AMERICAN ASSOCIATION OF COMMUNITY COLLEGES
LEAD ADVOCATE ADVANCE

Community College Campus Administration of HEERF Funds: Options and Perspectives

The following document is designed to enhance college leaders' thinking in their use of Higher Education Emergency Relief Funds (HEERF) provided through the CARES, CRRSAA, and American Rescue Plan (ARP) legislation (funds should be forthcoming shortly). This unprecedented funding gives colleges wide latitude to help students and to weather the pandemic. However, as an entirely new funding stream with somewhat complicated rules, particularly about the flexible use of funds, colleges may benefit from a presentation of some of the options at their disposal.

This overview of HEERF assumes basic knowledge of the relevant laws and guidance and access to the U.S. Department of Education's (ED's) materials. (Please consult ED's CRRSAA Higher Education Emergency Relief Fund (HEERF II) website.) It focuses on the single largest formula grant program and excludes other aspects of HEERF, including the Higher Education Act (HEA) Title III and V funding received by many institutions. Its simple intent is to familiarize colleges with some strategies they might pursue. It is not intended as a compliance document, nor does it suggest best practices. It may be particularly relevant as most community colleges are about to receive HEERF allocations through ARP, which are equivalent to their combined CARES and CRRSAA funding.

Timeline

Most unfortunately, the deadline for the use of HEERF funds is not settled. ED will very likely give institutions one year from their ARP funding notification, which is expected in early May, to use ALL their HEERF funds (including CARES and CRRSAA funds), but this has not been formally announced. For example, an institution that receives its ARP funding notification on May 10 will have through April 30, 2022, to spend all its HEERF funds received to date.

What remains uncertain is whether colleges will receive an additional year beyond the ARP end date to use HEERF funds. In earlier HEERF guidance, ED has indicated that colleges may request, and may receive, a one-year extension. As of this writing, that would generally extend the period of eligibility at least until early May 2023. However, ED has not provided any further clarification on the process by which a no-cost extension would be requested and potentially granted. Therefore, for now, colleges will have to accept this ambiguity, which hopefully will be resolved soon.

Student Financial Grants

The HEERF student financial grants give institutions great flexibility in making awards. Some potential approaches are outlined below. Whatever approach(es) is taken, each college must meet the basic statutory requirement that it "[p]rioritize grants to students with exceptional need, such as students who receive Pell Grants."

The prioritization of exceptional need has generally been interpreted to mean that all Pell Grant recipients should be included in the subset of students who receive grants. Institutions do not need to determine that every student who receives a grant has "exceptional need."

Institutions have discretion on the size of the HEERF grants made to Pell recipients. However, colleges will probably not want to award significantly smaller grants to these students than those provided to other students, though there may well be such instances—for example, if an institution has an extremely expensive technical program and it uses HEERF funds to help students pay for it. (Also note that ED guidance refers to limiting the grant to the maximum Pell Grant, set at $6,495 as of July.)

Depending on the needs of the students, some of the options that colleges might consider in their awarding their student grants include:

- Awarding all HEERF student funds to Pell Grant recipients. Colleges could provide to Pell recipients a fixed or variable dollar amount. In the latter case, colleges would likely want to give students with the greatest need, as determined by the size of their Pell grants, larger HEERF awards.

- Colleges may choose to allocate some of their funds to non-Pell students based on actual need demonstrated in other ways, since under CRRSAA and ARP, Title IV federal student aid eligibility is not a requirement for student financial grants. Colleges may allocate funds based on need but outside of the Title IV framework, using institutional applications. Other colleges may determine need through students' use of certain college services, or through other indicators.

- Colleges may support students more broadly, potentially making awards to all their students. Grants may be provided to meet the Title IV "cost of attendance" items as well as any "emergency" needs that arise related to the pandemic. Colleges making these grants broadly may want to consider giving Pell recipients larger grants.

Community colleges may support students who are not eligible for Title IV aid due to student or program eligibility rules. The latter category includes non-credit, short-term, non-degree, and dual enrollment programs. This flexibility may be particularly important for colleges with programs that are created to meet specific workforce needs.

Please note that as of this writing, ED and the Biden Administration have not determined whether undocumented or international students may receive emergency financial grants. Institutions that are considering allocating funds to these students, should that be permitted, may want to reserve some funds for that purpose. There is no firm timeline for when the government will rule on this key question.

Institutional Funds

Very generally, institutional funds can be used in two broad categories: for revenues lost due to the coronavirus and expenditures undertaken in response to the coronavirus. The overarching statutory language states that institutional funds are for "[d]efraying 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)." Colleges are also authorized to use institutional funds for student financial grants, under the applicable rules.

In guidance issued on March 22, ED clarified that institutions may charge costs and lost revenues that were incurred anytime from March 13, 2020, onward to their HEERF grant.

Lost Revenues

On March 19, ED provided detailed guidance on claiming lost revenues. The guidance gives institutions a variety of options in this area, particularly the methods they may use to establish a benchmark for anticipated revenue in determining the amount of lost revenue.

The guidance on lost revenues explicitly states what *cannot* be claimed as lost revenues—any other revenue can potentially be claimed. Prohibited sources of lost revenue include capital outlays for athletic facilities, real property acquisition, and marketing and recruitment activities. Of note, recouping state and local budget cuts is not prohibited.

The guidance also clarifies that the allowable "lost revenues" charged to the HEERF grant are unrestricted funds and may be subsequently used by colleges in any manner.

The guidance explicitly allows recouping revenues that were lost because of enrollment decreases. This is particularly important for community colleges, which have suffered larger enrollment decreases than any other higher education sector. Other sources of institutional revenues that have declined because of the pandemic, such as bookstores, dormitories, and food services, can be covered as well.

Lost revenues may account for an institution's entire allocation of institutional funds.

Institutional Expenses Associated with Coronavirus

HEERF funds also can be used to pay for all institutional costs incurred related to the coronavirus, as cited above. The sweep of the pandemic's impact means that substantial aspects of college activities may potentially be covered by institutional funds, but, again, expenditures must be related to the coronavirus and documented as such. With the largest infusion of funds soon to come, colleges are encouraged to think of "expenses associated with coronavirus" as not just those that were thrust upon them, but as those they might proactively take to help their students and communities recover from the many effects of the pandemic.

Expenditures could include, but are not limited to:

- direct safety measures, such as PPE;
- improvements to ventilation and air filtration systems and related infrastructure costs;
- expansions, enhancements and other services related to the delivery of online education, including both hardware and software, and related platforms;
- academic support and counseling needs created by the pandemic;
- professional development needs created by the pandemic;
- administration of the HEERF institutional funds, and indirect costs (for the institutional funds only). Senior administrator/executive salaries cannot be covered;
- new programs created in direct response to the pandemic, particularly populations directly impacted;
- unpaid student accounts for those enrolled as of March 13, 2020.

AACC staff are always available to answer your questions on these topics.

For more information, please contact David Baime, Senior VP for Government Relations and Policy Analysis (dbaime@aacc.nche.edu) or Jim Hermes, Associate Vice President for Government Relations (jhermes@aacc.nche.edu).