

## Guide for the Distribution of Student Grants under the Higher Education Emergency Relief Fund<sup>1</sup>

April 13, 2020<sup>2</sup>

On April 9, 2020, Education Secretary Betsy DeVos announced the U.S. Department of Education (“Department”) was making immediately available to postsecondary institutions more than \$6.2 billion in emergency grants for students impacted by Coronavirus and authorized in the Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”).<sup>3</sup> The approximately \$6.2 billion accounts for the portion of the Higher Education Emergency Relief Fund (Sec. 18004) that **must** be used to provide emergency financial aid grants directly to students. The institutional share of funds is not yet available to institutions.

The use of the Higher Education Emergency Relief Fund is governed by Sec. 18004(c) of the CARES Act and mandates, in part, that:

*“Institutions of higher education shall use no less than 50 percent of such funds to provide emergency financial aid grants to students for expenses related to the disruption of campus operations due to coronavirus (including eligible expenses under a student’s **cost of attendance**, such as food, housing, course materials, technology, health care, and child care.”* Emphasis added.

This first allocation, which represents 50 percent of an institution’s total allocation under the Higher Education Emergency Relief Fund, must be used **exclusively** for student emergency financial aid grants. Secretary DeVos makes clear in her April 9 letter to college and university leaders that, “We (the Department) are prioritizing this funding stream in order to get money in the hands of students in need as quickly as possible.”

Secretary DeVos indicates that the leadership of each institution has significant discretion to develop its own system and process for determining how to allocate student emergency financial aid grants but encourages institutions to prioritize students with the **greatest need**. She also recommends establishing a maximum funding threshold for each student (e.g., the current maximum federal Pell Grant amount of \$6,195) to help ensure the funds are distributed as widely as possible.

Finally, Secretary DeVos suggests that if you conclude your institution’s students do not have significant financial need, you should consider giving some or all your allocation to those institutions that might have students with significant need.

CECU is emphasizing that in both the CARES Act and Secretary DeVos’s letter references to the definition of a student’s “cost of attendance” under Sec. 472 of the Higher Education Act of

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<sup>1</sup> This Guide does not, and is not intended to, constitute legal advice.

<sup>2</sup> Revised on April 15, 2020.

<sup>3</sup> See: <https://www.ed.gov/news/press-releases/secretary-devos-rapidly-delivers-more-6-billion-emergency-cash-grants-college-students-impacted-coronavirus-outbreak>

1965 (“HEA”) as it relates to identifying eligible expenses for which a student’s emergency financial aid grant can be used.<sup>4</sup>

**General principles to consider:**

- To underscore, the first allocation of Higher Education Emergency Relief Fund being provided by the Department represents 50 percent of an institution’s total allocation and does not include the institutional share of funds. **One hundred percent of this allocation must be used exclusively for student emergency financial aid grants.**
- Engage the institution’s financial aid office, student services team, and other senior leaders to guide this important work. You may want this working group to start by identifying potential students most in need of such financial support. Although a student’s financial need as recorded for federal financial aid purposes may be a helpful starting point, remember that some students will have developed new levels of need based on recent events related to the Coronavirus pandemic. For example, a student’s job may have been lost, someone in the immediate household may have contracted COVID-19, or the student may have relocated to a different state.
- An institution should develop a written process by which it will allocate to students the emergency financial aid grants, and then follow this written process. Maintain notes and supporting documentation when exceptions, errors, or omissions occur. Most institutions will have more student need than funds available. A well-reasoned process that can be shared widely and publicly is in an institution’s best interest and justifies decisions made should families, policymakers, the press, or others request such explanations.
- Some institutions have indicated they will be using the financial aid administrator, bursar, or the campus president/director as the individuals responsible for the administration of the emergency financial aid grants and as the direct point of contact for students and families with questions. Students, faculty, and staff should know the person(s) to whom inquiries and issues should be addressed regarding the emergency grants.
- If your institution is located in a state or city with a “stay-at-home order” and have not set up a process for someone to handle financial matters from home, do so immediately. The distribution of emergency financial aid grants to students should not be delayed.
- The Department has retained a small amount of funds (\$50 million) for unanticipated and special needs. Your institution might consider doing the same from its allotment, but remember, most funds should be distributed to students timely and not held by the school. Any institutional reserve that has been set aside should be documented.
- An institution should keep detailed accounting records of every emergency financial aid grant (i.e., the recipient, the date and amount disbursed, the form of such disbursement, and the student’s intended use of such funds).
- Create a separate interest-bearing depository account for the emergency financial aid grants with a bank insured by the Federal Deposit Insurance Corporation or the National Credit Union Administration. Include the phrase *federal emergency grant funds* in the name of the account. Interest earned on the funds should be repurposed as emergency financial aid grants to students. This process will enable an institution to reject any allegations of using/co-

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<sup>4</sup> See: <https://legcounsel.house.gov/Comps/Higher%20Education%20Act%20Of%201965.pdf>, p. 520.

mingling such funds with the school's general operations. Some institutions have inquired if they can use an existing account, such as one that already handles student disbursements. We discourage this simply to protect an institution from any accusation of using such grants intended for students for other purposes. As an institution develops its written process, do so knowing there is a chance someone – from the Department to a Congressional staffer or even hostile press – will want a detailed account/audit of how such funds were handled. Be prepared and welcome such transparency.

- Process Matters! The Department requests that institutions be mindful of each student's socioeconomic circumstance. Carefully account for the emergency financial aid grant awarded to each student, how the determination was made for a specific amount, and any instructions you might have provided to the student.
- Create a form (not a contract) of award or attestation that articulates to the student the exact amount of the emergency financial aid grant. If it is given for a specific purpose, include such language. Such an award should have signatures by both the institution's staff person(s) administering the grant program and the student. Include language, to be signed by the student, which both acknowledges receipt of this amount of emergency assistance and serves as a student's commitment to using the funds as stated. Although the CARES Act makes clear these grants must go directly to students, you also want some level of protection for the institution if a student uses the funds for a different purpose.
- Many institutions are requesting that students complete a request for emergency funds form, which documents a student's need for an emergency financial aid grant. An example used by one such school is at Attachment A.
- Test the formula before it becomes final. Once an institution decides on the criteria and formula for the distribution of emergency financial aid grants, ensure that you run the numbers to verify they work for your students. Do not risk running out of funds because you did not make sure that the formula has enough funds for all students eligible under the criteria the institution established.
- Transparency and accountability matter. Make sure everyone knows the formula you are using to determine the emergency financial aid grants. An institution may not want to share the formula before students fill out a request for emergency funds form, but you should be prepared to explain how the funds were distributed at the time of distribution.
- Many institutions are projecting that their students will be engaged in online learning through much of summer 2020. As a result, some institutions are choosing to distribute emergency financial aid grants to students in two or more disbursements. The rationale for multiple disbursements is both to encourage proper use of the funds and as motivation for students to remain enrolled and engaged in their education. Although we recognize some merit in multiple disbursements, institutions should not create burdensome criteria that critics can then accuse your institution of withholding funds intended for students.
- Most institutions are using the same process currently used to disburse student stipends – either direct deposit or check. For obvious reasons, do not disburse cash to students.
- Track and audit all funds carefully. Institutions are expected to file reports with the Department on the use/distribution of the emergency financial aid grants.<sup>5</sup> CECU has

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<sup>5</sup> Directions and deadlines regarding these reports is forthcoming from the Department.

publicly called for full transparency and accountability of all actions related to an institution's receipt, use, and distribution of funds.<sup>6</sup> We know our critics are already accusing the proprietary sector of forthcoming fraud in the use of such funds. Only full transparency can answer such allegations.

- The CARES Act makes clear that this first half of your institution's allocation under the Higher Education Emergency Relief Fund must go directly to students. Of course, your institution should keep track of the staff time involved in the management and distribution of the emergency financial aid grants. Keep track of every hour of staff time and account for how every dollar is distributed. An institution will likely need this level of data for audits and reports later, and certainly, for the sector's transparency in proving to critics the funds were used properly and wisely. Institutions will have greater flexibility in the use of the institutional allotment of funds, which are expected in the coming weeks. We think covering staff time in administering the emergency financial aid grants may be an acceptable use of some of those institutional funds.

### **Potential formulas for distributing funds:**

Many institutions have asked for guidance on how to fairly and equitably distribute the emergency financial aid grants to students. Below are a few options to consider that are based on conversations with institutional leaders.

#### 1. Distribution based on cost of attendance factors:

Once an institution has created a list of potential students in need, list each of the allowable expenses for which the emergency grants may be used, as provided for in the CARES Act and the HEA's cost of attendance formula (e.g., food, housing, course materials, technology, health care, child care, etc.).

Organize students based on their needs, recognizing that some of those most in need will likely require funds for multiple needs. For example, a student needs funds for food, housing, and technology for his or her program that was transitioned online due to the Coronavirus pandemic.

Once you have established the needs you seek to support and the number of students with one or more specific needs, you can begin to divide the institution's allocation in ways that best support these different needs.

#### 2. Pell eligibility and enrollment status:

Use a formula based on Pell Grant eligibility and total number of credit hours (or the equivalent). Establish the enrollment status and course load of each eligible student. Divide the total allocation by the number of credit hours of eligible students to determine the amount each student receives.

##### Example:

An institution received \$100,000 in emergency grant funds

A school has 200 Pell Grant eligible students

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<sup>6</sup> See:

<https://cecu.informz.net/cecu/data/images/CECU%20Ltr%20Secretary%20DeVos%20CARES%20Act%20Higher%20Education%20Emergency%20Relief%20Fund%202020-4-9.pdf>

Half (100) carry a full-time course load of 12 credit hours	1200 credit hours
Half (100) carry a course load of 8 credit hours.	800 credit hours
Total hours:	2,000 credit hours

\$100,000 divided by 2,000 credit hours equals \$50/credit hour

A student with 12 credit hours receives a grant of \$600

A student with 8 credit hours receives a grant of \$400

3. Prioritize exceptional need and set a maximum amount:

Consider a higher grant amount for the neediest students first (based on low expected family contribution).

Provide a minimum grant amount to any student who has incurred expenses due to significant disruptions caused by the Coronavirus pandemic. Additionally, students who have been financially responsible for food, housing, course materials, technology, health care, and child care expenses will be awarded an additional amount for each responsibility, up to a total maximum grant amount.

Determine whether only active students and those who are in good standing should be included in this formula. Institutions should be as flexible as possible regarding a student's financial and academic standing due to Coronavirus-related issues.

4. Prioritize Pell and then more:

Once an institution prioritizes those students with the greatest economic need, as indicated by their expected family contribution and Pell Grant status, then consider prioritizing students facing two specific issues important to their continued enrollment: students who had to acquire technology to continue their education and students who had to leave institutionally owned or operated housing and find new living accommodations.

5. Manage delays while supporting students:

Contemplate distributing a small amount of emergency financial aid grants to all students immediately, making clear that the funds may only be used for eligible expenses. After these initial funds are disbursed, then invite students to apply for additional funds based on significant financial need.

**Additional Resources<sup>7</sup>**

For questions or concerns related to the Higher Education Emergency Relief Fund, please do not hesitate to contact Nicholas Kent, Senior Vice President of Policy and Research, at [Nicholas.Kent@career.org](mailto:Nicholas.Kent@career.org).

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<sup>7</sup> On March 13, 2020, CECU launched an information webpage for institutions responding to Coronavirus (COVID-19). CECU's Coronavirus webpage includes a multitude of helpful resources to assist higher education leaders understand the various legal and operational implications of temporarily closing a campus or adapting courses to online learning. *See:* <https://www.career.org/coronavirus.html>.

**Attachment A**

**Emergency Financial Aid Grants to Students  
Under the Coronavirus Aid, Relief, and Economic Security (CARES) Act**

The U.S. Department of Education has made Emergency Financial Aid Grants to students of our institution who need financial support for their expenses related to the disruption of campus operations due to Coronavirus. This application permits students to apply for these need-based grants. Campus administration will use the information you provide here to determine your eligibility for a grant and the amount for which you will be eligible. Each student will be eligible for only one grant, and only one application will be considered per student. Please fill out this information neatly and completely and provide it to your campus Financial Aid Officer, Bursar, or Campus Director. Only active students who are participating in courses actively and who are in good standing will be eligible to receive a grant.

Student Name: \_\_\_\_\_ Email: \_\_\_\_\_

Postal Address: \_\_\_\_\_ City: \_\_\_\_\_ State: \_\_\_\_\_ Zip: \_\_\_\_\_

Last Four Digits of SSN: \_\_\_\_\_ Phone Number: \_\_\_\_\_

Have you incurred expenses due to disruptions caused by the Coronavirus pandemic?

Yes  No

Check all situations that apply to you.

- I am financially responsible for my food expenses
- I am financially responsible for my housing expenses
- I am financially responsible for expenses related to my course materials to attend school
- I am financially responsible for paying for technologies associated with attending online classes
- I am financially responsible for my own health care costs
- I have children and am financially responsible for child care expenses

I attest that all information is true and accurate, and I am requesting a one-time Emergency Financial Aid Grant to help cover the cost of expenses incurred due to the Coronavirus pandemic. I understand that I will be unable to revise this request after submitting it, and I understand that the administration of my school will determine my eligibility for grant monies based on my responses to the questions above.

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Date

\_\_\_\_\_  
For Administration Use Only

Administrator Name: \_\_\_\_\_ Administrator Position: \_\_\_\_\_

Student Eligibility Amount: \_\_\_\_\_