
ED Provides Additional Flexibilities to HEERF Grants

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On Friday, the Department of Education (ED) released new [guidance](#) on the Higher Education Emergency Relief Fund (HEERF) grants authorized by Congress in the Coronavirus Aid, Relief, and Economic Security ([CARES](#)) Act, and later supplemented in the Coronavirus Response and Relief Supplemental Appropriations Act, 2021 ([CRRSAA](#)) and in the American Rescue Plan ([ARP](#)).

The department addresses three significant outstanding questions in the guidance. First, it clarifies that HEERF grants may be used for institutional coronavirus-related costs and student expenses dating back to March 13, 2020, a change from previous guidance. Second, it clarifies that qualified aliens are eligible to receive HEERF emergency grants. Third, it addresses issues surrounding lost revenue as an allowable use of institutional funds.

The updated guidance signals ED's intent for institutions to have as much flexibility as possible when using their HEERF funds so they may address the financial impacts of COVID on their students and infrastructure to the fullest extent possible.

"We commend the department for hearing the financial aid community's pleas for additional flexibility to meet their students' needs," said NASFAA President Justin Draeger. "We anxiously await guidance on additional questions, specifically on eligibility for DACA and undocumented students, but this additional flexibility and clarity should pave the way for schools to expedite getting funds into students' hands."

Lost Revenue

The guidance includes a change in ED's position on the allowable timeframe for institutions to charge costs, including lost revenue, to HEERF grants. While ED previously interpreted the CRRSAA to permit only those institutional expenses associated with coronavirus that were incurred after Dec. 27, 2020 (the date of enactment), ED now indicates in a Notice of Interpretation ([NOI](#)) that both unspent CARES Act HEERF I grants, as well as CRRSAA HEERF II grants can be used for pre-award costs incurred since March 13, 2020, the date the national emergency was declared. ED confirmed verbally that HEERF III grants, when those funds are released, can also be used for costs incurred before Dec. 27, 2020. ED has indicated that its goal in issuing such broad flexibility with respect to dates is to encourage institutions to spend HEERF grants as quickly as possible.

The NOI waives the requirement for prior written approval of pre-award costs and clarifies that no action is required on the part of grantees in order to take advantage of this new flexibility, encouraging institutions, however, to retain a

copy of the NOI in their HEERF files for auditing purposes. ED plans to also issue letters through the G5 system to directly notify grantees of the change of interpretation.

In a separate [document](#), ED provides a list of frequently asked questions relating to lost revenue. There, ED provides a non-exhaustive list of potential sources of lost revenue, which include enrollment declines, canceled ancillary events, bookstore and parking revenue, and tuition, fees, and institutional charges, including unpaid student accounts receivable or other student account debts. Institutions using their institutional share dollars to cover unpaid balances would not be required to obtain student authorization to do so, as is required of student share funds used for the same purpose.

ED also specifies sources of lost revenue that are not reimbursable with HEERF grants, including capital outlays, marketing and recruitment, and contributions or donations to the institution, and states that "generally, lost revenue cannot be used to replace revenues derived from activities and expenditures that are otherwise unallowable under the HEERF grant programs."

Lost revenue can be more difficult to quantify than other coronavirus-related costs because it does not represent a cash outlay and is generally not attributable to a specific date. ED clarifies in its FAQ document that lost revenue may be charged to the institution's HEERF grant at the end of the period that it is using to estimate lost revenue. For instance, lost revenue for a particular fiscal year would be charged to the HEERF grant on the last date of that fiscal year. For reporting purposes, the date the HEERF grant is charged for lost revenue is considered the date the cost was incurred.

ED provides examples of how an institution may estimate lost revenue, but acknowledges that lost revenues can only be estimated, and stresses that institutions have flexibility in calculating lost revenue.

Student Share and Eligibility

The third document issued on Friday is an update of ED's [HEERF II FAQ](#) document. There, ED clarified that qualified aliens (including refugees and persons granted asylum) are eligible to receive HEERF student grants from any of the three funding rounds. This is not an expansion of eligibility but, rather, a clarification, and ED has still not gone so far as to include noncitizens like participants in the Deferred Action for Childhood Arrivals (DACA) program and undocumented students. NASFAA's understanding is that ED is continuing to work, along with the Department of Justice, on clarification regarding the eligibility of DACA, undocumented, and international students.

ED had previously indicated, and reiterates, that non-degree, non-credit, dual-enrollment, and continuing education students qualified for HEERF student grants. NASFAA is seeking clarification from ED on potentially contradictory guidance with respect to applicability of the student eligibility Interim Final Rule (IFR) issued last June under the Trump administration. The updated FAQ document indicates in Question 16 that the IFR, which limited HEERF eligibility to students who met the

Higher Education Act (HEA) Section 484 student eligibility requirements — which include that a student be enrolled in in a degree, certificate, or other program — continues to apply to CARES Act HEERF grants only. However, Question 22 includes CARES Act HEERF grants as able to be awarded to non-degree students.

The guidance also clarifies that unspent remaining CARES Act HEERF I grants may be awarded — under the expanded use of funds granted in CRRSAA — to students for expenses incurred prior to Dec. 27, 2020. The guidance does not address the outstanding question of whether CRRSAA HEERF II financial aid grants made directly to students can be awarded for student costs incurred prior to Dec. 27, 2020. While ED did earlier clarify that institutions may apply these grants to student accounts (with student authorization) for institutional charges posted to student accounts prior to December 27, it did not address here the separate issue of how the December 27 date applies to grants being released directly to students. However, ED has confirmed verbally that institutions may use HEERF II funds to make direct-to-student grants for expenses incurred prior to Dec. 27, 2020.

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