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The CARES Act: Key Provisions Affecting Colleges and Universities

The Coronavirus Aid, Relief, and Economic Security Act (CARES Act) was signed into law on March 27, 2020. Below is a brief overview of the Act's key provisions specifically affecting nonprofit and public colleges and universities. For information on how the CARES Act impacts nonprofits generally see [The CARES Act and Nonprofits](#).

Education Stabilization Fund

- **Approximately \$14 billion directly to institutions of higher education:**
 - The Act authorizes the Secretary of Education to provide “higher education emergency relief” funds for prevention of, preparation for, and response to COVID-19.
 - 90% (approximately \$12.6 billion) of these Higher Education Emergency Relief grants will be distributed through the system used by the Department of Education to distribute Title IV federal student financial aid funding.
 - Each institution's share will be apportioned with 75% based on the institution's relative share of full-time equivalent enrollment of federal Pell Grant recipients and 25% according to the institution's relative share of non-Pell Grant recipients. Students exclusively enrolled in distance education courses are excluded from the calculation.
 - An institution receiving a Higher Education Emergency Relief grant may use the funds to cover any costs associated with significant changes to the delivery of instruction due to COVID-19, so long as such costs do not include payment to contractors for the provision of pre-enrollment recruitment activities; endowments; or capital outlays associated with facilities related to athletics, sectarian instruction, or religious worship.
 - At least 50% of such funds must be used to provide emergency financial aid grants to students for expenses related to the disruption of campus operations due to COVID-19 (including eligible expenses under a student's cost of attendance, such as food, housing, course materials, technology, healthcare, and child care).
 - Institutions have significant leeway in deciding how to use the remainder of the funds.
 - 2.5% (approximately \$349 million) is to be provided to institutions determined by the Secretary of Education to have the greatest unmet needs related to COVID-19, with priority given to institutions receiving \$500,000 or less through the formula described above.
 - A recipient institution must submit a report to the Secretary of Education that describes the use of such funds.



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- **Approximately \$3 billion in state grants for education assistance:**
 - The Act invites state governors to apply for a grant from a federal “emergency education relief fund.” Each state is allocated a certain amount of funds based on their relative population of school-aged children, teenagers, and young adults.
 - Applications are set to open within 30 days of March 27, 2020 (the date of enactment) and are to be approved or denied no later than 30 days from receipt.
 - Governors may use Emergency Education Relief grants to provide support to institutions of higher education that the Governor determines have been most significantly impacted by COVID-19, to support the ability of such institutions to continue to provide educational services and support the ongoing functionality of the institution and/or to carry out emergency educational services, such as social and emotional support or protection of education-related jobs.
 - Any funds not used by a governor within one year of receipt are to be returned and reallocated among the remaining states.

Any institution that receives a grant under the Education Stabilization Fund—whether through a state governor or directly from the Department of Education—must, “to the greatest extent practicable, continue to pay its employees and contractors during the period of any disruptions or closures” related to COVID-19.

Subject to Congressional approval, certain monies have also been set aside for possible COVID-19 related assistance in the area of disinfecting affected schools; for counseling and distance learning and associated costs; and for student aid administration.

Flexibility in Federal Financial Aid and Institutional Grants

- **Waiver of non-federal share for campus-based financial aid programs:** The Act waives the non-federal share requirement for campus-based financial aid programs for award years 2019-2020 and 2020-2021.
 - This waiver does not apply to for-profit institutions.
- **Authority to make work-study payments:** The Act authorizes payments—as a lump sum or in payments similar to paychecks—to affected federal work-study students in an amount equal to or less than what the student would have been paid, in the event the student is unable to meet their federal work-study obligations due to COVID-19 or related circumstances.
 - To qualify for continued payment of federal work-study wages, the student (1) must be enrolled at the institution; (2) must have been a recipient of work-study funds during the academic year; (3) must have been completing the work necessary to receive work-study funds prior to the COVID-19 state of emergency; and (4) must have been prevented from fulfilling their federal



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- work-study obligation for all or part of the academic year due to such emergency.
- Any continued payments of federal work-study wages to students meet the institution's non-federal share, or "matching," federal work-study grant requirement.
 - **Authority to reallocate work-study grant funds to FSEOG:** The Act authorizes an institution to transfer of up to 100% of any of its unexpended federal work-study grant funds to its Federal Supplemental Educational Opportunity Grant (FSEOG) allotment for the duration of a federal emergency related to COVID-19.
 - **Authority to use FSEOG funds for emergency aid:** The Act authorizes use of any amount of an institution's Federal Supplemental Educational Opportunity Grant (FSEOG) funds to assist students in covering unexpected expenses and meeting financial needs that result from COVID-19 or a related national emergency.
 - In determining eligibility for such an emergency financial aid grant, an institution may waive the standard need calculation and may not treat the grant as other financial assistance that would affect the determination of a student's need for federal financial aid.
 - An institution may award a student an emergency financial aid grant of up to the maximum Federal Pell Grant for the year and may, under certain circumstances, utilize a scholarship-granting organization to do so.
 - **Waiver of institutional refund requirements in the case of withdrawal:** The Act waives the institution's responsibility to return any amount of grant or loan assistance that would otherwise be required when a student-recipient withdraws during the payment period or enrollment period due to COVID-19 or a related national emergency.
 - To obtain such waiver, the institution must report to the Department of Education: (1) the number of such withdrawing student-recipients; (2) the amount of grant or loan assistance associated with each withdrawing student-recipient; and (3) the total amount of grant or loan assistance that the institution has not returned.
 - This waiver does not apply to federal work-study grants.
 - The Act further authorizes an institution to provide approved COVID-19 emergency-based leaves of absences for students that do not require the students to return at the same point in the academic program at which the student began the leave of absence, if the student returns within the same semester (or equivalent).
 - **Relaxation of satisfactory academic progress requirements:** The Act permits an institution, in determining whether a student is maintaining satisfactory academic progress for the purposes of federal financial aid, to exclude from the quantitative component of the calculation any attempted credits that were not completed by a student without requiring the student to appeal, if such non-completion was the result of COVID-19 or a related national emergency.



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- **Waiver or modification of current allowable uses of funds for institutional grant programs:** The Act 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 institutions can re-deploy resources and services to COVID-19 efforts.

Additional provisions apply to certain specific categories of educational institutions, such as foreign institutions offering distance learning during a declared disaster or emergency to U.S. students receiving federal financial aid and institutions with historically under-served student populations.

The Act also suspends payment requirements and interest accrual on all federally owned student loans through September 30, 2020 without penalty to the borrower and provides other relief to recipients of federal subsidized loans and Pell Grants.

Additional Resources

- [The CARES Act and Nonprofits](#) (March 31)
- [Endowments in the Time of Coronavirus](#) (March 27)
- [New Federal Law Requires Many Employers to Provide Paid Coronavirus-Related Leave](#) (March 20)

Please visit our [COVID-19 resource page](#) for additional resources related to COVID-19.

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