Making College Financial Aid Flexible and Responsive: The Case for Further Federal Investment in Emergency Grants

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In February 2020, all eyes were glued to the daily numbers of COVID-19 cases spreading across the nation. Once the potential economic toll of the virus began to take shape, Congress, in a rare move, responded with swift bipartisan action. In just a few weeks, lawmakers negotiated and unanimously passed the *Coronavirus Aid, Relief, and Economic Security (CARES) Act*.[1] The law poured billions of dollars into providing cash assistance for families, expanding unemployment benefits, pausing payments and interest on most student loans, and creating a relief fund for preschools, child care providers, K-12 schools, and colleges and universities. This remarkable feat—a bill negotiated by a Democratic Congress that had been sharply at odds with a Republican President, Donald J. Trump —marked a brief and unusual period of bipartisan consensus that aggressive fiscal stimulus was needed to stave off economic disaster.

Signing of the Coronavirus Aid, Relief, and Economic Security (CARES) Act. March 27, 2020.

For higher education, the *CARES Act* contained unprecedented levels of direct support to institutions and students. In addition to codifying a suspension of student loan payments and interest for nearly 40 million borrowers with federally-held student loans (a pause which would later be extended by the Trump Administration twice and by the Biden Administration six times), **the CARES Act created the first-ever federal investment in emergency aid grants.** Emergency aid grants are a flexible and timely version of financial aid that students can use for expenses they never expected when they enrolled—such as a death in a family, car repairs, health problems, or emergency child care.

At the onset of the pandemic, students were also incurring new costs for many new needs like face masks, air filters, sanitation equipment, and technology to study and work from home. Unemployment rates reached 13% in the spring of 2020 as industries and businesses shuttered, leaving many working students without steady wages that could be used to cover their basic needs or educational expenses. In addition, many students were also forced to change their living arrangements as residence halls and campuses closed quickly, resulting in additional fines, fees and travel costs. Providing emergency aid to students buffered against the chance that students might have to drop out because of the massive interruptions of their education and daily life. In the fall of 2020, three in five students were experiencing food or housing insecurity or homelessness.[2]

At least 18 million students received emergency aid through the first tranche of federal funding, and **early data suggest that the federal investment in emergency aid worked remarkably well.**[3] The Hope Center previously issued a report on emergency aid in fall 2021. Among the more than 40,000 students who indicated they received emergency aid in our fall 2020 survey: [4]

- 70% said emergency aid helped them stay enrolled;
- 73% said emergency aid helped them afford educational materials for their classes;
- 76% said emergency aid reduced their stress; and
- 82% said emergency aid improved their personal wellbeing.

Table 1: Student survey question: What did you use emergency aid for? (check all that apply)

Food	61%
Books/School Supplies	57%
Housing	50%
Transportation	44%
Tuition for an upcoming term	34%
Computer, mobile device, or laptop	32%
Utilities (heat, water, electricity, gas bill, etc.)	32%
Internet Service or Wi-Fi hotspot	32%
Personal expenses (toiletries, haircuts, laundry, etc.)	20%
Past-due balance owed to my school	19%
Medical expenses	18%
Cell phone service bill	17%
Dependent care	8%
Clothing	8%
Other (please specify)	5%
Unsure/Don't know/Prefer not to say	1%
n-size	11,748

Source: NASFAA, NASPA, and HCM Strategists. (2022, October). *Evaluating Student and Institutional Experiences With HEERF.*

Among more than 18,000 students responding to a spring 2022 survey about emergency aid, more than half indicated they received emergency financial assistance during the pandemic.[5] Students were clear about how they used emergency aid from all sources. Large percentages of students reported using emergency aid for food (61%), books and supplies (57%), housing (50%), and transportation (44%)—making clear that the flexibility of emergency aid helped students afford urgent non-tuition costs and afford basic necessities (Table 1).

Over three years from the initial investments of the *CARES Act*, and after two additional rounds of emergency assistance to colleges and students, **federal policymakers have an opportunity to build on what worked through this and create structural changes to higher education policy to serve students better**. No student should have to leave a degree program due to unexpected expenses or bills. Emergency aid helps students stay enrolled and complete their educational programs.

At least **18 million students** received **nearly $7 billion in emergency aid** through the CARES Act.

Total federal funding for emergency aid reached nearly $40 billion.

Pandemic-Era Benefits and Flexibilities for Federal Financial Aid

Just weeks before the *CARES Act* started to sail through Congress, the Senate Health, Education, Labor, and Pensions Committee had been actively negotiating a long overdue reauthorization of the *Higher Education Act of 1965 (HEA)*. The Committee debated controversial changes to federal student loans, grants, and work-study. They identified many areas of agreement, and a deal was close at hand. But negotiations were placed on hold to hammer out the education-related provisions of the *CARES Act* and many pandemic-era relief bills that followed. Even without a reauthorization of the *HEA*, what emerged from this period had a transformative effect on federal higher education policy.

The *CARES Act* contained headline-grabbing investments in higher education. Congress pumped nearly $7 billion into emergency aid grants to students in the first round of pandemic relief bills, which later grew to nearly **$40 billion in emergency aid** through two more legislative packages.[6] Students could use their federal emergency aid grants to fund any component of their cost of attendance, including their costs of living. Students who were not eligible for traditional federal financial aid, like recipients of Deferred Action for Childhood Arrivals (DACA), international students, or those who had lost eligibility for Pell Grants—all of whom face disproportionate financial pressures—could also receive emergency aid grants.

A nearly equal amount of pandemic relief funding was provided directly to the institutions to backfill lost revenue, purchase pandemic-mitigation equipment, and deal with other expenses arising from COVID-19. This brought the total pandemic relief funding dedicated to higher education to more than $76 billion, nearly matching the total annual appropriations for the U.S. Department of Education. The rescue money was dubbed the Higher Education Emergency Relief Fund (HEERF). Even after many natural disasters and national emergencies in the past, Congress had never appropriated so much relief funding for higher education. Every penny proved to be necessary.

Institutions were also allowed to use some relief funds to supplement their emergency aid allocation, which proved to be a popular tool for retaining students. The first annual report on HEERF found that nearly 2,000 institutions voluntarily provided an additional $1.7 billion in emergency aid grants to students from their institutional allocation.[7]

The *CARES Act* also waived two rules under the HEA that could otherwise have hobbled this historic investment in emergency aid:

- **Calculation of need:** The federal formula used to determine a student's relative need, which in turn is used to award Title IV funding like Pell Grants.

- **Other financial assistance:** The total amount of grant aid the student receives, which offsets other self or family out-of-pocket contributions toward college costs.

Waiving these two rules when the *CARES Act* was passed was essential. Without the waivers, emergency aid grants could have harmed the very students they were intended to support. For example, a student who was eligible for a maximum Pell Grant and other state and institutional aid might have been blocked from getting any emergency aid grant under traditional financial aid rules. Or, they might have asked to pay back other assistance, losing $1 of one part of their financial aid package for every $1 they gained from the new emergency grants, canceling out any benefit to the student. The *FAFSA Simplification Act* subsequently codified this treatment of emergency aid going forward, by excluding all emergency aid from consideration as other financial assistance.

When Congress passed the *CARES Act* at the end of the 2019-20 award year, most current students had already received their financial aid offers for the upcoming academic year or were about to finish their academic term in the next few months. Therefore, it was important to get emergency aid into the hands of students who needed help on top of their existing financial aid package. Reducing the red tape of traditional financial aid award rules was critical to the success of emergency aid.

HEERF dollars helped tens of millions of students weather the largest disruptions caused by the pandemic. The funding also gave colleges and universities the flexibility to address their unique institutional circumstances. Unfortunately, nearly all the pandemic-era money for emergency aid grants appropriated by Congress under HEERF has now been spent—leaving an uncertain future for this promising financial aid tool. **Policymakers have another low-cost option to continue what worked**.

Using SEOG as Emergency Aid

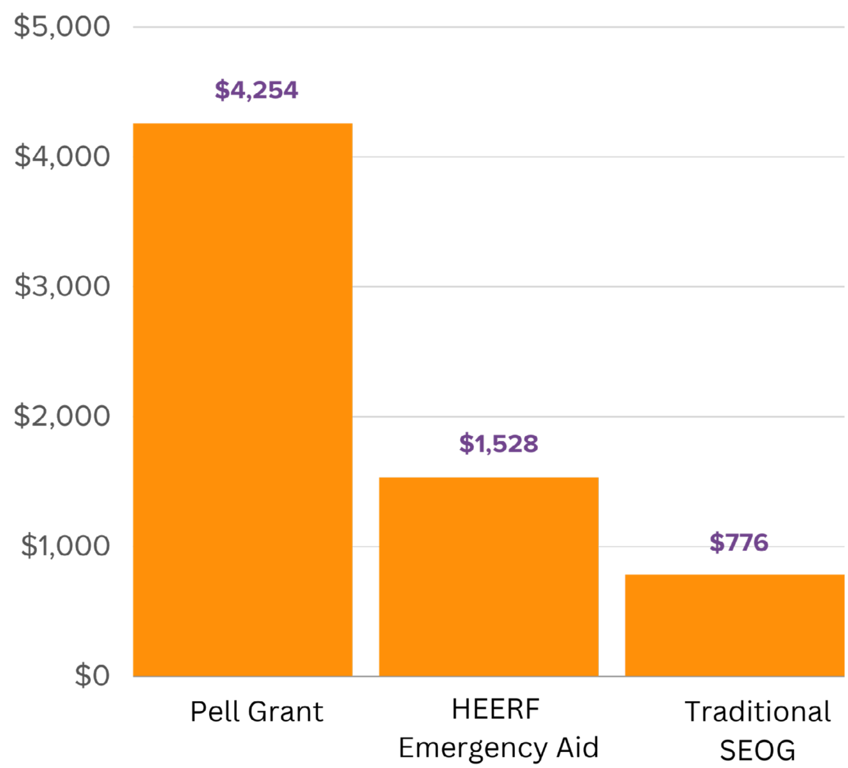
Beyond the investment in emergency aid through HEERF, the *CARES Act* also contained another easily-missed provision that has significant implications for students—it removed restrictions on one of federal financial aid's oldest programs, the **Supplemental Educational Opportunity Grant** (SEOG) program, to allow SEOG to function as emergency aid.

Traditionally, colleges are required to put SEOG awards into the financial aid packages that students get before they begin their academic year.[8] Nearly all the funds are typically accounted for by the fall term. And, colleges are normally required to prioritize Pell-eligible students with the lowest "expected family contributions" for traditional SEOG, even if that means less (or even denying) aid to students with unmet need who may need the funds more urgently.[9]

Allowing SEOG to operate like emergency aid meant that colleges did *not* have to allocate all the funding they received from the program at the start of their terms as they would with most grants. Instead, colleges and universities could temporarily hold back a portion of SEOG to give to students who face unexpected expenses, like getting a surprise medical bill, needing a car repair, being unable to afford a spike in child care costs, or needing technology to do homework from home. These SEOG emergency grants worked largely the same way as the HEERF emergency aid grants—although they were unfortunately limited to students who were already statutorily eligible for federal financial aid (meaning no DACA or international students could participate).

Traditional SEOG grants average about $776 per student (see Figure 1).[10] However, institutions have the flexibility to provide amounts like what they disbursed under HEERF emergency aid—an average of $1,528 per student. SEOG is a flexible program, making it attractive to students and institutions alike. Given that the types of emergency expenses and the scale of student needs varies widely by institution type, geography, and local and regional economic conditions, the fact that institutions could use SEOG on a wide range of emergency needs was highly beneficial.

Figure 1: Average Aid Per Recipient, Award Year 2020-21



Sources: U.S. Department of Education. (2022). *Pell Grant Program End-of-Year Report 2020-2021*; U.S. Department of Education. (2023, February). *Higher Education Emergency Relief Fund: 2021 Annual Performance Report*; U.S. Department of Education. (2023). *Campus-Based Program Data Book: 2022.*

The SEOG program has benefited from stable funding. Annual Congressional appropriations for the program in FY 2020—when the *CARES Act* was passed—were $865 million.[11] Today, funding for SEOG is up slightly, at $910 million in FY 2023. Colleges must contribute a 25% match to these federal funds, generating total aid to students of at least $1.2 billion. **Nearly 1.9 million students receive SEOG grants each year**.[12]

The allocation of SEOG funds to campuses could be significantly improved to more equitably support institutions that enroll the most students with low incomes, including community colleges.[13] However, the stability and size of the SEOG program make it a promising long-term source of federal funding for emergency aid.

Unfortunately, the flexibility to use SEOG as emergency aid recently expired. Under guidance issued by the U.S. Department of Education, the ability to use SEOG as emergency aid ended on June 30, 2023.[14]

Using SEOG as emergency aid was a policy provided under limited terms by the *CARES Act*, and the termination of the pandemic emergency declarations has, at least temporarily, ended this successful policy innovation. **Extending the flexibility to use existing SEOG funds as emergency aid will have no cost to taxpayers and no score against the federal budget**. Policymakers should act quickly to revive this promising practice.

Federal Work-Study Transfer

The *CARES Act* also provided other flexibility to campus-based aid during the pandemic by allowing colleges to transfer a portion of their unspent Federal Work-Study (FWS) funds into SEOG. The funds transferred into SEOG could also then be used as emergency aid. Alternatively, colleges could pay the student their FWS "wages" like a grant for up to one academic year. As many colleges shut down and transitioned rapidly to fully online instruction during the pandemic, this flexibility ensured that students could still receive their full financial aid. If FWS had required students to work when jobs were no longer available, students would have suddenly found themselves short on funds for no fault of their own.

Under this policy, colleges were allowed to supplement limited SEOG funds with their FWS allocation. In the 2021-22 award year, 2,162 institutions transferred **more than $411 million** from FWS to SEOG—a nearly 230% increase in volume from the award year before the pandemic and equal to about half of the SEOG program's total federal funding (Table 2).[15]

Table 2: Transfers of FWS to SEOG

Institution Type & Control	2021-22 Award Year	2018-19 Award Year
Public 2-Year	$84,325,075	$20,099,578
Public 4-Year	$154,189,675	$41,602,630
Private 2-Year	$13,217,080	$2,286,388
Private 4-Year	$143,520,926	$55,998,325
Proprietary 2-Year	$3,791,291	$824,545
Proprietary 4-Year	$12,237,570	$4,205,730
U.S. TOTAL	**$411,281,617**	**$125,017,196**
Number of Institutions	*2,162*	*1,374*

Source: U.S. Department of Education. (2023). *Campus-based program data book (2022 and 2020): Table 13*.

As the pandemic has receded, colleges no longer need the broad authority to pay all FWS wages as grants due to widespread campus closures. However, there are still many occasions when students might not be able to fulfill their employment obligations and need more flexible support. Fixing a vehicle that breaks down, paying for last-minute child care, or getting health care due to an injury are the types of unexpected expenses that can derail students from continuing a FWS job. Instead, they could receive a grant to help them get back on their feet or back to the jobs they need to make ends meet. Additionally, colleges may sometimes struggle to spend down all their FWS allocations, especially if they're located in a rural area where jobs are harder to come by.

Promising Results for SEOG as Emergency Aid

A national survey of college administrators conducted in February 2021 found that more than a third (36%) of colleges with SEOG funds to spend utilized the flexibility to award it as emergency aid to students.[17] Of those colleges that did not use the flexibility to award SEOG as emergency aid, *nearly two-thirds* (62%) indicated that it was only because they did not have any SEOG funds remaining.[18] More colleges would likely have awarded SEOG as emergency aid if the new flexibility was provided before they had exhausted their regular SEOG allocation. As the saying goes—timing is everything.

The *CARES Act* provided the authority to use SEOG as emergency aid at the same time HEERF was delivering a much larger, brand new, and direct source of federal funding for emergency aid. The pandemic also brought confusion and stretched financial aid offices to the brink.[18] The funds provided by HEERF were also subject to constantly-shifting guidance.[19] Colleges could have easily forgotten to dive into new rules for the much smaller SEOG program.

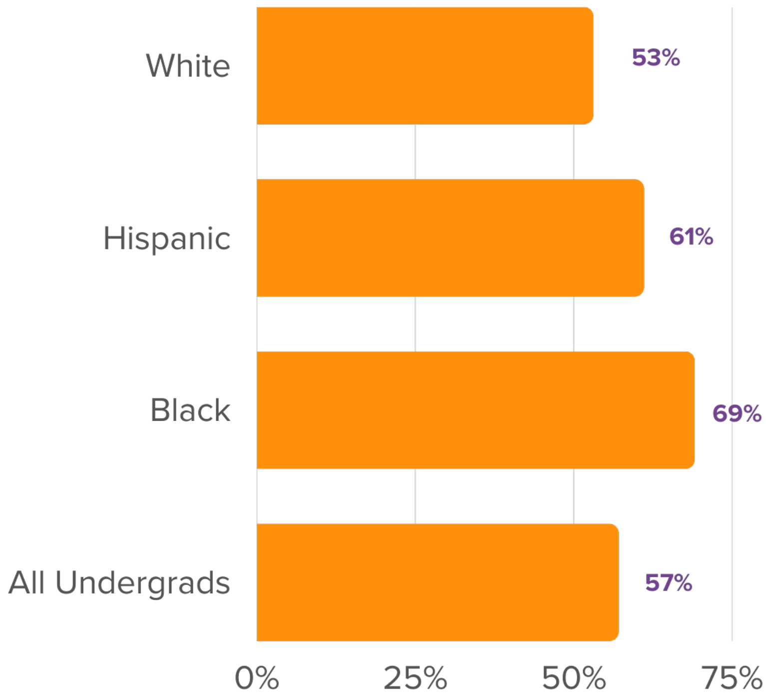
By the time campuses heard about the new flexibility to award SEOG differently, the overwhelming majority of colleges had already spent all of their 2019-20 SEOG allocations and packaged financial aid offers for 2020-21. The nearest opportunity to use the flexibility of repurposing SEOG as emergency aid following the signing of the *CARES Act* in March 2020 was, at the time, more than a year and a half away. In mid-2020, few students or financial aid offices were thinking ahead to the fall of 2021 as the wave of COVID-19 counts continued to grow daily, vaccines were a long way off, and nobody knew what higher education would look like in a few months' time. Unfortunately, no surveys have been conducted to understand how college administrators might have utilized the flexibility after February 2021, when the last survey was conducted.

Of the students who received any emergency aid during the pandemic, just 5% reported that they know their emergency grants came through SEOG, and 34% said they did not know the source of their emergency aid.[20] However, few students could be expected to know the specific source of the funds they received on an emergency basis and during unprecedented times.

Policy Recommendations

With the federal investment in emergency aid from HEERF now expended, many states and institutions are considering adopting their own emergency aid programs. Some states have already established emergency aid programs.[21] However, they face significant resource constraints scaling emergency aid to help close the gap for students. Financial pressures remain the number one reason students stop out of college.[22] Today, large majorities of students say they would not be able to cover a $500 emergency expense (figure 2). Students need help that meets the scale of their urgent needs.

Figure 2: Percent of students who would have trouble finding $500, Fall 2022



Source: Trellis Company. (2023, May). *Student financial wellness survey, fall 2022*.

There is a simple and efficient solution to quickly help students with the unexpected expenses they're facing: Congress can permanently allow SEOG to operate as emergency aid. Colleges are already familiar with the SEOG program, many recently used the flexibility to award it as emergency aid, and the funds could be deployed to students rapidly. And, **because institutions must provide their own 25% match to SEOG's federal funds, they have a financial incentive to ensure funds are spent wisely**.

Institutions will still want to package a significant portion of SEOG to their students as traditional upfront financial aid to reduce the total net price presented to students and families and attract enrollments. Therefore, it is unlikely that 100% of SEOG will ever be allocated to emergency aid. Allowing a substantial portion of SEOG to be reserved for emergency aid will keep students enrolled and help them reach graduation while helping institutions deal with unforeseen economic shocks or emergencies.

Congress should renew the no-cost flexibility for the SEOG program to operate as emergency aid as soon as possible. This authority only recently expired on June 30, 2023. To make this flexibility even more effective in supporting student success and reaching students with financial need, Congress should also extend the authority for institutions to transfer at least a portion of FWS into SEOG. These successful policy innovations that benefitted so many students in higher education serve as a model for making financial aid simpler, faster, and more responsive to the needs of students.

About The Hope Center

The Hope Center at Temple University is an action research center transforming higher education into a more effective, equitable, and impactful sector using a powerful combination of applied scientific research, technical assistance, and educational training services to colleges and universities, policy advising with state and federal governments and agencies, and strategic communications. We believe that students are humans first and that their basic needs are central conditions for learning.

To learn more about the report authors, visit https://hope.temple.edu/about-hope-center.

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Endnotes

[1] The *CARES Act* was passed unanimously with a 96-0 recorded vote in the Senate and by voice vote in the House. Source: Congress.gov. (2020). *H.R. 748 CARES Act. Public Law 116-136*.

[2] The Hope Center at Temple University. (2021, March). *#RealCollege 2021: Basic needs insecurity during the ongoing pandemic*.

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[5] NASFAA, NASPA, and HCM Strategists. (2022, October). *Evaluating student and institutional experiences with HEERF*.

[6] The next two packages were provided by the Coronavirus Response and Relief Supplemental Appropriations Act of 2021 (CRRSAA) and the American Rescue Plan Act (ARP), respectively. Source: Congressional Research Service. (2023, January). *Education stabilization fund programs funded by the CARES Act, CRRSAA, and ARPA: Background and analysis*.

[7] *Id.*

[8] Congressional Research Service. (2018, February 20). *Campus-based student financial aid programs under the Higher Education Act*.

[9] U.S. Department of Education. (2023). *2023-2024 Federal Student Aid Handbook*.

[10] U.S. Department of Education. (2023). *Campus-based program data book: 2022: Table 1*.

[11] U.S. Department of Education. (2020, February). *FY 2020 congressional action*.

[12] U.S. Department of Education. (2023). *Campus-based program data book: 2022: Table 1*.

[13] National Association of Student Financial Aid Administrators. (2019, January). *Issue brief: Campus-based aid allocation formula*.

[14] Under guidance issued from the U.S. Department of Education, the flexibility to use SEOG as emergency aid is lasted through the "end of the payment period that includes the last date that the national emergency is in effect." The national emergency ended on April 10, 2023, when President Biden signed H.J. Res.7, making the end of the 2022-23 award year the last time most colleges had this option. Source: U.S. Department of Education. (2021, January). *COVID-19 Title IV flexibilities and waivers as of January 15, 2021*.

[15] Section 3503(b) of the CARES Act.

[16] U.S. Department of Education. (2023). *Campus-based program data book: 2022: Table 13*.

[17] Author calculations from National Association of Student Financial Aid Administrators (NASFAA), NASPA—Student Affairs Administrators in Higher Education, & MDRC. (2021, July). *An evaluation of Coronavirus Aid, Relief, and Economic Security Act funding for postsecondary institutions*.

[18] NASFAA, NASPA, and MDRC (2021).

[19] Brink, Meghan. (2022, May 23). *Aid office staff shortages reach 'crisis,' survey shows*. *Inside Higher Ed.*

[20] Murakami, Kery. (2020, June). *More confusion over emergency aid*. *Inside Higher Ed.*

[21] NASFAA, NASPA, and HCM (2022).

[22] Hilliard, Tom. (2022, June). *States Leading the Way in Emergency Aid for College Students*. The Hope Center at Temple University.

[23] Lumina Foundation & Gallup. (2023). *The state of higher education 2023 report*.

Additional Resources

Bell, E., Schwegman, D., Hand, M., & DiDomenico, M. (2023, March). *How Did Colleges Disburse Emergency Aid During COVID-19? An Implementation Analysis of the Higher Education Emergency Relief Fund.* *Educational Researcher* (Washington, D.C. : 1972), 52(5), 259–271.

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Schmidt, J., & Weissman, E. (2021, July). *Strengthening Emergency Aid Programs: Lessons from the CARES Act and the Higher Education Emergency Relief Fund.* *MDRC.*

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