



TO: Chancellor Eloy Ortiz Oakley
Chief Executive Officers
Chief Business Officers
Chief Student Services Officers

FROM: Lizette Navarette, Vice Chancellor, College Finance and Facilities Planning

RE: Analysis of CARES Act – Federal Stimulus Package

ANALYSIS OF THE CORONAVIRUS AID, RELIEF, AND ECONOMIC SECURITY (CARES) ACT

Bill Number: S. 3548/ H.R. 748

Bill Status: On Wednesday, March 25, 2020, the CARES Act was passed by the Senate, and the House cleared the measure by voice vote on Friday, March 27. Soon after, President Trump signed the legislation into law.

Bill Summary: This bill represents the third phase of Coronavirus response legislation and includes \$30.9 billion in new investment to the U.S. Department of Education (USED), among new investment to other sectors.

Bill Detail:

Specifically, this bill:

- Establishes the **Higher Education Emergency Relief Fund** which shall include flexible funding to be distributed directly to states and institutions of higher education to help schools, students, teachers, and families with immediate needs related to coronavirus, including:
 - \$13.953 billion to defray expenses for institutions of higher education, such as lost revenue, technology costs associated with a transition to distance education, and grants to students for food, housing, course materials, technology, health care, and child care.
 - \$12.558 billion (90 percent) will go directly to institutions through the Title IV distribution system.
 - Institutional awards are calculated using **75 percent** of full-time enrollment of Pell recipients at an institution and **25 percent** of the institutional award is calculated using full-time enrollment of non-Pell recipients. (Students who were exclusively online prior to the pandemic are not included in this calculation.)

- 6.977 billion (50 percent) awarded to institutions must be used to provide direct emergency aid to students, including grants to students for food, housing, course materials, technology, healthcare, 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.” Costs may not include payment to contractors. Recipients of funds must retain current employees to the “maximum extent practicable.”
 - **In order for a state to access these funds, they must agree to a maintenance of effort in funding** to public K-12 schools, public institutions of higher education and state need-based financial aid (Cal-Grants). State investment levels must remain steady this year and next year at least at the average of the three preceding years.
 - \$992 million for Historically Black Colleges and Universities and Minority Serving Institutions.
- Student financial aid and federal work-study:
 - Waives the institutional matching requirement for campus-based aid programs. Allows institutions to transfer unused work-study funds to be used for supplemental grants.
 - Allows institutions to award additional SEOG funds to students impacted by COVID-19.
 - Makes adjustments to Satisfactory Progress. For students who dropped out of school as a result of COVID -19, the student’s grades do not effect a student’s federal academic requirements to continue to receive Pell Grants or student loans.
 - 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.
- Allows for students who dropped out of school as a result of COVID-19 to:
 - Exclude the term(s) from counting toward lifetime subsidized loan eligibility.
 - Exclude the term(s) from counting toward lifetime Pell eligibility.
 - Retain Pell grants or federal student loans issued by the Secretary for the term(s), and waives the requirement that institutions calculate the amount of grant or loan assistance that the institution must return to the Secretary in the case of students who dropped out of school as a result of COVID-19.
 - Retain eligibility for Pell Grants or student loans regardless of grades earned during the emergency.
- Institutional Refund and Federal Student Loan Flexibility.
 - For students who dropped out of school as a result of COVID -19, the student is *not* required to return Pell grants or federal student loans to the Secretary. Waives the

requirement that institutions calculate the amount of grant or loan assistance that the institution must return to the Secretary in the case of students who dropped out of school as a result of COVID-19.

- Provides for temporary relief for Student Loan Borrowers. Requires the Secretary of Education to defer student loan payments, principal and interest for up to 6 months, through September 20, 2020 without penalty to the borrower for federally owned loans.
- During those six months of deferred payments, these six months would still count as qualifying payment toward an authorized loan forgiveness program, such as income-driven repayment plans and public service loan forgiveness (PSLF) program
- Workforce Development Provisions
 - Provides local workforce boards with additional flexibility to use funds received under the Workforce Innovation and Opportunity Act for administrative costs, including for online resources. Allows Governors to utilize reserved workforce funds on rapid response activities in response to COVID-19.
- Increased funding for SNAP Benefits
 - Provides \$15.5 billion in additional funding for the Supplemental Nutrition Assistance Program (SNAP, also known as CalFresh) to provide additional food assistance to low-income Americans.

Fiscal Analysis:

The CARES Act provides \$14.3 billion in funding for institutions of higher education. Approximately \$1 billion of funds will be provided to Historically Black Colleges and Universities. Of the remaining amount about half of the funding is for emergency financial aid grants to students for eligible expenses, including food, housing, course materials, health care and child care. The other half of the funding will be provided to institutions to defray expenses, cover lost revenue and transition to distance education.

Higher education funding will be distributed based on the number of Pell grant students enrolled (75% of funding) and the number of non-Pell grant students (25%) of the funding. Students who were previously online only will not be counted for funding under this act. While further details are pending, the **preliminary estimated total** for California Community Colleges is \$578,277 million. These estimates may change as additional guidance is released.

<i>Preliminary estimates only</i>	Pell FTE Amount	Not Pell FTE Amount	TOTAL
California Community Colleges Total	\$378,698,000	\$199,584,000	\$578,277,000
California State Total	\$1,312,483,000	\$411,030,000	\$1,723,514,000

Discussion:

The CARES Act includes a number of provisions consistent with the Chancellor's Office, Community College League of CA, AACC, and other advocates proposal to provide protections for student financial aid as well as new statutory and regulatory flexibility allowing the transferring of funds from one campus based aid program to another, and the easing of restrictions for allowable uses of grant aid, including the transfer of unused federal work-study funds to be used for Supplementary Opportunity Grants.

Further, the CARES Act establishes the Higher Ed Relief Fund to help colleges manage acute financial strain as a result of unclear enrollment and reduced state revenues. This fund is similar to an effort created in 2009 that provided a lifeline for colleges and universities to remain solvent. According to the authors, a higher ed institution may use stabilization funds to cover any costs associated with the closure or significant changes to the delivery of instruction due to the coronavirus and shall use no less than 50 percent of such funds to provide emergency grants to students for expenses directly related to coronavirus and the "disruption of campus operations." Moreover, the provisions in the bill require states to agree to a "maintenance of funding" in order to access Relief funds. This language require states to maintain need based financial aid funding for the current year and next year at levels equivalent to the average of the prior three years.

Continued Federal Advocacy:

Despite several much-needed protections for students, the bill does not include a number of items present in our proposal:

- Long-term investment in Pell such as direct cash assistance to students through the Pell Grant disbursement system to students'.
- Funds to identify longer-term technology solutions for hard-to-convert programs dedicated to support colleges in their transition from in-person to online instruction and to close achievement gaps resulting for low-income students.
- Access to low-cost capital for institutions to assist with the infrastructure costs associated with resuming on-site operations, and to help refinance existing debt to free up resources for more immediate needs.

The Chancellor's Office will continue its federal advocacy and Congressional engagement on the above priorities and any other needs identified as Congress considers future Coronavirus response appropriations.

If you have any questions, please don't hesitate to contact me at lnavarette@cccoco.edu.