The CACUBO webinar on

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

Thanks for joining!!!!!!!!!
• This is the 13th monthly webinar CACUO has hosted during the pandemic on various topics ranging from HEERF (4th on this topic) to reopening strategies to DEI to COVID testing.

• 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.

• **SAVE THE DATE:** Our CACUBO Annual Virtual Meeting is scheduled for September 27-29 and we have a great agenda planned. We are providing three days of CPE for $199. Information will be coming out over the next few weeks.
Today’s Presenters

- Michelle Horaney, RSM
- Sue Menditto, NACUBO
- Chester Moyer, Rubin Brown
- Adam Smith, BKD LLP
- Vicki VanDenBerg, Plante Moran

- Marty Mickey, VP-Finance, National Louis University
- Lois Tatro, Sr. AVP, Financial Services, Wichita State University
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.

FOCUS OF TODAY’S PRESENTATION
Throughout this presentation, we have tried to indicate any new or recent guidance or examples provided by the Dept. of Ed. in red in the attached and will focus primarily on these in our comments.
Overview of HEERF Grants:

• **Student Grant Share** – Eligibility changes

• **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 (including repurposed staff)
  • Making additional financial aid grants to students
  • Implementing practices to monitor and suppress coronavirus in accordance with public health guidelines.
  • Conduct direct outreach to financial aid applicants on professional judgement
Grant Periods and Reporting

- All HEERF monies (institutional share and student grants) can 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 your HEERF III grant notification (on or about May 2022 for most).

- 12-month no cost extensions are available but cannot be exercised merely for the purpose of using unobligated balances.

- Quarterly Reporting – Must be conspicuously posted to website 10 days after each quarter end. Each report is separate for that quarter and not cumulative. Separate reports for CARES and CRRSAA must be made for the January 1- March 31 period and separate reports are encouraged for the April – June quarter. See next page for reporting.

- A draw of some amount must done within 90 days of each award; however, we have seen clarification since the amounts are combined on G-5, then continuous drawdowns satisfies this.

- Annual reporting of some sort will be required in in early 2022.
## Quarterly Reporting

Quarterly Budget and Expenditure Reporting for HEERF I, II, and III (a)(1) Institutional Portion, (a)(2), and (a)(3), if applicable

<table>
<thead>
<tr>
<th>Institution Name:</th>
<th>Date of Report:</th>
<th>Covering Quarter Ending:</th>
</tr>
</thead>
<tbody>
<tr>
<td>PR/Award Number(s): P425F</td>
<td>P425J</td>
<td>P425K:</td>
</tr>
</tbody>
</table>

**Total Amount of Funds Awarded:**
- Section (a)(1) Institutional Portion: $0
- Section (a)(2): $0
- Section (a)(3): $0
- Final Report? ✓

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount in (a)(1) institutional dollars</th>
<th>Amount in (a)(2) dollars, if applicable</th>
<th>Amount in (a)(3) dollars, if applicable</th>
<th>Explanatory Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Providing additional emergency financial aid grants to students.¹</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Providing reimbursements for tuition, housing, room and board, or other fee refunds.</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Providing tuition discounts.</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Covering the cost of providing additional technology hardware to students, such as laptops or tablets, or covering the added cost of technology fees.</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Providing or subsidizing the costs of high-speed internet to students or faculty to transition to an online environment.</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Subsidizing off-campus housing costs due to dormitory closures or decisions to limit housing to one student per room; subsidizing housing costs to reduce housing density; paying for hotels or other off-campus housing for students who need to be isolated; paying travel expenses for students who need to leave campus early due to coronavirus infections or campus interruptions.</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Subsidizing food service to reduce density in eating facilities, to provide pre-packaged meals, or to add hours to food service operations to accommodate social distancing.</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Costs related to operating additional class sections to enable social distancing, such as those for hiring more instructors and increasing campus hours of operations.</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
</tbody>
</table>

¹ To support expenses related to the disruption of campus operations due to coronavirus consistent with applicable law. This includes eligible expenses under a student’s cost of attendance under CARES Act Section 18004(c), or any component of a student’s cost of attendance or for emergency costs that arise due to coronavirus, such as tuition, food, housing, health care (including mental health care), or child care, per Section 314(c) of the Coronavirus Response and Relief Supplemental Appropriations Act, 2021 (CRRSAA), and Section 2003 of the American Rescue Plan Act of 2021 (ARP).
## Quarterly Reporting

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount in (a)(1) institutional dollars</th>
<th>Amount in (a)(2) dollars, if applicable</th>
<th>Amount in (a)(3) dollars, if applicable</th>
<th>Explanatory Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Campus safety and operations.</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Purchasing, leasing, or renting additional instructional equipment and supplies (such as laboratory equipment or computers) to reduce the number of students sharing equipment or supplies during a class period and to provide time for disinfection between uses.</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Replacing lost revenue from academic sources.</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Replacing lost revenue from auxiliary services sources (i.e., cancelled ancillary events; disruption of food service, dorms, childcare, or other facilities; cancellation of use of campus venues by other organizations, lost parking revenue, etc.).</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Purchasing faculty and staff training in online instruction; or paying additional funds to staff who are providing training in addition to their regular job responsibilities.</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Purchasing, leasing, or renting additional equipment or software to enable distance learning, or upgrading campus wi-fi access or extending open networks to parking lots or public spaces, etc.</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Other Uses of (a)(1) Institutional Portion funds.</td>
<td>$0</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other Uses of (a)(2) or (a)(3) funds, if applicable.</td>
<td></td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
</tbody>
</table>

### Quarterly Expenditures for Each Program

| Total of Quarterly Expenditures | $0 |

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2 Including costs or expenses related to the disinfecting and cleaning of dorms and other campus facilities, purchases of personal protective equipment (PPE), purchases of cleaning supplies, adding personnel to increase the frequency of cleaning, the reconfiguration of facilities to promote social distancing, etc.

3 Please see the Department’s HEERF Lost Revenue FAQs (March 19, 2021) for more information regarding what may be appropriately included in an estimate of lost revenue.

4 Please post additional documentation as appropriate and briefly explain in the “Explanatory Notes” section. Please note that funds for (a)(1) Institutional Portion may be used to defray expenses associated with coronavirus (including lost revenue, reimbursement for expenses already incurred, technology costs associated with a transition to distance education, faculty and staff trainings, and payroll).

5 Please post additional documentation as appropriate and briefly explain in the “Explanatory Notes” section. Please note that funds for (a)(2) and (a)(3) may be used to defray expenses associated with coronavirus (including lost revenue, reimbursement for expenses already incurred, technology costs associated with a transition to distance education, faculty and staff trainings, and payroll).
Student Grants

• Eligibility – All students enrolled in an institution of higher education during the COVID-19 national emergency (subsequent to March 13, 2020). All students includes undocumented, distance education, study abroad & international students

• Prioritize students with “exceptional need”

• Cannot condition receipt of grant on future enrollment or use the grant to satisfy an outstanding balance without student consent

• Grants are not taxable income to students

• Funds from checks uncashed after a reasonable period of time can be redistributed to other students

• Stop payment fees for uncashed student award checks can be claimed under the Institutional portion
Institutional Share: Discharging Unpaid Student Account Balances – Lost Revenue

• Institutions are strongly encouraged to use their Institutional Share to discharge unpaid student account balances and debts.
  o Reengagement – holds may exist for transcripts / enrollment / graduation
  o An allowable use of HEERF institutional funds under “lost revenue”

• Students must be enrolled at any point on or after March 13, 2020

• The complete account balance as of March 13, 2020 and forward can be discharged

• Communicate with student / provide documentation

• An institution may not condition, nor imply that it will condition, the discharging of any funds on the condition that the student takes any specified action, such as re-enrollment.

• Indirect costs can not be taken on discharged student balances
Institutional Share: Discharging Unpaid Student Account Balances – Student Emergency Aid

• Another alternative is to use institutional share for emergency student grants
  o Student portion HEERF rules apply
  o Student’s permission to pay off account balance is required
  o ED encourages disclaimer notification to students
    ✓ Students can decline paying off their balances
    ✓ Inform students of their discretion to use funds
  o No guarantee of account payment

• An institution may not condition, nor imply that it will condition, the discharging of any funds on the condition that the student takes any specified action, such as re-enrollment.

• Indirect costs can not be taken
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:

**Academic Services**

- Tuition, fees and institutional charges
- Room and board
- Enrollment declines, including reduced tuition, fees and institutional charges
- Supported research
- Summer terms and camps

**Auxiliary Sources**

- Cancelled ancillary events
- Disruption of food service
- Dormitory services
- Childcare services
- Use of facilities or venues, including external events such as wedding, receptions, or conferences (other than facilities associated with sectarian instruction or religious worship)
- Bookstore revenue
- Parking revenue
- Lease revenue
- Royalties
- Other operating income
Lost Revenue

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

• Athletics event 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 AICPA GAQC Guidance
  o Be cognizant of rules that require spending of student share before institutional share can be recognized.
  o NACUBO tutorials

• No need to offset cost savings or expenses against lost revenue estimate.

• Cannot claim indirect costs on lost revenue

• May claim lost revenue on state appropriations that have been reduced (CAUTION – this could result in doubledipping or state issues)
Lost Revenue

• Example - Institution has spent the following in Fiscal Year 2021:

<table>
<thead>
<tr>
<th>(in millions)</th>
<th>Spent</th>
<th>Awarded</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Institutional</td>
<td>Student</td>
</tr>
<tr>
<td>HEERF I</td>
<td>$ 3.0</td>
<td>$ 3.0</td>
</tr>
<tr>
<td>HEERF II</td>
<td>$ 10.0</td>
<td>$ 2.0</td>
</tr>
<tr>
<td>HEERF III</td>
<td>$ 5.0</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>$ 18.0</td>
<td>$ 5.0</td>
</tr>
</tbody>
</table>

• SEFA – would reflect all of the above - $23 million in total

**FASB INSTITUTION**

Recognize Grant Revenue of:

• $6 M of HEERF I – student and institutional
• $6 M of HEERF II - $2 M of student and $4 M of institutional
• $0 of HEERF III – no student spent

Deferred revenue of $11 M

**GASB INSTITUTION**

Recognize Grant Revenue of:

• $6 M of HEERF I – student and institutional
• $6 M of HEERF II - $2 M of student and $4 M of institutional
• $0 of HEERF III – no student spent

Unearned revenue of $11 M
FASB INSTITUTION

ASU 2018-08 grants are conditional when both a right of return (or right of release) and a barrier to entitlement exist.

- Right of return – grant falls under UG requirements, there is a right of return under OMB’s umbrella of rules
- Barriers to entitlement – limited spending due to Student spend puts institutional spend at risk

GASB INSTITUTION

GASB 33, Voluntary nonexchange transaction – (nonoperating). Student portion as spent; institutional subject to contingency (paragraph 20(d))- eligibility criteria for student portion.

This is consistent with paragraph 15 of Statement No. 33 in that revenue is unearned by recipients until allowable costs have been incurred and any other eligibility requirements have been met.

Higher Education institutions are required to reconcile the difference between financial statements and the SEFA but it is not required to be disclosed in the footnotes to the SEFA.
• 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.

• Be consistent and document your rationale, underlying data, calculation method used, etc.
  • Consistency in methodology between years and between revenue sources and enrollment considerations
# Examples of Calculating HEERF Lost Revenue

<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 Community College**

<table>
<thead>
<tr>
<th></th>
<th>Example A</th>
<th>Example B</th>
<th>Example C</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>FY 17</td>
<td>FY 18</td>
<td>FY 19</td>
</tr>
<tr>
<td>Undergraduate - Associate Programs</td>
<td>$10 M</td>
<td>$11 M</td>
<td>$12 M</td>
</tr>
<tr>
<td>Certificate Programs</td>
<td>$5 M</td>
<td>$5.5 M</td>
<td>$6 M</td>
</tr>
<tr>
<td>FY 2021</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Undergraduate Associate Programs</td>
<td>$9 M</td>
<td>(C)</td>
<td></td>
</tr>
<tr>
<td>Certificate Programs</td>
<td>$2 M</td>
<td>(D)</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Lost revenue chargeable to HEERF:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Undergraduate Associate Programs</td>
<td>$2 M</td>
<td>(A-C)</td>
<td></td>
</tr>
<tr>
<td>Certificate Programs</td>
<td>$3.5 M</td>
<td>(B-D)</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>$5.5 M</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**From NACUBO Tutorial:**
When calculating lost tuition revenue due to decreased enrollment, should we quantify the amounts by academic program or major?

Costing exercises that allocate tuition revenue to programs based on student’s major or credit hours taught are internal allocations and subject to interpretation and judgement. Also, the HEERF program documents and ED’s lost revenue FAQ’s emphasize lost revenue **due to overall enrollment declines**. Therefore, calculations of lost revenue disaggregated based on degree or distinction at the institution level (i.e. undergraduate, graduate, non-traditional / evening) would be the lowest level of detail on which to base the calculation. Further detail - by program or major - would be difficult to substantiate and audit.
Institutional Funds –

- Funds cannot be used for
  - Funding contractors for pre-enrollment recruitment
  - Marketing or recruitment
  - Capital outlays associated with athletics, sectarian instruction or religious worship
  - Senior administrator or executive salaries, benefits, bonuses
  - Religious worship,
  - Construction or purchase of real property
Institutional Funds –

• Funds can be spent on minor remodeling which may include but are not limited to:
  • The installation or renovation of an HVAC system
  • The purchase or lease of temporary trailer classrooms to increase social distancing
  • The purchase or cost of the installation of room dividers

• Funds can be spent to reengage students, and would not be considered marketing and recruitment, if the funds are used for:
  • Retention – To support additional academic or mental health support systems that will help students overcome additional barriers that have occurred to the coronavirus.
  • Reengagement – Institutions can discharge a student’s past due balance so students can re-enroll.
Institutional Funds – Payroll Funds

• Funds can be spent on payroll costs incurred in transitioning to remote learning, defraying expense to hire more staff or expanding class sections. This includes newly associated or repurposed staff (plus overtime) whose work is associated with or caused by the coronavirus including things such as:
  • Contact tracers, IT staff, additional medical personnel, teaching assistants, offering smaller class sizes to support social distancing
• Funds can be spent to pay the salaries of staff who were unable to work due to full or partial campus closures. This seems to allow one to capture the costs not claimed under the Employee Retention Credit for such personnel
• Questions:
  • What will be required from a time tracking standpoint?
  • Can you charge part of one’s time that has been repurposed?
Institutional Funds – Use a Portion of Funds to Fight the Spread and Transmission of COVID-19

• A portion of Institutional funds must be spent to help fight the spread and transmission of COVID-19. Some examples are:
  • Testing and contact tracing
  • Prevention (Vaccination sites, masks, cleaning and disinfecting costs, sanitizer, enhancing ventilation, food service facility redesigns, training and communications and outreach regarding virus-mitigation strategies)
  • Paying for time off for staff to get the vaccine
  • Supporting students – providing additional space on or off campus to house students in isolation and the related costs

Questions:
• How much do you have to spend?
• Can HEERF be used for vaccination incentives?
Institutional Funds – Professional Judgment Adjustments

• Institutions must provide notice to financial aid applicants and recipients through direct outreach that they may be able to receive a financial aid adjustment (a “PJ”) due to the recent unemployment of a family member or independent student or other circumstances.
  • Direct outreach may be done by email, mail, phone communication, webinar invitation and in-person interviews.
  • Students must be given the opportunity to discuss with financial aid representatives how their financial situation has changed from their FAFSA.
  • Additional costs by financial aid personnel to perform such outreach and adjustments can be charged to the Institutional share.

Questions:
• Can you charge an allocation or a portion of financial aid personnel or provide an overload for this work or does it have to be new personnel?
• How much are we required to spend on this?
Institutional Funds – Indirect / Administrative Cost

- IDC and Administrative costs are allowed on Institutional share only (all HEERF awards):
  - Can use de minimis 10% rate (Modified Total Direct Costs)
  - Can use Other Sponsored Activities Rate
- Confusion: Supplemental Agreement:
  - Recipient may charge indirect costs (negotiated rate) to supplemental funds made available under this award
  - If Recipient does not have a current rate with its cognizant agency for indirect costs, it may charge the de minimis rate of ten percent of Modified Total Direct Costs (MTDC)
- Uniform Guidance (2 CFR part 200) does apply for Direct and IDC
- IDC and Admin Costs can not be taken against the Student Awards
- No double-dipping
What are Modified Total Direct Costs (MTDC)?

**MTDC Includes:**
- Salaries and wages
- Benefits
- Materials and supplies
- Services
- Travel

**MTDC Excludes:**
- Capital equipment
- Other capital expenditures
- Rental costs (facilities)
- Patient care

**Issues with exclusions and HEERF:**
-Rentals to reduce density (tents, mobile classrooms)
- HVAC systems and modifications
-Patient care – what about students with COVID receiving care or quarantined?

**Not applicable to HEERF:**
- Subawards up to $30K

- Scholarships, fellowships, certain subawards, tuition remission