Coronavirus Aid, Relief, and Economic Security (CARES) Act

The third stimulus bill related to COVID-19 will provide $14 billion for all sectors of higher education. The bill provides:

$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, except that students who were enrolled exclusively online prior to the pandemic outbreak will not be in the count. Funds will be distributed through the Title IV system to institutions so the money can get disbursed as quickly as possible.

There is $1 Billion for HBCUs and MSIs.

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.

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.

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.

Other provisions of interest:

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.

Student Aid Program Waivers. There are a number of important provisions for regulatory relief for the student aid programs, including in such areas as campus-based aid, institutional refunds, satisfactory academic progress, lifetime limits on Pell Grants and student loans, and National Service and Teach Grant service requirements.

Charitable Giving Expansions. The bill provides an allowance of a partial above-the-line deduction for charitable contributions, and an expansion of limitations on charitable contributions for 2020.

Expansion of Small Business Administration Loans. The bill expands eligibility to entities with 500 or fewer employees (apparently including students), removes many of the credit criteria
and streamlines the application process, and raises the cap on the amount that can be borrowed to $10 million. It includes loan forgiveness provisions if entities do not lay off employees or reduce salaries for those making less than $100,000 during the eight week period after the loan is received. Funds can be used for payroll, mortgage, rent or utilities.

A detailed section-by-section review of the legislation is available at the web site of Senator Patrick Leahy at: https://www.appropriations.senate.gov/imo/media/doc/032520%20Title-By-Title%20Summary%20FINAL.pdf