The CACUBO webinar on

Higher Education Emergency Relief Fund - New Guidance from Department of Education will begin shortly

Thanks for joining!!!!!!!
• During the COVID crisis, the CACUBO Board thought it would be helpful to present webinars in which our members could share how they are coping in various areas of interest.

• Since the pandemic started, we have hosted 11 webinars on:
  • CARES Act and CRRSAA Act (2 on this topic)
  • Reopening Strategies (3 on this topic)
  • Diversity, Equity and Inclusion
  • Managing a Remote Work Force and COVID Testing
  • COVID Testing
  • Enrollment Management and Marketing During a Pandemic
  • Online Curriculum Development and Delivery
  • Employee Retention Credit

• Today, we will hear from panelists who will share thoughts on the new guidance provided by the Department of Education on HEERF.

• We will send out a survey afterwards to solicit thoughts and topics for future webinars. Also, if you would be willing to present in a future webinar, please e-mail me at mmickey@nl.edu.
Today’s Presenters

• Marty Mickey, VP-Finance, National Louis University
• Lois Tatro, Sr. AVP, Financial Services, Wichita State University
• Katrina Yoakum, Sr. Director for Financial Analysis and Reporting, University of Kansas
• Ryan Engelstad, Baker Tilly
• Bryan Simkanich, CliftonLarsonAllen
• Jennie Lambert, Rehmann
• Ray Krouse, Sikich
DISCLAIMER

The interpretations and thoughts contained herein are those of the speakers presenting and are subject to change and may or may not be appropriate for your institution. Consultation should be held with your own CPA firm to validate the position you are taking in a certain area.

QUESTIONS

If possible, please refrain from typing questions in the Q&A until our presentation is over. We have received a number of questions in advance and will try to do our best to address those questions within the body of the presentation. At the end, we will try to answer any additional questions as time permits.
Overview of HEERF Grants:

• **Student Grant Share**

• **Institutional Share:** Allowable uses include defraying expenses associated with coronavirus including:
  - Lost Revenue
  - Technology costs associated with a transition to distance education
  - Faculty and staff trainings
  - Payroll
  - Making additional financial aid grants to students

NEW GUIDANCE RECENTLY PROVIDED BY THE DEPARTMENT OF EDUCATION WITH RESPECT TO STUDENT GRANTS AND LOST REVENUE & THAT’S WHAT WE’RE DISCUSSING TODAY
New HEERF Guidance Provided in Following Areas

Student Awards and Spending Periods:
- Student Grant Eligibility and Method of Distribution
- Expenses of What Period Can Be Claimed
- How Long Do We Have to Spend Funds

Lost Revenue:
- Utilization of Institutional Share to Pay Unpaid Student Account Balances and Other Student Account Debts
- Guidance on calculating amount

We will also discuss questions that still exist on other Institutional Share areas
Student Grant Eligibility and Method of Distribution

- Student grant awards can now be provided to students that are not Title-IV eligible, including the following type of students:
  - Non-degree seeking, non-credit, dual enrollment, and continuing education students
  - Students who have left school any reason during the period of the COVID emergency since March 13, 2020
  - Students who are qualified aliens, including refugees and persons granted asylum. We do not believe that DACA students or international students are eligible (Personal Responsibility and Work Opportunity Reconciliation Act of 1996).

- Schools may pay student grants through their normal process for paying credit balance refunds to students without obtaining a student’s consent, if these funds remain unencumbered by the institution.

- Once you draw down the funds, an institution must provide grants to students within 15 days.
Expenses of What Period Can Be Claimed and Spending Period

- All HEERF monies (institutional share and student grants) can now be utilized for permitted uses dating back to March 13, 2020.
- Grant awards can be spent for one year after the granting of the award, and the expiration date for any unspent HEERF I and HEERF II funds will be amended to be the same as the one year anniversary of the HEERF III grant notification, when that is received.
- In other words, you can spend HEERF I and II up until the expiration of HEERF III and that date will be known when you receive our HEERF III Grant Award Notification.

Remaining Questions in This Area:
- One year extension may be allowed but still not sure how to apply for and receive that extension
Utilization of Institutional Share to Discharge Unpaid Student Account Balances

- Institutions may now directly use their Institutional Share to discharge unpaid student account balances or other student account debts so students can resume their studies.
- Allows for reimbursement of expenses to subsidize childcare services for student parents.
- Should provide the student documentation that you paid off their debt with Institutional Share.
- You can still utilize the Student Share to pay off outstanding balances with the student’s consent or permission.
- *This is a slippery slope because it rewards students who haven’t paid in the past.*

Remaining Questions in This Area:
- 1098-T guidance
- Can you discharge pre March 14, 2020 student receivables utilizing HEERF?
Lost Revenue

The amount a college was expecting and that was eliminated or reduced as a result of the coronavirus pandemic. As such, lost revenues can only be estimated. Includes:

<table>
<thead>
<tr>
<th>Academic Services</th>
<th>Auxiliary Sources</th>
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<tbody>
<tr>
<td>• Tuition, fees and institutional charges</td>
<td>• Cancelled ancillary events</td>
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<td>• Room and board</td>
<td>• Disruption of food service</td>
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<td>• Enrollment declines, including</td>
<td>• Dormitory services</td>
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<td>reduced tuition, fees and institutional</td>
<td>• Childcare services</td>
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<td>charges</td>
<td>• Use of facilities or venues, including</td>
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<td>external events such as wedding, receptions, or conferences</td>
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<td>(other than facilities associated with sectarian</td>
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<td>instruction or religious worship)</td>
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<td>• Bookstore revenue</td>
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<td>• Parking revenue</td>
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<td>• Lease revenue</td>
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<td>• Royalties</td>
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<td>• Other operating income</td>
</tr>
</tbody>
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Lost Revenue

- Sources of lost revenue not reimbursable under HEERF:
  - Capital outlays associated with facilities related to athletics
  - Acquisition of real property (including bond revenue)
  - Contributions or donations to the institution
  - Marketing or recruitment activities
  - Revenue related to sectarian instruction or religious worship
  - Alcohol sales
  - Investment income
  - Fees related to debt service activities cannot be claimed

- Athletics income is **not** specifically excluded.

- Amounts claimed as “lost revenue” must be attributable to the coronavirus and not due to cause other than the pandemic.

- Cannot double dip. If you refunded room and board and claimed it, you can’t claim it for lost revenue too.
Lost Revenue

• When to claim:
  o A charge to HEERF of lost revenue should be claimed at the end of the period used to estimate the lost revenue.
  o FY calculations - recognize at the end of the fiscal year.
  o Term calculations - recognize at end of term
  o Avoid booking lost revenue in a different year to smooth earnings.

• SEFA Reporting:
  o Use FY21 if not reported on FY20 SEFA.
  o Several years in play may affect the timing of expenditure reporting.
  o Be cognizant of rules that require spending of student share before institutional share can be recognized.

• No need to assign specific costs against lost revenue estimate.
Lost Revenue

• Guidance provides latitude to institutions in selecting the method to calculate lost revenue.

• Institutions can use methods such as the following:
  o Year-over-year comparison using the prior year
  o Semester-over-semester comparison using the prior year semester (i.e. fall 2019 compared to fall 2020; summer 2019 compared to summer term 2020).
  o Comparison to previously budgeted revenue or projected revenue for the period.
  o Comparison with a baseline year of a prior fiscal year, such as the fiscal year 2019 from July 1, 2018 – June 30, 2019.
  o Comparison to a 3-year or 5-year average period is allowable.
  o Siloing

• Be consistent and document...your rationale, underlying data, calculation method used, etc.
Lost Revenue – Questions

• Can an institution use a 5 year average to determine lost revenue for rentals and use a year over year calculation to determine lost tuition?

• If HEERF funds are used as lost revenue, how do we record on our financials? Is there a Uniform Guidance reference to support how the entry is recorded?

• Can we use an institutional grant to reimburse membership fee loss for newly built Health & Wellness center which was scheduled to open in FY 21 but didn’t open and is not yet in the budget.

• If your bookstore and/or athletic areas are separate legal entities, but still affiliated corporations of the University, can the University use their HEERF allocation to cover lost revenue at these entities for bookstore sales, athletic ticket sales, etc?
<table>
<thead>
<tr>
<th>Example</th>
<th>Example A</th>
<th>Example B</th>
<th>Example C</th>
</tr>
</thead>
</table>
| Baseline | Using 3-year average prior to the national emergency, which shows:  
- FY 2017: $100 revenue  
- FY 2018: $90 revenue  
- FY 2019: $110 revenue  
Average of the 3 years = $100 of revenue | Using a year-to-year comparison, which shows for FY 2019 $100 of revenue | Using budgeted revenue made prior to the declaration of the national emergency for the 2020 fall semester showing $100 budgeted for revenue |
| Amount of revenue for period estimating loss | For FY 2021: $50 received in revenue | For FY 2020: $60 received in revenue | For the 2020 fall semester: $40 actually received in revenue |
| Calculation to determine lost revenue | • Difference between $100 average of 3 years of revenue and $50 of FY 2021 revenue is $50 | • Difference between $100 of FY 2019 revenue and $60 of FY 2020 revenue is $40  
• Prorated from March 13, 2020: 366 days – 256 days = 110 days (the days remaining in FY 2020)  
• 110 days/366 days = .3005  
• 30.05 percent of $40 = $12.02 | • Difference between $100 budgeted for 2020 fall semester revenue and $40 actually received is $60 |
| Amount of lost revenue | $50 in lost revenue chargeable to the HEERF grant award | $12.02 in lost revenue chargeable to the HEERF grant award | $60 in lost revenue chargeable to the HEERF grant award |
| When to charge the HEERF grant | On or after the close of the FY 2021 – on or after June 30, 2021 | On or after the close of FY 2020 – on or after June 30, 2020 | On or after the close of fall semester 2020 – on or after December 30, 2020 |
| What SEFA to report the charge for lost revenue | FY 2021 SEFA | FY 2021 SEFA | FY 2021 SEFA |
# Examples of One Lost Revenue Calculation

## ABC University - Siloing

### Fall 2020 Quarter - New Students

<table>
<thead>
<tr>
<th>College</th>
<th>Budgeted Pre-Pandemic</th>
<th>Actual</th>
<th>Difference</th>
<th>Avg. Student Lost Revenue</th>
<th>Fall Quarter Lost Revenue (90% of Prior)</th>
<th>Winter Quarter Lost Revenue (93% of Prior)</th>
<th>Spring Quarter Lost Revenue (Prior)</th>
<th>Total Lost Revenue 2020-2021</th>
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<tbody>
<tr>
<td>Undergraduate:</td>
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<tr>
<td>College A</td>
<td>700</td>
<td>625</td>
<td>(75)</td>
<td>3,967</td>
<td>(297,525)</td>
<td>(267,773)</td>
<td>(249,028)</td>
<td>(814,326)</td>
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<tr>
<td>College B</td>
<td>400</td>
<td>425</td>
<td>25</td>
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<tr>
<td>College C</td>
<td>300</td>
<td>315</td>
<td>15</td>
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<tr>
<td>College D</td>
<td>60</td>
<td>40</td>
<td>(20)</td>
<td>3,543</td>
<td>(70,860)</td>
<td>(63,774)</td>
<td>(59,310)</td>
<td>(193,944)</td>
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<td>Graduate:</td>
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<tr>
<td>College A</td>
<td>100</td>
<td>110</td>
<td>10</td>
<td>Budgeted Pre-Pandemic</td>
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<td></td>
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<tr>
<td>College B</td>
<td>150</td>
<td>160</td>
<td>10</td>
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<tr>
<td>College C</td>
<td>165</td>
<td>170</td>
<td>5</td>
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</tbody>
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### Conferences and Workshops

- Conferences: 800,000 (800,000)
- Workshops: 1,600,000 (1,000,000)

Total: (1,800,000) (2,808,270)
Institutional Funds – Indirect / Administrative Cost

What We Know:
• IDC and Administrative cost allowed per guidance
  • Can use de minimis 10% rate (Modified Total Direct Costs)
  • Can use Other Sponsored Activities Rate
• IDC Can be applied to all HEERF Awards.
• Uniform Guidance (2 CFR part 200) does apply for Direct and IDC
• IDC and Admin Costs can not be taken against the Student Awards

Open Questions to be Considered:
• Which F&A rate s/b used?
• When to take IDC vs Administrative cost?
• Can IDC be applied to all expenses, including lost revenue?
• Be Aware of Double Dipping
Procurement Reminders

• Comply with your written policies
• Costs must be reasonable and necessary
• Must comply with standards covering conflicts of interest
• Maintain documentation addressing costs and price analyses
• Full and open competition. Potential exceptions:
  • Micro-threshold purchases – Under $10,000
  • Non-competitive proposals - Solicitation of a proposal from only one source only when one or more of the following applies:
    • The item is available only from a single source
    • The public exigency or emergency for the requirement will not permit a delay resulting from the competitive solicitation
    • The Federal awarding agency or pass-through entity expressly authorized noncompetitive proposals in response to a written request from the non-Federal entity.
  • After solicitation of a number of sources, competition is determined inadequate.
Institutional Share – Other Areas in Which Some Questions Still Exist and/or Should Be Considered

• Can we use institutional grant to reimburse utility costs for underutilization of campus and also reimbursement of enrollment decline for the same semester.

• Our school is charging payroll to the HEERF grant related to COVID administrative leave for those that were ill, took care of an ill family member, did not have daycare services, could not work from home during the shutdown, etc. The payroll includes all areas of our operations - instruction, student services, administrative, and facilities staff. Can you provide more information on how to apply our indirect cost rate to those payroll expenses and not double dip?

• If a school needs to replace pianos that were damaged due to overuse of sanitizing wipes, is that cost reimbursable through HEERF?
Institutional Share – Other Areas in Which Some Questions Still Exist and/or Should Be Considered

- Can you claim payroll related to an employee who was budgeted at the start of the year or the work of an existing employee who is now doing activities related to COVID (i.e. does the employee need to be new to be claimed for HEERF)?

- What else is intended to be covered by “Payroll”
  - Personnel dedicated solely to COVID-19 activities?
  - Personnel who are unable to work due to COVID-19?
  - Will time & effort reporting be required?
  - Time of your employees to install technology improvements?

- Can you claim incentives to employees and students to get the vaccine?

- What criteria or guidance should be used to determine if an HVAC project may qualify as an allowable expenditure? What proof if any is required to associate the project with the pandemic?

- When we get a rebate on our purchasing card, do we need to do something with the portion we receive due to HEERF spending?

- Do we still need to draw the HEERF II Awards within 90 Day drawdown
Institutional Share – Other Areas in Which Some Questions Still Exist and/or Should Be Considered

• Any news on HEERF III or additional guidance?