

Direct Financial Aid Grants for Students Under the CARES Act

By Daniel M. Campbell, Partner

As more guidance about the CARES Act becomes available, higher education institutions have questions about the funds available to them.

Here's a look at two common questions about direct financial aid grants for students under the CARES Act.

Can an institution apply CARES Act funds to students' tuition, fees, and room and board?

Higher education institutions must make the CARES Act funds available to students in the form of emergency financial aid grants. These grants must be made directly to the students, and the assumption is that they are delivered as "cash in hand."

The expectation is that the grants are for student expenses related to the disruption of campus operations due to COVID-19, such as food, housing, course materials, technology, health care, and child care expenses.

Will higher education institutions be required to report these funds on a Form 1099 for each student?

There currently is no guidance on reporting these grants on a Form 1099. We expect that reporting, if any, will be similar to how current Federal Pell Grants awards are reported.

A few things to note:

- Institutions will be required to report to the United States Education Department (ED) the methodology used in disbursing these funds within 30 days. Subsequent reporting will be required every 45 days.
- Institutions **cannot** use these student-directed funds to reimburse the institution for costs, expenses, or refunds issued in cash or credits to students prior to April 9, 2020.

- Institutions do have significant discretion in the disbursement of the CARES Act funds. They are encouraged by Secretary of Education Betsy DeVos to prioritize students with the greatest need, and to place a cap on each grant to ensure the funds are distributed widely and wisely.
- Institutions receiving CARES Act funds must meet several conditions. These are included in guidance on the certification form, and we encourage you to consider them carefully.

We recommend that higher education institutions:

- Carefully document their process for developing a strategy to disburse the funds. This should include:
 - Who is taking responsibility for the strategy and implementation.
 - The legal obligation to reimburse students for unoccupied room charges and meal plans that were not fulfilled. Consider student contracts, financial responsibility agreements, student handbooks, and school catalogs.
- Consider not reimbursing students for unused room and board charges for spring 2020 if they are not legally obligated to do so.
- Consider using the student portion of CARES Act grants to provide student stipends or grants for

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financial losses incurred related to housing and meals due to the COVID-19 disruption. Those stipends or grants should be in the form of checks to students.

Please contact us with any questions. We are here to help.

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Additional Resources:

[Education Department COVID-19 \("Coronavirus"\) Information and Resources for Schools and School Personnel](#)

[Secretary DeVos Rapidly Delivers More Than \\$6 Billion in Emergency Cash Grants for College Students Impacted by Coronavirus Outbreak](#)

[Letter from Secretary DeVos Regarding CARES Act Grant Funding](#)

[Education Department Provides COVID-19 Update](#)

[Institutional Certification Form](#)

[Listing of Schools and Awards](#)

[More COVID-19 Resources from CapinCrouse](#)

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Dan has more than 35 years of public accounting experience leading audit engagements of nonprofit organizations and for-profit industries. Dan leads the firm's higher education practice segment, which includes more than 80 client relationships, and commits a significant portion of his professional time to board training, strategic planning initiatives, and accreditation support. He served on the Board of Trustees of Davis College for 25 years. Prior to joining the firm in 2006, Dan managed audits of financial institutions, construction contractors, and manufacturers.

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