEOGs) matching requirements waived

For 2019-2020 and 2020-2021 award years, the CARES Act waives the requirement that a participating institution of higher education provide a non-federal matching share to match federal funds provided to the institution.

2. SEOGs can be used for emergency financial aid grants

An institution of higher education may provide emergency funds to a student in an amount up to the student's maximum Pell Grant award for the applicable year, without regard to the otherwise required need calculation. Such emergency grants are not considered "other financial assistance" for need calculations.

3. Work study continuation

An institution of higher learning may continue to make payments for a period of up to one academic year to students who are unable to fulfil their work study obligations. Payments may be made periodically or as one-time grant.

4. Federal Direct Loan limits

The amount of any Federal Direct Loan made to a student for an enrollment period that the student is unable to complete is not counted toward the student's overall Federal Direct Loan limit.

5. Pell Grant duration limits

Any semester (or equivalent) that the student is unable to complete is excluded from the student's Pell Grant duration limit.

6. Institutional refunds

The CARES Act permits the Secretary of Education to waive the requirement that an institution of higher education refund to the government any federal aid provided to students who withdraw from the institution.

7. Satisfactory Academic Progress (SAP) provisions

An institution of higher education may exclude credits not completed by a student in determining whether the student is maintaining satisfactory academic progress.

8. Student loan relief

Student loan repayments are suspended through Sept. 30, 2020, and interest will not accrue during that period.

The information contained herein is based on a summary of legal principles. It is not to be construed as legal advice. Individuals should consult with legal counsel before taking any action based on these principles to ensure their applicability in a given situation.

9. Educational Stabilization Fund

The CARES Act includes a significant appropriation, \$30.7 billion, for the establishment of an Educational Stabilization Fund. This fund will be allocated to three separate pools, one to support K-12 education, one to support institutions of higher education and one to be directly disbursed to governors to support public and private educational institutions within their respective states.

Higher education pool

The higher education pool totals approximately \$13.95 billion. The U.S. Department of Education (ED) will be required to develop a formula for distribution of funds, which will be based largely upon the number of full time Pell Grant recipients at a given institution. Funds will be distributed directly to institutions through the existing system for the distribution of federal financial aid.

Funds may be used to cover any costs associated with significant changes to the delivery of instruction due to the 2019 novel coronavirus (COVID-19), provided that at least 50 percent of such funds are to be used to provide emergency financial grants to students, and no amounts shall be spent on pre-enrollment recruiting contractors, endowments, athletic facilities, sectarian instruction or religious worship.

Governors' pool

A smaller amount, approximately \$3 billion, will be disbursed directly to governors who apply to participate in the fund. Allocations will be based upon populations of school-aged individuals within each state.

Funds may be used to support both K-12 and higher education, to provide emergency support to education institutions deemed most significantly impacted by the COVID-19 pandemic.

10. Charitable giving changes

The CARES Act increases the limit on an individual's cash charitable contributions to public charities from 60 percent the individual's adjusted gross income to 100 percent of the individual's adjusted gross income. This effectively removes the limit on cash charitable deductions for individuals for 2020.

For taxpayers that do not itemize deductions, the CARES Act also creates an above the line deduction of up to \$300 for cash contributions to public charities, allowing at least a nominal benefit for contributions from taxpayers that do not itemize. This provision applies to 2020 and subsequent years.

11. Paycheck Protection Program

For institutions with fewer than 500 employees, including non-profit entities, the U.S. Small Business Administration (SBA) is [rolling out a loan program](#) that will permit institutions to borrow up to \$10 million to fund payroll, benefits, rent, interest and certain other enumerated expenses.

Our [COVID-19 Resource Center](#) has more practical advice like this on the legal considerations impacting your organization's coronavirus response.

For up-to-the-minute updates on COVID-19-related policies and their legal implications for higher education institutions, contact Michael Lokensgard.