



Summary of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act)

Colleagues – please see the following summary of the key higher education related provisions included in the federal stimulus/relief legislation, titled the Coronavirus Aid, Relief, and Economic Security Act (CARES Act). The legislation passed the U.S. Senate earlier in the week and passed the U.S. House of Representatives this afternoon. President Trump will now sign the measure into federal law.

Although the funding levels are below what was requested by the higher education community, funding for higher education is more than double what was initially proposed in the original U.S. Senate proposal last weekend. Significantly, the proposal also represents fair treatment for private non-profit institutions, with funds being distributed directly to institutions (instead of through state governors or a federal grant process) via funding formulas based on the number of Pell-eligible students and full-time equivalent (FTE) students. Lastly, as a reminder, this is the third COVID-related spending measure cleared by Congress. Because the Administration and Congress will surely begin thinking through a fourth COVID stimulus/relief package in the coming weeks, the higher education associations are now putting together a proposal related to institutional and student needs that was not included in this legislation.

Here is a quick summary provisions important to students and institutions:

Institutional Funding:

- **\$14 billion for all sectors of higher education**, half for emergency grants for students and half for institutions. Allocated amounts will be based 75 percent on an institution's Pell FTE enrollment and 25 percent on an institution's overall FTE enrollment relative to the national total. Students who were enrolled exclusively online prior to the pandemic outbreak will not be in the count.
- **Funds will be distributed through the existing Department of Education's Title IV system to institutions** so the money can get disbursed as quickly as possible (it remains unclear exactly how quickly). It is estimated that private not-for-profit institutions will receive approximately \$2.5 billion of the \$14 billion in total higher education funding.
- **At least 50% of funds (or \$6.279 billion) awarded to institutions must be used to provide direct emergency aid to students**, including "grants to students for food, housing, course materials, technology, health care, and child care." **Allowable uses for the institutional portion of the funds are broad and can be used to "defray expenses for institutions of higher education, such as lost revenue, technology costs associated with a transition to distance education."** And, recipients of funds must retain current employees to the "maximum extent practicable. Department of Education guidance on what constitutes "direct emergency aid to students" is expected.

- There is a **requirement that states not cut any previous support to institutions of higher education** or need-based grant programs for students unless the Secretary gives them a waiver for extraordinary economic loss.
- There is an **additional \$300 million set aside for grants to institutions that were particularly hard hit** by costs associated with the virus. Priority for these grants will be given to those institutions that did not receive at least \$500,000 in the basic distribution formula described above.

Student Loan and Student Aid Provisions:

- **Six Month Suspension of Federal Student Loan Payments.** Payments would not have to be made, and interest would not accrue, on federal student loans until September 30, 2020. Any payments borrowers make during this time would go directly toward the reduction of outstanding principal.
- **Federal Work Study (FWS):** The bill waives the institutional matching requirement for campus-based aid programs and would allow institutions to transfer unused work-study funds to be used for supplemental grants. In addition, the bill allows institutions to 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.
- **Supplemental Educational Opportunity Grants (SEOG) for Emergency Aid:** The bill allows institutions to award additional SEOG funds to students impacted by COVID-19.
- **Institutional Refunds and Federal Student Loan Flexibility:** The bill suspends an institution's obligation to return Title IV funds if a student withdraws during a payment period due to a qualifying emergency. Suspends a student's obligation to return Title IV aid they have received if they withdraw during a payment period due to a qualifying emergency. And, allows for institutions to allow students to take a leave of absence without needing to return in the same semester.
- **Subsidized Loan Limits:** The bill excludes loans from counting towards annual or cumulative limits if a borrower is unable to complete the term due to a qualifying emergency.

Here is a summary of all the [important provisions](#) related to regulatory relief for the student aid programs.

Key Tax and Employer Provisions:

- **Payment of Social Security Payroll Taxes:** The bill allows employers and self-employed individuals to defer payment of the employer share of the Social Security tax they otherwise are responsible for paying to the federal government with respect to their employees. Employers generally are responsible for paying a 6.2-percent Social Security tax on employee wages. The provision requires that the deferred employment tax be paid over the following two years, with half of the amount required to be paid by December 31, 2021 and the other half by December 31, 2022. The Social Security Trust Funds will be held harmless under this provision.
- **Charitable Giving Expansions:** The bill creates a new above-the-line charitable deduction in 2020 of up to \$300 for taxpayers who take the standard deduction. In

other words, taxpayers who don't itemize can deduct charitable contributions up to \$300. For persons who itemize, the legislation suspends for 2020 the 50% of adjusted gross income limitation on deductions for charitable contributions. For businesses, the 10% limitation on deductions for charitable contributions is increased to 25% of taxable income.

- **Employment Provided Educational Assistance (Section 127):** The bill provides a one-year expansion, for 2020, of tax code Section 127 to allow employers to offer up to \$5,250 in annual assistance to employees to cover student loan expenses.

Key Research Funding Provisions:

- **National Institutes of Health (NIH):** The bill includes \$945 million to support research to expand on prior research plans, including developing an improved understanding of the prevalence of COVID-19, its transmission and the natural history of infection, and novel approaches to diagnosing the disease and past infection, and developing countermeasures for the prevention and treatment of its various stages. When combined with the first supplemental, the Congress has provided \$1.78 billion for NIH research.
- **National Science Foundation (NSF):** The bill includes \$76 million in RAPID Grants – \$75 million to support NSF's ongoing RAPID grant response to coronavirus, which will support near real-time research at the cellular, physiological, and ecological levels to better understand coronavirus. Grant Administration – \$1 million to assist in the administration of RAPID grants and their associated costs for review and execution.
- **Department of Energy's Office of Science:** The bill includes \$99.5 million to the Department of Energy's Office of Science for costs related to equipment, personnel, and operations to support research on the coronavirus.
- **Department of Defense Research:** The bill includes \$415 million for DOD military medical research programs which have developed promising vaccines and anti-viral pharmaceuticals, which require additional investment for testing.
- **National Endowment for the Humanities (NEH):** The bill provides \$75 million for the National Endowment of the Humanities to provide grants and support to universities, museums, libraries, and other organizations during the coronavirus crisis.
- **National Institute of Standards and Technology (NIST):** The bill provides \$6 million to NIST to support continuity of operations during the coronavirus public-health emergency, including research and measurement science activities to improve coronavirus testing capabilities and support development of coronavirus diagnostics.

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