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CARES Act Relief for Schools

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Today's webinar

- CARES Act Overview
- Education Specific Provisions
- Paycheck Protection Program

But first...

A moment of Zen.



Introductions

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CARES Act Overview

CARES Act Overview

- Signed March 27, 2020 by President Trump
- Largest economic relief act ever passed
- Goal: preserve jobs and stabilize the economy
 - Very different than TARP
- Provides assistance to higher education institutions and students
- Provides assistance to small businesses and industries

CARES Act Education Provisions

Higher Education Stabilization Fund

- Appropriates \$30.75 Billion for an Education Stabilization Fund
- Available through September 30, 2021
- Assist Governors, local school districts and postsecondary institutions with preventing, preparing for and responding to COVID-19
- Also includes important student relief and temporary regulatory flexibilities.

Higher Education Emergency Relief Fund

- Provides approximately \$14 Billion in direct funding from the Secretary to institutions of higher education
- Based on an allocation tied to the institution's relative share of on-ground Full Time Equivalent (FTE) students, 75% of the funds allocated based on Pell recipients and 25% based on non-Pell students.

Higher Education Emergency Relief Fund

- Institutions must distribute at least 50% of the funds received for emergency financial aid grants to students to cover any component of the student's cost of attendance
 - including food, housing, course materials, technology, health care, and childcare
- Fully on-line institutions are not eligible
- Requires that any entity receiving funds continue to pay its employees and contractors during any disruption related to COVID-19 “to the greatest extent practicable.”

Higher Education Emergency Relief Fund

- Institutions may use remaining funds "to cover any costs associated with significant changes to the delivery of instruction due to the coronavirus, so long as such costs do not include payment to contractors for the provision of pre-enrollment recruitment activities; endowments; or capital outlays associated with facilities related to athletics, sectarian instruction, or religious worship."

Governor's Emergency Relief Fund

- Authorizes state grants
- Awarded by the Secretary
- Funds to be utilized by local education agencies, institutions of higher education, and education related entities most heavily impacted by the pandemic
- Awards will be made after application by states and approval by the Secretary.

Student Borrower Relief

- Suspension of payments and collections on Federal Student Direct Loans through September 30, 2020
- Waiver of interest accrual during that time
- Treatment of nonpayment during the suspended period as if the payment was made for purposes of any loan forgiveness or rehabilitation program
- Cancellation of the borrower's obligation to repay the portion of a Direct Loan associated with a payment period during which a student withdrew due to the COVID-19 emergency

Regulatory Relief

- Waiver of R2T4 refund requirements for Title IV loans and grants for institutions and students, for students who withdraw during the payment period as a result of the qualifying emergency
- Authority for institutions to provide a student with an approved LOA that does not require the student to return to the same point in the program at which the student began the LOA if the student returns within the same semester (or equivalent)

Regulatory Relief

- Institutions may exclude from the attendance component of the Title IV SAP student eligibility requirement any attempted but not completed credits or hours for students whose attendance is impacted by COVID-19, without requiring an appeal by the student
- Adjusts Subsidized Loan Usage Limits to exclude from the period of enrollment for federal loan purposes that payment period that the student does not complete due to the qualifying emergency

Regulatory Relief

- Exclusion from a student's Pell Grant duration limit the payment period that the student does not complete due to the qualifying emergency
- Provides flexibility for use of Supplemental Educational Opportunity Grant funds for student emergency expenses, temporary waiver of non-federal share requirement for Federal Work Study, and allowance for continued FWS payments to students

Limited Waiver Authority for Secretary of Education

- Congress withheld from the Secretary the ability to waive many regulatory requirements under Title IV, including concerning financial responsibility
- Will hamper efforts by the Department to provide additional regulatory relief in some instances

Paycheck Protection Program

Paycheck Protection Program: Overview

- Part of the CARES Act
- \$349 billion in funds available (why not \$350?)
- Provides small businesses with funds to pay up to 8 weeks of:
 - payroll costs including benefits
 - interest on mortgages, rent, and utilities

Paycheck Protection Program: Eligibility

- **Eligibility: Small businesses with 500 or fewer employees**
 - including nonprofits, veterans organizations, tribal concerns, self-employed individuals, sole proprietorships, and independent contractors
 - businesses with more than 500 employees are eligible in certain industries (waiting for rules on affiliation rules)
 - Must have been in operation on February 15, 2020 and had employees for whom you paid wages and taxes or paid independent contractors

Paycheck Protection Program: Loan Amounts

- Up to \$10 million- Amount is Formula based:
 1. Aggregate payroll costs from the last twelve months for US resident employees
 2. Subtract any compensation paid to an employee/contractor/proprietor in excess of an annual salary of \$100,000
 3. Divide by 12 to get average monthly payroll costs
 4. Multiply average monthly payroll costs by 2.5
 5. Add the outstanding amount of an Economic Injury Disaster Loan made between January 31, 2020 and April 3, 2020, less the amount of any “advance” under an EIDL COVID-19 loan (because it does not have to be repaid).

Paycheck Protection Program: Loan Amount Examples

- From Regulations
- Example 1 – No employees make more than \$100,000
 - Annual payroll: \$120,000
 - Average monthly payroll: \$10,000
 - Multiply by 2.5 = \$25,000
 - Maximum loan amount is \$25,000

Paycheck Protection Program: Loan Amount Examples

- Example 2 – Some employees make more than \$100,000
 - Annual payroll: \$1,500,000
 - Subtract compensation amounts in excess of an annual salary of \$100,000: \$1,200,000
 - Average monthly qualifying payroll: \$100,000
 - Multiply by 2.5 = \$250,000
 - Maximum loan amount is \$250,000

Paycheck Protection Program: Loan Amount Examples

- Example 3 – No employees make more than \$100,000
 - outstanding EIDL loan of \$10,000.
 - Annual payroll: \$120,000
 - Average monthly payroll: \$10,000 Multiply by 2.5 = \$25,000
 - Add EIDL loan of \$10,000 = \$35,000 Maximum loan amount is \$35,000

Paycheck Protection Program: Important Notes

- “Payroll Costs” do not include:
 - Any compensation of an employee whose principal place of residence is outside of the United States;
 - The compensation of an individual employee in excess of an annual salary of \$100,000, prorated as necessary;
 - Federal employment taxes imposed or withheld between February 15, 2020 and June 30, 2020, including the employee’s and employer’s share of FICA (Federal Insurance Contributions Act), and income taxes required to be withheld from employees; and
 - Qualified sick and family leave wages for which a credit is allowed under sections 7001 and 7003 of the Families First Coronavirus Response Act

Paycheck Protection Program: Important Notes

- Independent contractors do not count as employees for purposes of calculating loan amounts.
 - They can apply for their own loan!
- You can only apply for one loan— so apply for the maximum
- Loans must be made on or before June 30, 2020
- Interest will accrue during deferment
- Misuse of funds carries federal criminal penalties!

Paycheck Protection Program: Loan Terms

- Loans will be fully forgiven when used for these costs
 - At least 75 % of forgiven amount must be for payroll
 - Forgiveness based on maintaining or quickly rehiring employees and maintaining salary levels
 - Forgiveness reduced if full-time headcount declines, or if salaries and wages decrease.
- Loan payments will be deferred for 6 months
- No collateral or guarantees required
- No fees – 1% interest – 2 year maturity (can be extended by Secretary)

Paycheck Protection Program: Application

- When to apply
 - April 3: small businesses and sole proprietorships
 - April 10: independent contractors and self-employed individuals
- Treasury encourages early application due to funding cap
- How to apply
 - Any existing SBA lender or via FDIC insured bank or credit union
 - List of participating lenders available at sba.gov

Paycheck Protection Program

- Resources
 - [USChamber.com](https://www.uschamber.com)
 - [Treasury.gov](https://www.treasury.gov)
 - [SBA.gov](https://www.sba.gov)

Any questions?

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