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Accessible Version

April 20, 2021

Congressional Committees

COVID-19: Emergency Financial Aid for College Students under the CARES Act

In March 2020, many schools (colleges and other institutions of higher education) across the country closed their physical campuses in response to the Coronavirus Disease 2019 (COVID-19) pandemic and began exclusively providing classes online. As a result of these measures to curb the spread of COVID-19, which began during the 2020 school year and continued into the next, students incurred unexpected expenses for travel, housing, food, health care, and technology purchases to facilitate distance learning. These unplanned expenses, along with a declining economy, were particularly disruptive to the educational pursuits of students with limited resources.

The CARES Act was enacted in March 2020 and appropriated about \$14 billion for the Higher Education Emergency Relief Fund (HEERF), of which about \$12.6 billion was for grants to schools to prevent, prepare for, and respond to COVID-19.¹ The CARES Act directed the Department of Education (Education) to allocate these funds to schools using a funding formula.² This legislation required schools to distribute at least 50 percent of the funds they receive—approximately \$6.25 billion—to students as emergency financial student aid grants (emergency student aid) for expenses related to disrupted campus operations due to the coronavirus.³ The remaining funds may be used by schools for additional emergency student

¹Pub. L. No. 116-136 §§ 18001(b)(3), 18004(a), 134 Stat. 281, 564, 567-68 (2020). About \$1 billion of the remaining HEERF funds was made available for additional awards under parts A and B of title III, parts A and B of title V, and subpart 4 of part A of title VII of the Higher Education Act to address needs directly related to the coronavirus. These programs authorize grants to support certain minority serving institutions and schools that serve a high percentage of financially needy students. The remaining \$349 million in HEERF funds was made available for part B of title VII of the Higher Education Act for schools that the Secretary of Education determines have the greatest unmet needs related to the coronavirus. This program authorizes funding to improve postsecondary education.

²Specifically, by law, Education is required to apportion these funds using the following formula: 75 percent based on a school's relative share of full-time equivalent enrollment of Federal Pell Grant recipients who were not exclusively enrolled in distance education prior to the coronavirus emergency; and 25 percent based on a school's relative share of full-time equivalent enrollment of students who were not Federal Pell Grant recipients and who were not exclusively enrolled in distance education prior to the coronavirus emergency. Pub. L. No. 116-136, § 18004(a)(1), 134 Stat. at 567. Federal Pell Grants are the primary federal grant aid under the Higher Education Act available to low-income undergraduate students with financial need.

³Pub. L. No. 116-136, § 18004(c), 134 Stat at 568. These expenses may include eligible expenses under a student's cost of attendance, such as food, housing, course materials, technology, health care, and child care. The Funding Certification and Agreement (funding agreement) signed by each school receiving funds generally requires schools to spend their funds within one year of the date of the agreement. Education urged schools to immediately distribute the emergency student aid grants.

aid grants, or to cover costs associated with significant changes to the delivery of instruction due to the coronavirus.⁴

In June 2020, GAO issued the first of a series of reports on key federal efforts to address the pandemic, which included a description of Education's distribution of HEERF grants to schools and Education's communication with schools about student eligibility for emergency student aid.⁵ This report builds on that work and examines (1) how HEERF emergency student aid funds were provided to schools under the CARES Act, and (2) how schools distributed emergency student aid to eligible students.⁶

To determine how HEERF emergency student aid funds were provided to schools under the CARES Act, we analyzed Education's data as of November 20, 2020 on HEERF student aid obligations, as well as the extent to which schools accessed these funds.⁷ We used Education's Integrated Postsecondary Education Data System (IPEDS) to identify basic characteristics of each school receiving funds. To assess the reliability of Education data, we performed data tests to identify inconsistencies and interviewed and obtained written responses from Education officials about the reliability of the data. We determined that the data used in these analyses were sufficiently reliable for the purposes of this report.

To examine how schools distributed aid to eligible students, we analyzed information Education requires schools receiving HEERF funds to report on their websites. Using Education's obligations data, we selected a generalizable random sample of 203 schools and reviewed the websites of these schools. This sample is representative of the more than 4,500 schools that received HEERF funds from Education as of August 11, 2020, and includes 2- and 4-year, public, nonprofit, and for-profit schools.⁸ All percentage estimates from the sample analysis have margins of error at the 95 percent confidence level of plus or minus 15 percentage points or less, unless otherwise noted. All numerical estimates other than percentages have relative margins of error of plus or minus 15 percent or less of the value of those numerical estimates, unless otherwise noted. We systematically reviewed the websites of the selected 203 schools to collect information about the schools' reporting of HEERF emergency student aid spending. We also collected narrative details from school websites about how schools chose to distribute funds to eligible students as illustrative examples of school practices, which are not

⁴The CARES Act allows schools to use HEERF funds to cover these costs so long as they 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.

⁵GAO, *COVID-19: Opportunities to Improve Federal Response and Recovery Efforts*, [GAO-20-625](#) (Washington, D.C.: June 25, 2020).

⁶On December 27, 2020, the Coronavirus Response and Relief Supplemental Appropriations Act, 2021 (CRRSAA) was enacted as Division M of the Consolidated Appropriations Act, 2021, which among other things appropriated additional HEERF funding and modified the purposes for which schools may use HEERF funds. Pub. L. No. 116-260, div. M, § 314, 134 Stat. 1182, 1932-1936 (2020). Education officials told us at the time the report was being written that they were still developing policies to support the implementation of this legislation. In addition, on March 11, 2021, the American Rescue Plan Act of 2021 was enacted, which appropriated additional HEERF funding. Pub. L. No. 117-2, § 2003, 135 Stat. 4, 23-24 (2021). The information in this report reflects the statutory requirements in place at the time we did our work, prior to the enactment of these additional laws. Education's Office of Inspector General is planning to conduct a review of the agency's oversight of HEERF awards.

⁷Data from November 20, 2020 were the most recent data available at the time we conducted our analyses. By November 2020, Education had obligated most of the HEERF emergency student aid funds.

⁸Data as of August 11, 2020 were the most recently available at the time we designed our sample.

generalizable. To assess the reliability of the reporting data on the websites, we reviewed Education’s requirements for this reporting and obtained written responses from Education officials about the reliability of the data. We determined the data were sufficiently reliable to report on schools’ use of HEERF emergency student aid funds. We also interviewed Education officials and reviewed relevant federal laws and regulations. For more information on our scope and methodology, see enclosure I.

We conducted this performance audit from June 2020 through April 2021 in accordance with generally accepted government audit standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Background

Student Eligibility.

On April 21, 2020, Education issued a Frequently Asked Questions document that provided information about student eligibility for HEERF emergency student aid. It stated that only students who are, or could be, eligible for federal student aid programs under section 484 of the Higher Education Act of 1965, as amended (Higher Education Act), could receive emergency student aid grants. Under title IV of the Higher Education Act, the federal government offers eligible students various forms of financial aid to help pay for their postsecondary education, which may include loans and need-based grants, such as Pell Grants.⁹ To be eligible, a student must, among other things, be a U.S. citizen or an eligible noncitizen, have a valid Social Security number, register with the Selective Service (if male), and have a high school diploma or equivalent.¹⁰ Students who are not eligible for federal financial aid include undocumented students, such as those who have received Deferred Action for Childhood Arrivals (DACA), among others.¹¹ To apply for federal student aid funds, a student must complete the Free Application for Federal Student Aid (FAFSA). Education then uses this information to calculate a student’s expected family contribution, which is a measure of a student’s financial resources and is used to determine how much financial aid a student may receive.¹²

In June 2020, Education published an interim final rule in the *Federal Register* that formalized its interpretation that eligibility for HEERF emergency student aid grants is limited to those

⁹See Pub. L. No. 89-329, tit. IV, 79 Stat. 1219, 1232-54 (codified as amended at 20 U.S.C. §§ 1070-1099d). For this report, we use the term federal student aid to refer to the financial aid programs authorized under Title IV of the Higher Education Act. Other federal student aid programs include the William D. Ford Federal Direct Loan program and the Federal Work-Study program.

¹⁰See 20 U.S.C. § 1091; 34 C.F.R. §§ 668.31-668.40.

¹¹See Federal Student Aid, “Financial Aid and Undocumented Students: Questions and Answers” (February 2019). Under DACA, certain individuals who were brought to the United States as children and lack lawful immigration status **may be granted renewable, temporary protection from removal and work authorization during their stay in the country.** Some schools subsequently encouraged international and DACA students to apply for emergency aid from non-federal funding sources, such as the school itself.

¹²A student’s expected family contribution varies based on factors such as family size and whether the student has children or other dependents. The Consolidated Appropriations Act, 2021 changed the name of “expected family contribution” to “student aid index” and made additional changes to the formula for calculating this measure, effective July 1, 2023.

students who are eligible for federal student aid.¹³ Litigation challenging Education’s actions related to eligibility for emergency student aid is currently pending in federal court.¹⁴

The interim final rule states that eligibility for HEERF emergency student aid grants is limited to students who are eligible for federal student aid programs. In the preamble to the rule, Education notes that students who have completed a FAFSA have already demonstrated their eligibility for these programs, and suggests that schools can encourage students who do not receive federal student aid to submit a FAFSA to determine if they are eligible. Education also notes in the rule that another option is for students to verify their eligibility by completing a school-designed application in which they attest to their eligibility under penalty of perjury.¹⁵

School Reporting.

In May 2020, Education instructed schools to post specific information on their websites about their distribution of HEERF student aid funds.¹⁶ Education directed schools to post the estimated

¹³Eligibility of Students at Institutions of Higher Education for Funds under the Coronavirus Aid, Relief, and Economic Security (CARES) Act, 85 Fed. Reg. 36,494 (June 17, 2020) (amending 35 C.F.R. § 668.2). Specifically, the rule provides that “Student, for the purposes of ‘grants to students’ and ‘emergency financial aid grants to students’ in sections 18004(a)(2), (a)(3), and (c) of the [CARES] Act, is defined as an individual who is, or could be, eligible under Section 484 of the [Higher Education Act], to participate in programs under title IV of the [Higher Education Act].”

¹⁴As of March 2021, three federal courts have issued preliminary injunctions, temporarily prohibiting Education from enforcing the student eligibility provisions in its April 21, 2020 FAQ document and the interim final rule with respect to certain schools in Washington, California, and Massachusetts. See *Washington v. DeVos*, No. 20-182 (E.D. Wash. June 12, 2020) (order granting plaintiff’s motion for preliminary injunction) (prohibiting Education from “implementing or enforcing the provisions in the April 21, 2020 guidance and the Interim Final Rule that restrict the discretion of higher education institutions in the State of Washington to determine which students will receive CARES Act student emergency financial assistance grants to only those students who are eligible for federal financial aid under Title IV, section 484 of the Higher Education Act, in any manner or in any respect, and shall preserve the status quo” until further order of the court). See also *Oakley v. DeVos*, No. 20-3215 (N.D. Cal. June 17, 2020 (order granting plaintiff’s motion for preliminary injunction) (prohibiting Education from “[i]mposing or enforcing any eligibility requirement for students to receive HEERF assistance,” including those set forth in the April 21, 2020 FAQ document and the interim final rule, with respect to any community college in California while the lawsuit is pending). See also *Massachusetts v. DeVos*, No. 20-11600 (D. Mass. Sept. 3, 2020) (order on plaintiff’s motion for a preliminary injunction) (prohibiting Education from enforcing the interim final rule “as to any institution of higher education in the Commonwealth of Massachusetts and as to any student attending a school that is located within the Commonwealth of Massachusetts”).

¹⁵In March 2021, following the enactment of the CRRSAA and the American Rescue Plan Act, Education provided schools additional guidance on the use of HEERF grant funds, including revisions to its frequently asked questions. The CRRSAA expanded the allowable uses for HEERF funds, and also authorized schools awarded HEERF funds under the CARES Act to use those funds under the terms and conditions of the CRRSAA. Pub. L. No. 116-260, div. M, § 314(c), (d)(2), 134 Stat. 1182, 1934 (2020). In its revisions to its frequently asked questions, Education stated that schools may use unspent CARES Act HEERF grant funds to make financial aid grants to non-degree seeking, non-credit, dual enrollment, and continuing education students, as well as refugees and persons granted asylum, among others. According to Education officials, the June 2020 interim final rule on student eligibility applies only to HEERF funds distributed under the CARES Act, and does not apply to new funds appropriated under CRRSAA, the American Rescue Plan Act, or unspent CARES Act funds used under the terms and conditions of CRRSAA.

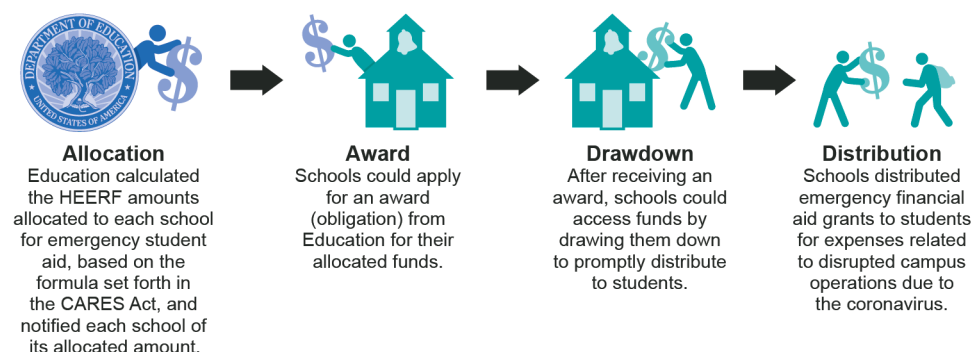
¹⁶The CARES Act requires schools receiving HEERF funds to submit a report to Education (at such time and in such manner as the Secretary may require), that describes the use of such funds. See Pub. L. No. 116-136, § 18004(e), 134 Stat. at 568. The funding agreement for the HEERF emergency student aid funds directed each recipient to report to Education 30 days from the date of the agreement, and every 45 days thereafter, on how grants were distributed to students, the amount of each grant awarded to each student, how the amount of each grant was calculated, and any instructions or directions given to students about the grants. The May 2020 announcement identified seven specific reporting elements, and instructed schools to post the information to their websites. On August 31, 2020, Education published a notice in the *Federal Register* superseding the May announcement, which

number of students eligible for emergency student aid, the school’s method for determining which students received this aid and how much, and the total amount of funds awarded, among other things. The first website report was generally due 30 days after Education originally awarded funds to a school, and periodically thereafter. Education also required schools receiving HEERF funds to start reporting annual information on their use of these funds directly to the agency through an online portal in early 2021.

How Were HEERF Emergency Student Aid Funds Provided to Schools under the CARES Act?

Soon after the CARES Act was enacted, Education calculated the amounts of HEERF emergency student aid to be allocated to 5,136 schools that participated in federal student aid programs and notified them of their individual allocations. Education required schools to apply for an award no later than September 30, 2020.¹⁷ To obtain a HEERF emergency student aid award, a school also had to sign a funding agreement acknowledging its responsibilities under the grant.¹⁸ After the funds were awarded, schools could draw them down and were required to promptly distribute them to students (see fig. 1).

Figure 1: Process for Distributing Higher Education Emergency Relief Fund (HEERF) Emergency Student Aid under the CARES Act



Source: GAO analysis of information from the Department of Education. | GAO-21-312R

Text of Figure 1: Process for Distributing Higher Education Emergency Relief Fund (HEERF) Emergency Student Aid under the CARES Act

1. **Allocation:** Education calculated the HEERF amounts allocated to each school for emergency student aid, based on the formula set forth in the CARES Act, and notified each school of its allocated amount.
2. **Award:** Schools could apply for an award (obligation) from Education for their allocated funds.
3. **Drawdown:** After receiving an award, schools could access funds by drawing them down to promptly distribute to students.

maintained the same reporting elements but changed the reporting period to quarterly. Notice of Public Posting Requirement of Grant Information for Higher Education Emergency Relief Fund (HEERF) Grantees, 85 Fed. Reg. 53,802 (Aug. 31, 2020).

¹⁷In this report, we are using the term “award” to indicate an obligation from Education. An obligation is a definite commitment that creates a legal liability of the government for the payment of goods and services ordered or received. An agency incurs an obligation, for example, when it places an order, signs a contract, or awards a grant.

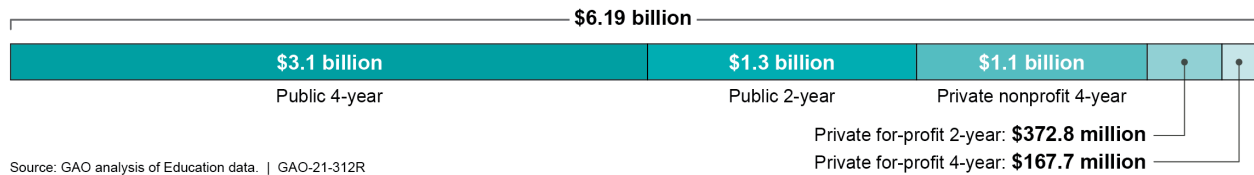
¹⁸The funding agreement provides that recipients “shall promptly and to the greatest extent practicable” distribute all the funds in the form of emergency student aid grants “by one year” from the date of the agreement.

4. **Distribution:** Schools distributed emergency financial aid grants to students for expenses related to disrupted campus operations due to the coronavirus.

Source: GAO analysis of information from the Department of Education. | GAO-21-312R

As of November 20, 2020, out of the \$6.25 billion Education had initially allocated to schools, the department had awarded \$6.19 billion to 4,778 schools that applied for HEERF emergency student aid funds (see fig. 2). Of the 5,136 schools included in Education’s initial allocations, 358 did not apply for an award, leaving approximately \$63 million in funding unobligated as of November 20, 2020.¹⁹ Some schools with significant endowments did not apply for the funds Education allocated to them, and at least one school that was allocated HEERF funds closed.

Figure 2: Department of Education’s Higher Education Emergency Relief Fund (HEERF) Awards to Schools for Emergency Student Aid under the CARES Act, by Sector



Source: GAO analysis of Education data. | GAO-21-312R

Data table for Figure 2: Department of Education’s Higher Education Emergency Relief Fund (HEERF) Awards to Schools for Emergency Student Aid under the CARES Act, by Sector

School Type	Award amount
Public 4-year	\$3.1 billion
Public 2-year	\$1.3 billion
Private nonprofit 4-year	\$1.1 billion
Private for-profit 2-year	\$372.8 million
Private for-profit 4-year	\$167.7 million
Total	\$6.19 billion

Source: GAO analysis of Education data. | GAO-21-312R

Notes: Schools of less than 2 years are included in the 2-year school categories above. The Department of Education also awarded about \$24 million to 2-year private, nonprofit schools and about \$1.7 million to the Commonwealth of Puerto Rico Department of Education. Sector-level figures do not add up to \$6.19 billion because of rounding.

The award amounts received by each school ranged from less than \$2,000 to more than \$27 million.²⁰ The average amount Education awarded per school was \$1.3 million; half of the schools received awards of \$422,000 or less.

Schools have drawn down most of the funds they were awarded. By November 2020, the 4,778 schools that had been awarded HEERF emergency student aid funds had drawn down about 90 percent of those funds—about \$5.6 billion. According to Education’s data, most schools (about

¹⁹According to Education officials, the agency is currently determining how to process unobligated funds in conjunction with the new grant funds available under the CRRSAA.

²⁰Six schools received awards greater than \$27 million, the largest of which was \$118 million.

70 percent) had drawn down all of their funds, and an additional 24 percent had drawn down at least half. About 3 percent of schools had not drawn down any funds by November 2020.

How Did Schools Distribute Emergency Student Aid to Eligible Students?

About half of schools reported they used the FAFSA to determine student eligibility for emergency student aid, and schools used a variety of approaches to distribute funds to students. Our analysis of a sample of school websites in fall 2020 found that schools distributed to students approximately 85 percent of all HEERF emergency student aid funds they had been awarded by Education. Based on this analysis, we estimated the average amount provided to individual students to be approximately \$830. Within our sample of 203 schools, the average amount per student ranged from about \$189 up to about \$2,600.²¹ This range is not generalizable to the larger population of schools that received HEERF funds, but is illustrative of variation in student award amounts.

Methods for determining student eligibility.

Based on our analysis of a sample of school websites, approximately 50 percent of schools reported that they used the FAFSA to determine student eligibility for emergency student aid.²² Some schools allowed students who did not already have a FAFSA on file to complete one within a set time period. For example, one 4-year public school required students who did not have a FAFSA on file to complete one by June 1, 2020 to be eligible for the emergency student aid.

Based on our analysis, approximately 50 percent of schools did not report requiring a FAFSA from all students, according to their websites. Some of these websites described alternative methods for establishing student eligibility. For example:

- A 4-year public school reported that graduate students applying for emergency aid had the option of either submitting a FAFSA or a school-provided affidavit certifying they were eligible to receive federal financial aid. According to the school website, graduate students could receive awards of \$500 to \$700 each, and awards for undergraduates ranged from \$500 to \$1,500 per student.
- A less than 2-year for-profit school did not require students to file a FAFSA and instead identified all students who were U.S. citizens or permanent residents and who were in good academic standing, and required them to certify on a school-provided application that they were eligible for federal financial aid. The school provided grants of about \$1,600 each to all 754 eligible students.

Methods for awarding funds.

According to their websites, schools used two main methods for awarding HEERF emergency student aid funds: requiring students to complete an application developed by the school, or using existing school records to award funds. Based on our analysis of a sample of school

²¹The average amount of HEERF funds provided to students could not be calculated for 33 schools because of missing data or because the school did not receive any HEERF funds.

²²It is possible that some other schools did require students to have filed a FAFSA but did not report this information on their website.

websites, approximately 18 percent of schools used a combination of both methods. See below for examples of different methods for awarding funds that schools reported on their websites.

- *Application required in all circumstances:* One 4-year nonprofit school reported that it required students to complete an online application indicating the type of expenses they had incurred related to COVID-19's disruption of campus operations, such as transportation, technology, or housing expenses. Students were awarded grants based on need, as determined by Pell Grant eligibility and their calculated expected family contribution, according to the school's website.
- *Grant distribution based on school records:* A 2-year public school reported it determined students' eligibility for HEERF emergency aid based, among other things, on the information in their FAFSA. According to the school's website, students could be awarded grants of \$250 to \$500, depending on how many credits they were currently enrolled in.
- *Multiple methods including application:* Several schools provided grants to students in a first round of funding without requiring an application, and then later offered students an opportunity to apply for additional emergency grants. One 4-year nonprofit school reported that, for its first round of funding, it awarded amounts ranging from \$300 to \$500, based mainly on a student's expected family contribution based on the FAFSA. In its second round of funding, it allowed students who had additional expenses related to COVID-19 to submit an application, according to the school's website. Awards in the second round were based on the amount requested, the amount received in the first round of funding, and the expected family contribution, among other things.
- *Other additional methods:* Approximately 9 percent of schools in our sample reported on their websites that they also used additional methods for selecting students for emergency student aid. One 4-year public school, for example, reported that professional and graduate students' academic departments conducted a needs assessment for students who completed an email survey. The departments made funding recommendations based on those assessments, which were validated against FAFSA data. The school reported that students could receive \$200 to \$1,850. A 4-year nonprofit school reported it awarded funds mainly based on financial information in student FAFSAs, but allowed students to ask for more than their award amounts for additional expenses they incurred. The school reported making initial awards of \$250 to \$750 to eligible full-time students and \$100 to \$200 to eligible part-time students, as well as making additional amounts available to students who qualified.

Factors for distributing funding among students.

Schools reported on their websites that they used various factors to select students for HEERF awards and determine award amounts.²³ These factors included general financial need based on existing student information, such as Pell Grant eligibility; and specific information on a student's access to essential items such as food, housing, or technology. According to our

²³Under the CARES Act, schools are to provide HEERF emergency aid grants to students for expenses related to the disruption of campus operations due to COVID-19 (including eligible expenses under a student's cost of attendance, such as food, housing, course materials, technology, health care, and child care). Students receiving awards are not required to report information on how they used the funds.

analysis of school websites, approximately 20 percent of these schools also reported using full-time or part-time status to determine aid amounts.

Over half of schools reported on their websites that they awarded different amounts to students based on individual circumstances and needs.²⁴ For example:

- One 4-year public school reported it based amounts to each student on the student's expected family contribution. This school reported that undergraduate students with an expected family contribution of \$2,000 or less annually could receive a HEERF award of \$1,100, while those with a higher expected family contribution could receive lower amounts, such as \$900 or \$700. The school also awarded up to \$1,500 to certain undergraduate students with dependents, and \$500 to certain graduate students who certified their eligibility for federal financial aid.
- One 2-year public school reported that it distributed about \$240 to each of the more than 9,000 eligible students, and then an additional \$360 to just over 6,000 of these students who were also eligible for Pell Grants.
- A 4-year nonprofit school reported that its grants to eligible students ranged from \$200 to \$1,000, depending on whether the student was in an undergraduate or graduate program, was a Pell Grant recipient, and lived on or off campus. The school reported that it did not award grants to students who qualified for the stimulus payments sent out by the Internal Revenue Service starting in April 2020.²⁵
- A 2-year public school reported that grant amounts would be determined by each student's expected family contribution, living situation, and whether the student attended full-time or part-time. The school reported providing \$800 to eligible students enrolled in 6-11 credits and \$900 to eligible students enrolled in 12 or more credits. The school also reported that eligible students who had children enrolled at the school-run childcare center received an additional award.
- A 4-year public school reported that it provided grants ranging from \$200 to \$800, depending on students' enrollment and Pell Grant eligibility. According to the school website, students displaced from university housing were provided an extra \$200.

Some of the schools whose narrative details we examined provided grants to all eligible students, while others instead targeted students with specific characteristics.²⁶ Of the 160 schools in our sample of 203 schools that provided information, the percentage of eligible

²⁴Based on our analysis of a sample of 203 schools, we estimate that 78 percent of schools reported that they awarded different amounts to students, based on individual circumstances and need. We are 95 percent confident that the actual proportion was between 61 and 90 percent.

²⁵The CARES Act included direct payments for eligible individuals of up to \$1,200 per individual or \$2,400 for individuals filing a joint tax return, plus up to \$500 per qualifying child. The payment phased out gradually based on adjusted gross income. Pub. L. No. 116-136, § 2201, 134 Stat. 281, 335–340 (2020).

²⁶In an April 9, 2020 letter to schools, Education noted that the CARES Act provides institutions with significant discretion on how to award HEERF emergency aid to students. In the letter, Education stated that schools may distribute the funds to all students, or only to students who demonstrate significant need.

students at a school receiving emergency student aid ranged from 6 percent to 100 percent.²⁷ This range is not generalizable to the larger population of schools that received HEERF awards, but is illustrative of schools' varying priorities in awarding funds. For example:

- A 4-year public school reported that it provided HEERF grants to all 18,276 of its eligible students. The school determined eligibility based on student FAFSAs and other information, without requiring students to submit an application. The school reported that award amounts ranged from \$150 to \$1,000, depending on a student's enrollment status and financial need based on the FAFSA.
- A 4-year nonprofit school reported distributing HEERF grants to about 2,700 of its approximately 14,700 eligible students, and noted that it prioritized its neediest students.

Use of HEERF institutional grant funds for emergency student aid.

Our analysis of a sample of 203 schools found that about 14 percent of schools distributed a higher proportion of their total HEERF funds to students than the required 50 percent of their allocation under the CARES Act. Some schools whose narrative details we examined reported that they used the institutional portion of their HEERF funds—the portion that may be used to cover costs associated with significant changes to the delivery of instruction due to COVID-19—to provide additional emergency aid to students. For example, a 4-year public school reported that it distributed an additional \$5 million from its institutional CARES Act funds to students. According to the school's website, it placed priority on students with the highest financial need as determined from the FAFSA, and on other factors such as date of the student's application. The school reported distributing about \$15.6 million in total to students, with awards ranging from \$500 to \$1,000 per term. The school noted that its overall goal was to assist as many students as possible with a meaningful dollar amount.

We provided a draft of this report to Education for review and comment. We received written comments from Education, which are reproduced in enclosure II. In its response, Education described actions it had taken after it had received the draft report for comment to provide more comprehensive guidance to schools on the use of HEERF funds. We incorporated relevant information about these efforts into the report.

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We are sending copies of this report to the appropriate congressional committees, the Secretary of Education, and other interested parties. In addition, the report will be available at no charge on the GAO website at <https://www.gao.gov>.

If you or your staff have any questions about this report, please contact me at (617) 788-0534 or emreyarrasm@gao.gov. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report. GAO staff who made key contributions to this report include Michelle St. Pierre (Assistant Director), Barbara Steel and Eve Weisberg (Analysts in Charge), Jessica Ard, Susan Aschoff, David Barish, James Bennett, Angeline Bickner, Sarah Cornetto, John Mingus, Almeta Spencer, Rachel Stoiko, Frances Tirado, and Manuel Valverde.

²⁷The percentage of eligible students receiving emergency student aid could not be calculated for 42 schools because of missing or unclear data.

Melissa Emrey-Arras

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Director, Education, Workforce, and Income Security Issues

Enclosure(s) – 2

List of Committees

The Honorable Patrick Leahy
Chairman
The Honorable Richard Shelby
Vice Chairman
Committee on Appropriations
United States Senate

The Honorable Ron Wyden
Chairman
The Honorable Mike Crapo
Ranking Member
Committee on Finance
United States Senate

The Honorable Patty Murray
Chairwoman
The Honorable Richard Burr
Ranking Member
Committee on Health, Education, Labor, and Pensions
United States Senate

The Honorable Gary C. Peters
Chairman
The Honorable Rob Portman
Ranking Member
Committee on Homeland Security and Governmental Affairs
United States Senate

The Honorable Rosa DeLauro
Chairwoman
The Honorable Kay Granger
Ranking Member
Committee on Appropriations
House of Representatives

The Honorable Robert C. "Bobby" Scott
Chairman
The Honorable Virginia Foxx
Republican Leader
Committee on Education and Labor
House of Representatives

The Honorable Frank Pallone, Jr.
Chairman
The Honorable Cathy McMorris Rodgers
Republican Leader
Committee on Energy and Commerce
House of Representatives

The Honorable Bennie G. Thompson
Chairman
The Honorable John Katko
Ranking Member
Committee on Homeland Security
House of Representatives

The Honorable Carolyn B. Maloney
Chairwoman
The Honorable James Comer
Ranking Member
Committee on Oversight and Reform
House of Representatives

The Honorable Richard E. Neal
Chairman
The Honorable Kevin Brady
Republican Leader
Committee on Ways and Means
House of Representatives

Enclosure I: Objectives, Scope, and Methodology

Overview

The CARES Act appropriated funds to the Higher Education Emergency Relief Fund (HEERF) and directed the Department of Education (Education) to provide a portion of these funds to colleges and other institutions of higher education (schools) to distribute to students as emergency financial aid grants (emergency student aid) for expenses related to disrupted campus operations as a result of Coronavirus Disease 2019 (COVID-19).¹ This report examines (1) how HEERF emergency student aid funds were provided to schools under the CARES Act, and (2) how schools distributed emergency student aid to eligible students.²

To determine how HEERF emergency student aid funds were provided to schools under the CARES Act, we analyzed Education's obligation data on HEERF student aid awards to schools, as well as the extent to which schools accessed these funds. We also used federal higher education data to identify basic characteristics of each school receiving funds.

To examine how schools distributed aid to eligible students, we analyzed information schools receiving HEERF funds are required by Education to report on their websites. Using Education's obligations data, we selected a generalizable random sample of 203 schools that is representative of the more than 4,500 schools that received HEERF funds from Education as of August 11, 2020. We systematically reviewed the websites of the selected 203 schools to collect information about the schools' reported HEERF emergency student aid spending. We also collected narrative details from school websites about how schools chose to distribute funds to eligible students as illustrative examples of school practices, which are not generalizable to the larger population of HEERF award recipients. We also interviewed Education officials and reviewed relevant federal laws and regulations.

Analysis of HEERF Emergency Student Aid Provided to Schools under the CARES Act

To determine how HEERF emergency student aid funds were provided to schools under the CARES Act, we analyzed Education data on HEERF obligations to schools as of November 20, 2020.³ According to Education officials, these data are collected by Education to track HEERF awards obligated to schools and the amounts that each school has accessed, or drawn down. Each record in this data set is associated with a unique HEERF award number. For schools with

¹Pub. L. No. 116-136, §§ 18001(b)(3), 18004(a),(c), 134 Stat. 281, 564, 567-68 (2020).

²On December 27, 2020, the Coronavirus Response and Relief Supplemental Appropriations Act, 2021 was enacted as Division M of the Consolidated Appropriations Act, 2021. Among other things, it appropriated additional HEERF funding and modified the purposes for which schools may use their HEERF funds. Pub. L. No. 116-260, div. M, § 314, 134 Stat. 1182, 1932-1936 (2020). In addition, on March 11, 2021, the American Rescue Plan Act of 2021 was enacted, which appropriated additional HEERF funding. Pub. L. No. 117-2, § 2003, 135 Stat. 4, 23-24 (2021). The information in this report reflects the statutory requirements in place at the time we did our work, prior to the enactment of these additional laws. A review of the changes made by these laws was outside the scope of this report.

³Data from November 20, 2020 were the most recent data available at the time we conducted our analyses. By November 2020, Education had obligated most of the HEERF emergency student aid funds.

more than one campus or branch under the same Office of Postsecondary Education Identification Number (OPEID), there may be more than one HEERF award number associated with an OPEID.⁴ For these schools, award amounts were combined into an aggregated award amount under a single OPEID. As a result, the study population for this objective includes a total of 4,778 schools that had received HEERF emergency student aid awards.⁵

From this universe of 4,778, we calculated total amount of funds awarded to all schools, the total number of schools that received these awards, individual school award amounts, and amounts accessed by schools.

To analyze the HEERF emergency student aid awards by school sector, we used data from Education's Integrated Postsecondary Education Data System (IPEDS) and matched it to our universe of 4,778 schools by OPEID, since Education's obligations data do not include school characteristics. IPEDS contains data for schools that participate in federal student aid programs authorized under Title IV of the Higher Education Act of 1965, as amended.⁶ This allowed us to aggregate obligations by school sector, i.e., 2-year and 4-year schools, and public, nonprofit, and for-profit schools.

Additionally, we reviewed relevant documents from Education, including documentation of Education's initial calculations of the amounts of HEERF emergency student aid funds to be allocated to 5,136 schools.⁷

To assess the reliability of Education data, we performed data tests to identify inconsistencies and interviewed and obtained written responses from Education officials about the data's validity, quality control, and limitations. We determined that the data used in these analyses were sufficiently reliable for the purposes of reporting on aggregate HEERF emergency student aid awards.

Analysis of School Distribution of HEERF Emergency Student Aid to Students

To analyze how schools distributed HEERF emergency student aid to eligible students, we selected a generalizable stratified random sample of 203 schools that received HEERF student aid funds and reviewed information these schools were required to report on their websites about their use of these funds. The sample was selected from Education's HEERF obligations data, which documented the HEERF emergency student aid award amounts that schools

⁴We analyzed schools by OPEID. Depending on how a school is organized, an OPEID may correspond with one or multiple campuses.

⁵We excluded records that were out of scope for our analysis, such as one school that closed and returned its award to Education.

⁶The Integrated Postsecondary Education Data System consists of survey data collected annually by the U.S. Department of Education's National Center for Education Statistics. We used IPEDS data for academic years 2015 through 2018 to match schools by OPEID. For schools that could not be matched using IPEDS data, we manually reviewed the websites of schools and the National Center for Education Statistics to identify school sector or asked Education officials to confirm the school sector.

⁷Of the schools included in Education's initial allocations, 358 schools did not apply for an award.

received as of August 11, 2020.⁸ The structure of this dataset was the same as Education’s November 2020 data, with each record associated with a unique HEERF award number. We applied the same methodology to the August data to combine award amounts under one OPEID for the purposes of sampling. As a result, our sampling frame consisted of all schools that received HEERF student aid as of August 11, 2020, yielding a universe of 4,669 schools.⁹ With this sample, each case in the population had a nonzero probability of being included, and that probability could be computed for any school. We computed the sample size of 203 schools to achieve a margin of error no more than plus or minus 15 percentage points for an estimate of a population proportion at the 95 percent confidence level. To create our sample of 203 schools, we selected schools with equal probability within eight strata defined by total HEERF emergency student aid award amount rounded to the nearest thousand dollar.¹⁰ This includes a certainty strata of 123 units selected with probability equal to 1. These 123 certainty units represent 28 percent of all HEERF student aid awards provided to schools and 23 percent of all students enrolled in schools that were recipients of HEERF student aid awards as of August 11, 2020. A certainty unit was selected if a school had received an award amount above \$3,650,000 and had more than 30,000 enrolled students, or if the award amount was over \$9,000,000, regardless of number of enrolled students.

Each sample element was subsequently weighted in the analysis to represent the members of the population who were not selected (see table 1 for population and sample sizes by strata). All percentage estimates from the sample analysis have margins of error at the 95 percent confidence level of plus or minus 15 percentage points or less, unless otherwise noted. All numerical estimates other than percentages have relative margins of error of plus or minus 15 percent or less of the value of those numerical estimates, unless otherwise noted. This sample allowed us to make generalizable estimates about the proportion of schools’ HEERF emergency student aid awards that have been distributed to students, the criteria schools use to identify eligible students, and the methodologies schools use to determine which eligible students receive funds.

Table 1: Description of Sample Frame, Stratification, and Sample Sizes for Stratified Random Sample of Schools with Higher Education Emergency Relief Fund Awards

Strata – Award Amounts	Population Size	Sample Size
1 Less than \$125,000	1,336	8
2 \$125,000 to \$361,000	795	6
3 \$361,000 to \$673,000	654	5
4 \$673,000 to \$1,117,000	566	5
5 \$1,117,000 to \$1,841,000	478	6
6 \$1,841,000 to \$3,649,000	435	21
7 Above \$3,650,000	282	29

⁸Data as of August 11, 2020 were the most recently available at the time we designed our sample.

⁹We excluded records that were out of scope for our analysis, such as one school that closed and returned its award to Education. The total number of schools in our sampling frame—4,669—is less than the total number of schools in our analysis of how HEERF student aid funds were provided to schools—4,778—because we used November 2020 data, which included additional schools that applied for funds after the August data was compiled.

¹⁰Our sample includes schools with a variety of characteristics, including 2-year and 4-year schools, and public, nonprofit, and for-profit schools.

Strata – Award Amounts	Population Size	Sample Size
8 Certainty units	123	123
Total	4,669	203

Source: GAO analysis based on Department of Education data. | GAO-21-312R

Because we followed a probability procedure based on random selections, our sample is only one of a large number of samples that we might have drawn. Since each sample could have provided different estimates, we express our confidence in the precision of our particular sample’s results as a 95 percent confidence interval (i.e., plus or minus 15 percentage points). This is the interval that would contain the actual population value for 95 percent of the samples we could have drawn.

To review comparable information across the sampled schools, we developed a standardized data collection instrument that we used to collect information from school websites about schools’ reported HEERF emergency student aid spending.¹¹ Specifically, we collected information on the following, based on what Education required schools to report on their websites:

- methods used to determine student eligibility for funds and, if applicable, prioritize aid to students;
- methods schools used to distribute the funds to students;
- estimates of total number of students eligible to receive HEERF emergency student aid and actual number of students who received the aid at each school;
- individual award amounts provided to students; and
- total award amount distributed to students.

We reviewed websites from October 2020 through December 2020. One analyst recorded information in the data collection instrument. The information was then verified by another analyst. We collected complete information for all 203 schools in our sample and then analyzed the information across schools. As part of our systematic review of school websites, we also collected narrative details from the websites about how schools chose to distribute funds to eligible students as illustrative examples of school practices, which are not generalizable to the larger population of schools. We did not independently verify the information posted on school websites.

To assess the reliability of the reporting data on the websites, we reviewed Education’s requirements for this reporting and interviewed Education officials about the data’s validity, quality control, and limitations. We determined the data were sufficiently reliable to report on schools’ reported use of HEERF emergency student aid funds.

We conducted this performance audit from June 2020 through April 2021 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

¹¹All of the schools in our sample reported information on their websites for at least some of the items in our data collection instrument, while about 72 percent reported information for all items.

Enclosure II: Comments from the Department of Education



UNITED STATES DEPARTMENT OF EDUCATION

OFFICE OF POSTSECONDARY EDUCATION

March 26, 2021

Ms. Melissa Emrey-Arras
Director, Education, Workforce, and Income Security Issues
United States Government Accountability Office
Washington, D.C. 20548

Dear Ms. Emrey-Arras:

Thank you for providing the U.S. Department of Education (Department) with the opportunity to review the draft Government Accountability Office (GAO) report, "COVID-19: Emergency Financial Aid for College Students under the CARES Act" (GAO-21-312R).

We appreciate the importance of GAO's work and our role in the CARES Act as the Department made available in a short period of time during the pandemic large sums of emergency funding to eligible institutions of higher education (IHEs) and their students. The Department worked extensively with GAO on this engagement and provided a large volume of information for GAO's review. We appreciate GAO's willingness to consider adding the update we are providing in this letter as you finalize the draft GAO report.

We are providing one update to the information contained in the draft GAO report. On March 19, 2021, the Department took additional steps to meet the needs of all students affected by the pandemic by providing colleges more comprehensive [guidance](#) and increased flexibility regarding the use of funds received under the Higher Education Emergency Relief Fund (HEERF) grant programs.

Our guidance emphasizes support for students with exceptional needs by making it clear colleges can make financial aid grants to dual enrollment, continuing education, non-degree seeking, or non-credit students, as well as to a broad range of students with exceptional needs, such as certain refugees or persons granted asylum.

Our goal is to provide information that is clear, relevant to the needs of IHEs and their students, and helps ensure appropriate accountability and oversight. To help achieve this goal, we took into account the feedback we received from individuals, organizations, and groups, including from IHEs and student stakeholders and from organizations that represent auditors.

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The Department of Education's mission is to promote student achievement and preparation for global competitiveness by fostering educational excellence and ensuring equal access.

Please let us know if you have any questions or need further information. Thank you again for the opportunity to respond to the draft GAO report.

Sincerely,

/s/

Michelle Asha Cooper, Ph.D.
Acting Assistant Secretary
for Postsecondary Education

Text of Enclosure II: Comments from the Department of Education

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Sincerely,

Michelle Asha Cooper, Ph.D.

Acting Assistant Secretary

for Postsecondary Education

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