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Subject: HEERF III Institutional Funding Guidance
Date: Tuesday, June 1, 2021 9:27:03 AM

Dear Presidents & Chief Business Officers:

As you know, HEERF III Institutional funding is now available. These are Supplemental Institutional Funds for your overall HEERF funding and do not require a new certification (HEERF III student grant funding will be addressed in separate guidance). Your institution should have been notified that the funds are already available in G5. Drawing down the supplemental funds constitutes acceptance of the supplemental Institutional Fund terms and conditions that will be attached to your Grant Award Notification (also available at <https://www2.ed.gov/about/offices/list/ope/arpheerfiisupplementa1institution.pdf>).

As with HEERF II, your institution should draw down for use a small amount of funds within 90 days (\$25) but should not draw down any more HEERF III funds until you have received approval from the System Office.

Institutions must submit for approval their proposed plans for these funds to Jeff Davis at jeff.davis@usg.edu.

Except where noted, this guidance applies to all unexpended HEERF funding. Please carefully review the provisions marked "(NEW)."

Permissible Use of HEERF Funds

Expenditures "to prevent, prepare for, and respond to the coronavirus" first incurred on or after March 13, 2020 that fall into one of the following six categories:

- **Lost revenue**
 - **(NEW) Student debt discharge option** - Institutions may now discharge uncollected tuition, fees, and other charges for students enrolled after March 13, 2020 (students do not have to be currently enrolled) and then fully reimburse themselves using their HEERF institutional funds.
 - Institutions may not use these funds for "bad debt" or amounts due already turned over for collection. Further details on precisely which

student debts are available to be discharged through this process are being worked out and will be provided.

- Your institution cannot condition, nor imply that it will condition, discharging these funds on the condition that the student takes any specified actions (e.g., continued reenrollment).
 - Further accounting guidance will be forthcoming on how to execute this transaction; however, institutions may include this as an option in their proposed HEERF plans.
- Reimbursement for expenses already incurred
 - (NEW) “Minor remodeling” is permitted. For example:
 - minor alterations in a previously completed building for purposes associated with the coronavirus.
 - extending utility lines, such as water and electricity, from points beyond the confines of the space in which the minor remodeling is undertaken but within the confines of the previously completed building.
 - The installation or renovation of an HVAC system, to help with air filtration to prevent the spread of COVID-19.
 - The purchase or lease of temporary trailer classroom units to increase social distancing.
 - installation of “room dividers” within a previously completed building to increase social distancing.
- Technology costs associated with a transition to distance education
 - (NEW) In using HEERF grant funds to transition to online and remote learning, your institution should carefully document how the funds were used to respond to the pandemic consistent with general cost principles (2 CFR § 200.334). If your institution is accelerating a previously planned expansion of online learning, please separate out the costs associated with the acceleration as a result of coronavirus and only charge those costs to HEERF.
- Faculty and staff trainings
 - Payroll costs,
 - Including employee benefits, if (1) such costs are newly associated with coronavirus and (2) the costs were incurred on or after March 13, 2020.
 - (NEW) Examples:
 - pay students for internships and job training experiences aligned with local coronavirus-related recovery needs.
 - pay for any new staff, or repurposed staff, if the new or repurposed staff’s work is associated with coronavirus (e.g., contact tracers, IT staff, additional medical personnel, teaching assistants, offering smaller class sizes to support social distancing, etc.).
 - pay the salaries (from March 13, 2020 onward) of staff who were unable to work during a period of any full or partial campus closures

due to the pandemic (e.g., cafeteria workers, maintenance staff, bookstore clerks, etc.).

- pay any additional/overtime work any staff incurred from March 13, 2020 onward associated with coronavirus (e.g., deep cleaning of dormitories, additional trainings to assist with transitioning to online learning, etc.).
- Uses in this category will likely require effort reporting.
- Senior administrator and executive compensation are still prohibited.
- Additional financial aid grants to students
 - Additional grants must meet the HEERF requirements for Student Grants. The Department of Education has urged institutions to “devote the maximum amount of [Institutional] funds possible to financial aid grants to students,” especially for students with the most significant financial needs arising from the COVID-19 pandemic.

Impermissible Use of HEERF Funds

HEERF Funds **CANNOT** be used for:

- (NEW) Construction including capital projects (such as deferred maintenance and capital improvement), permanent building construction, structural alterations to buildings, building maintenance, or repairs. “Minor remodeling” (described above) is permitted.
- (NEW) Acquisition of real property.
- Contractors for the provision of pre-enrollment recruitment activities.
- (NEW) Marketing or recruitment.
- Endowments.
- Capital outlays associated with facilities related to athletics, sectarian instruction, or religious worship.
- Senior administrator or executive salaries, benefits, bonuses, contracts, incentives; stock buybacks, shareholder dividends, capital distributions, and stock options; or any other cash or other benefit for a senior administrator or executive.
- (NEW) Bad debts.

All HEERF funding must also comply with the general cost principles for federal grants in [2 CFR part 200 subpart E of the Uniform Guidance](#).

(NEW) HEERF III Only Required Spending Categories

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Your institution must now use some portion of your HEERF III Institutional (and later HBCU/MSI/SIP, if applicable) funding on two new spending categories: (1) practices to monitor and suppress COVID-19 and (2) outreach to financial aid applicants. **Your institution must use a “reasonable and necessary” amount of its HEERF III funds in**

a good faith effort to support these new requirements. Please specify your planned practices and related budget in your plan submittals.

- Practices to monitor and suppress COVID-19
 - Required use: “implement evidence-based practices to monitor and suppress coronavirus in accordance with public health guidelines.” **Your institution likely already has many expenses that meet this requirement. These costs should now be expensed to HEERF III rather than other HEERF funds.**
 - Examples include:
 - Testing and contact tracing efforts.
 - Prevention (on- and off-campus vaccine sites, PPE, hand sanitizer and washing stations, cleaning and disinfection, enhanced ventilation, mask campaigns, redesigning food service, virus-related training and communication).
 - Reducing vaccination barriers (paid time off or sick leave for employees to get vaccinated, awareness efforts, convenience efforts for students to receive vaccines, other initiatives designed to increase vaccination rates).
 - Supporting students (procuring extra space on or off campus for quarantined students; academic, mental health, and other support costs for quarantined students; supporting coping and resilience for all students).
 - **Required Documentation:**
 - The strategies used to monitor and suppress COVID-19,
 - The evidence to support those strategies,
 - How those strategies were in accordance with public health guidelines (from the CDC or DPH), and
 - How the amount spent was reasonable and necessary given the unique needs and circumstances of your institution.
- Outreach to financial aid applicants
 - Required use: “conduct direct outreach to financial aid applicants about the opportunity to receive a financial aid adjustment due to the recent unemployment of a family member or independent student, or other circumstances.”
 - Direct outreach means that your institution must actively engage financial aid applicants and recipients. Passive notification, such as posting notification of the opportunity on the financial aid website, is not sufficient.
 - Examples include:
 - Email to students who receive financial aid.
 - Mail to students who receive financial aid.
 - Phone or voice communication.

- Webinar invitations.
- In-person interviews or meetings.
- Inclusion in orientation and related programs targeted to financial aid applicants.
- **Required Documentation:**
 - The manner and extent of the direct outreach to financial aid applicants and recipients, and
 - How the amount spent was reasonable and necessary given the unique needs and circumstances of your institution.

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Timing, Reporting, and Audit

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Timing - Your institution now has one calendar year from the date that its HEERF III institutional funds were awarded to expend all unspent HEERF institutional funds (CARES, HEERF II, and HEERF III). Institutions are obligated to minimize the time between drawing down funds from G5 and paying obligations incurred. **For the Institutional portion of the HEERF III funds, this period between draw down and obligation should be no more than 3 calendar days.**

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Reporting – Reporting for HEERF III funds will generally follow the same requirements as for CARES and HEERF II. We will be providing updated accounting and reporting guidance covering all HEERF funding at a later date.

Institutions should record the HEERF III Institutional Fund revenue in the same manner as previous HEERF Funding:

Account: 491110 - Fed CARES/HEERF III Grants-Non-Operating
 Fund: 20000 – Sponsored
 Program: 16100 – Institutional Support
 Class: 61000 - Sponsored - Federal
 Project ID: “HEERFIII_INST” embedded in Project id, to make unique from Student aid portion
 CFDA: 84.425F

Audit - The receipt of these funds in FY2021 and the level of funding means that institutions should anticipate these funds being subject to audit coverage as a part of the FY2021 financial audit engagement.

Additional Resources

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HEERF III FAQs - <https://www2.ed.gov/about/offices/list/ope/arpfaq.pdf>

Finally, and as stated earlier, institutions must submit for approval their proposed plans

for these funds to Jeff Davis at jeff.davis@usg.edu.

We will discuss in more detail on the next scheduled CBO call.

Tracey