

TITLE: Update on Federal Coronavirus Relief Funds

DESCRIPTION: Staff will provide an update pertaining to federal Coronavirus relief funding for higher education and COVID-19 costs and foregone revenue at Kentucky public postsecondary institutions.

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BACKGROUND INFORMATION

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security (CARES) Act was signed into law and became the first of three major pieces of federal legislation that provided relief funds to address the social, health, and economic impacts of the COVID-19 pandemic. Two additional acts, the Coronavirus Response and Relief Supplemental Appropriations Act (CRRSAA) and the American Rescue Plan (ARP) Act were signed in to law on December 27, 2020 and March 11, 2021, respectively. Each of these acts has provided, and is continuing to provide, federal relief funding to postsecondary education, elementary and secondary education, and other areas of state and local government.

The CARES Act and CRRSAA authorized two primary programs that provide relief funds for postsecondary education: (a) the Higher Education Emergency Relief Fund (HEERF); and (b) the Governor's Emergency Education Relief Fund (GEER Fund).

Higher Education Emergency Relief Fund – HEERF

- HEERF grants are allocated directly to postsecondary institutions, although program guidelines require receiving institutions to distribute a significant portion of the funds to students in the form of emergency financial aid grants (e.g., a minimum of 50 percent of total awards under the CARES Act must be distributed to students). For example, the CARES Act and CRRSAA required the public postsecondary institutions in Kentucky to distribute a combined minimum of \$291.4 million in financial aid grants to students.
- The remaining funds, referred to as the “maximum institutional portion”, can be used to recover eligible COVID-19 related costs and forgone revenue at the institutions. To access allocated institutional funds, campuses must first incur costs and realize

lost revenue associated with the pandemic, and then submit reimbursement requests that meet program eligibility criteria. Each fund has distinct requirements governing the costs and lost revenue that are eligible for reimbursement.

Governor's Emergency Education Relief Fund -- GEER Fund

- The CARES Act and CRRSAA both made funds available to Governors to help address challenges to elementary and secondary education and higher education during the pandemic. GEER I relief funds, made available to Kentucky through the CARES Act, totaled \$43.8 million. GEER II, made available through CRRSAA, totaled \$19.3 million. Governor Beshear allocated \$13.8 million and \$4.0 million to postsecondary education through GEER I and GEER II, respectively. The ARP Act does not include GEER funds.
- CPE staff administers the GEER funds assigned to postsecondary education. Of \$13.8 million in GEER I funding, private institutions received \$1.0 million, \$8.8 million was distributed to public universities, and \$2.5 million was distributed to KCTCS institutions to support remote learning, provide personal protection equipment and COVID-19 testing, support campus modifications and facilities, provide mental health support, and provide scholarships. In addition, \$1.5 million was directed by CPE staff to support mental health services on campuses. GEER II funding (\$4.0 million) is currently being used to support Summer Bridge Programs and for College and Career Academies.

Coronavirus Relief Fund

- Another source of funding that had the potential to be used to support COVID-19 related costs at postsecondary institutions across the nation was Coronavirus Relief Funds (CRF) that were made available to Governors in each state through the CARES Act. In Kentucky, Governor Beshear made the decision to allocate \$40.0 million of the state's \$1.5 billion total Coronavirus Relief Fund allocation to support higher education. The Office of State Budget Director (OSBD) is responsible for administering the allocation and distribution of CRF dollars set aside for postsecondary education.
- The 2020-2022 state budget (HB 192), enacted on March 30, 2021, incorporated the Governor's plan to use \$40.0 million of Kentucky's Coronavirus Relief Fund (CRF) allocation to support the public postsecondary institutions in fiscal year 2020-21, while at the same time reducing state General Fund appropriations at the institutions by a system total \$20.0 million that same year.

CURRENT STATUS

Identifying amounts of federal relief funds allocated to Kentucky's public postsecondary institutions is a straight-forward exercise. With passage of each subsequent stimulus bill, the Department of Education, Office of Postsecondary Education, has published HEERF allocation amounts by institution. Kentucky GEER funds assigned by the Governor to postsecondary education are being allocated and distributed by CPE. To date, allocations for higher education institutions have been announced for relief funds provided under CARES and CRRSAA, but not for funds contained in the ARP Act.

Quantifying and documenting eligible COVID-19 related costs and forgone revenue is less simple. Over the past two months, CPE staff has worked with campus chief budget officers to design a reporting template to facilitate the collection of costs and foregone revenue associated with the pandemic. The result of that effort, in summary form, can be found in Attachment A, which shows federal awards provided under the CARES Act, CRRSAA, and CRF by institution and sector, as well as, COVID-19 related costs and forgone revenue incurred to date by institution and sector.

As can be seen in Attachment A, as of May 5, 2021, Kentucky's public postsecondary institutions had received a total of \$278.6 million in allocated federal relief funds under the CARES Act, CRRSAA, and CRF. As mentioned above, since the Department of Education has not yet announced official HEERF III allocations for higher education institutions, that total does not include ARP Act funding. However, based on American Council on Education projections, Kentucky public colleges and universities should receive in the neighborhood of \$182.4 million for their combined "maximum institutional portion", when those allocations are announced (i.e., or roughly \$460.0 million under the CARES Act, CRRSAA, CRF, and ARP Act combined).

Also included in Attachment A are campus reported costs and forgone revenue related to the pandemic, which total \$440.8 million for fiscal years 2019-20 and 2020-21. The institutions also identified a "federal awards deficit" of \$162.2 million in the aggregate, that represents the extent to which eligible expenses and lost revenue exceed current federal relief fund allocations. Finally, campus CBOs identified a combined \$39.3 million in additional costs and foregone revenue that they believe are COVID-19 related, but are not eligible for reimbursement under current program guidelines.

CPE staff will receive quarterly updates from the institutions regarding the amount of federal relief funds received, funds still available for access, and the amount of COVID-19 related costs and forgone revenue reimbursed or pending reimbursement. CPE staff and campus officials expect these figures to change as official allocations of ARP funds are announced, more costs and forgone revenue are incurred, and additional guidance on eligibility criteria becomes available.