



MEMORANDUM

TO: INTERESTED CLIENTS
FROM: CORNERSTONE GOVERNMENT AFFAIRS
SUBJECT: Higher Education Provisions in CARES Act
DATE: March 27, 2020

This memo outlines the benefits to higher education institutions and their students in the CARES Act.

Funding

The bill provides \$30.75 Billion (-2%/\$615M for Indian Education) for an Education Stabilization Fund divided into three parts:

- \$13.229 Billion for the **Elementary & Secondary School Emergency Relief Fund**
 - \$2.953 Billion for the **Governors Emergency Education Relief Fund**
 - These are formula funds allocated to states. 60% is based on the state's age 5-24 population and 40% based on the population counted under the Elementary and Secondary Education Act (ESEA).
 - Funding to higher education institutions flows through the Governor and is to be used to "provide emergency support through *grants to institutions* of higher education serving students within the State *that the Governor determines* have been *most significantly impacted* by coronavirus to support the ability of such institutions to continue to provide educational services and support the ongoing functionality of the institution."
 - Imposes a maintenance of effort (MOE) requirement that calculates the three-year average for spending (which in 48 states is lower than the 2019/2020 rate); MOE does not include support for capital projects, R&D, and tuition and fees paid by students.
 - \$13.953 Billion for the **Higher Education Emergency Relief Fund**
 - \$12.558 Billion directly to institutions utilizing the Title IV distribution system
 - 75% of the award is calculated based on the full-time equivalent enrollment of Pell students and 25% is calculated based on the full-time equivalent enrollment of non-Pell students; students who were exclusively online are not counted in the formula calculation
 - 50% of funds must be used to provide direct aid to students (housing, food, health care, child care, technology, and course materials are included)
 - Allowable uses are very broad and can be used to defray expenses for lost revenue or costs for online/distance education
 - Institutions must retain current employees to the "maximum extent practicable"
 - \$1.047 Billion for Minority Serving Institutions (MSI)



- \$349 Million for a grant program through FIPSE, prioritizing smaller institutions who received less than \$500k under the aforementioned formula, MSIs, and those institutions with "significant unmet need."

Federally-Chartered Institutions of Higher Education -- Howard University (\$13M) & Gallaudet University (\$7M) receive direct support for affected students

Regulatory Changes

Supplemental Education Opportunity Grants (SEOG) & Federal Work-Study (FWS) – Sec. 3503-3505 - Waives limitations on transferring funds between SEOG and FWS; Waives matching fund requirements for SEOG; Gives institutions flexibility to utilize SEOG funding to support emergency grants to students impacted by COVID-19; Allows institutions to provide students with FWS payments even if they are unable to work because of campus closures.

Foreign Study Programs -- Sec. 3510 – Otherwise eligible programs at foreign institutions are eligible for Title IV aid for distance education.

Minority Serving Institutions (MSI) – Sec. 3512 & 3517-3518 – Allows the Dept. of Education to permit HBCUs to defer payments on HBCU Capital Financing loans & waive outcome requirements for FY21 grant programs for HBCU and Minority Serving Institutions; Permits MSI institutions to request waivers from matching requirements in competitive grant and other MSI grant programs.

Institutional Grant Programs – Sec. 3518 – Allows the Dept. of Education to waive or modify allowable uses for TRIO, GEARUP, Title III, Title V, and sections of Title VIII programs, competitive grant and MSI grant programs.

Workforce Boards – Sec. 3515 – Provides local workforce boards with flexibility to use Workforce Innovation and Opportunity Act funds for online resources and allows Governors to access reserved workforce funds for COVID response activities

Corporation for National & Community Service – Sec. 3514 – Allows individuals whose duties were suspended because of COVID-19 to continue receiving their educational award and extends the age limits and terms of service to allow them to continue serving when the disaster ends.

TEACH Grants & Teacher Loan Forgiveness – Sec. 3519 – For teachers who could not finish their year of teaching as a result of COVID-19, their partial year of service is counted as a full year of service; waives requirement that teachers must serve consecutive years of service if that service is disrupted as a result of COVID-19

Student Loans & Pell Grants – Sec. 3506-3509 & 3513 – Excludes this term from counting negatively toward lifetime subsidized loan or Pell Grant eligibility for students who withdrew as a result of COVID-19; Neither institutions nor students are required to return portions of Pell grants or Federal Direct Loans to the Dept. of Education if the student withdraws as a result of COVID-19; Allows institutions to exclude this term's grades from the calculation of Satisfactory Academic Progress (SAP) for students who withdrew as a result of COVID-19; Suspends borrowers' requirements to make payments for their Federal Direct Loans



through September 30, 2020 and stops wage garnishing and other measures for borrowers who default during this time (this does not include Perkins or commercially held Federal Family Education Loans)

Tax & Other Economic Supports

Student Loan Repayment Tax Benefits -- Sec. 2206 -- Enables employers to provide a student loan repayment benefit to employees on a tax-free basis. Under the provision, an employer may contribute up to \$5,250 annually toward an employee's student loans, and such payment would be excluded from the employee's income. The \$5,250 cap applies to both the new student loan repayment benefit enacted by the Phase III bill as well as existing law in the form of other educational assistance (e.g., tuition, fees, books) provided by the employer under current law. The provision applies to any student loan payments made by an employer on behalf of an employee after date of enactment and before January 1, 2021

Charitable Donations – Sec. 2204 -2205 – The provision encourages Americans to contribute to churches and charitable organizations in 2020 by permitting them to deduct up to \$300 of cash contributions for non-itemizers. Another provision increases the limitations on deductions for charitable contributions by individuals who itemize, as well as corporations. For individuals, the 50 percent of adjusted gross income limitation is suspended for 2020. For corporations, the 10 percent limitation is increased to 25 percent of taxable income. This provision also increases the limitation on deductions for contributions of food inventory from 15 percent to 25 percent.

Unemployment Benefit Improvements -- Sec. 2102, 2104, 2107 -- This section creates a temporary Pandemic Unemployment Assistance program through December 31, 2020 to provide payment to those not traditionally eligible for unemployment benefits (self-employed, independent contractors, those with limited work history, and others) who are unable to work as a direct result of the coronavirus public health emergency. The bill provides an additional \$600 per week payment to each recipient of unemployment insurance or Pandemic Unemployment Assistance for up to four months. The bill also provides an additional 13 weeks of unemployment benefits through December 31, 2020 to help those who remain unemployed after weeks of state unemployment benefits are no longer available.

Recovery Rebates for Individuals -- Sec. 2201 – Similar to rebates enacted in 2001 and 2008, rebate checks will be sent to taxpayers (via the method the taxpayer identified in 2018 tax filings unless they have signed up for another means)

- Maximum grant of \$1,200 (\$2,400 joint) per adult taxpayer & \$500 per child;
- Cash grant tax rebate is treated as a fully refundable tax credit, therefore available to taxpayers with net negative income tax liability;
- Phases out at incomes over \$75,000 (\$150,000 joint), fully phased out at \$99,000 (\$198,000 joint)

Payroll Taxes – 501(c) organizations are explicitly included in provisions that create a payroll tax credit for a fixed percentage (50%) of eligible wages, up to \$10k per employee for 2020

- Excess of credit over payroll tax liability are refundable
- Available for employers with a business that was already carrying on business in calendar year 2020 and was fully or partially suspended due to an order from a governmental authority related to COVID-19



Dept. of Treasury Economic Stabilization Loans – the bill includes \$454 Billion for stabilization loans for nonprofits and businesses with between 500 and 10,000 employees; interest not to exceed 2% and no payments for the first 6 months; funds must be used to maintain at least 90% of the recipient's workforce at full compensation and benefits through 9/30/20

Family & Medical Leave Act (FMLA) – Does NOT include language that allows public universities to access the FMLA tax credits in COVID II.

Research Funding

National Institutes of Health (NIH) - \$945M

- \$103.4M -- National Heart, Lung and Blood Institute
- \$706M -- National Institute of Allergy and Infectious Diseases
- \$60M -- National Institute of Biomedical Imaging and Bioengineering
- \$10M -- National Library of Medicine
- \$36M -- National Center for Advancing Translational Sciences
- \$30M -- Office of the Director

Department of Defense (DoD) Defense Health Program RDTE – \$415M

Department of Energy (DOE) Office of Science -- \$99.5M

National Science Foundation (NSF) -- \$75M

National Institute of Standards & Technology (NIST) - \$66M

- \$6M for Scientific and Technical Research and Services
- \$50M for Holling Manufacturing Extension Program
- \$10M for National Network for Manufacturing Innovation