What's new in HEERF II and HEERF III

The ongoing pandemic has created economic and operational challenges for institutions of higher education (IHEs). The federal government has rolled out multiple programs to provide financial support for these IHEs, in an effort to ease the strain and help keep educational institutions afloat during this difficult period. The U.S. Department of Education's (ED) Higher Education Emergency Relief Fund (HEERF) II and III are the latest such programs.

Signed into law on December 27, 2020, HEERF II extends the funding provided in HEERF I (part of the CARES Act) by providing another $21.2 billion to eligible institutions under Section 314 of the Coronavirus Response and Relief Supplemental Appropriations Act (CRRSAA).

Though HEERF II carries many of the same regulations specified in HEERF I, there are also some significant changes. Some of the key features in HEERF II include:

- Additional appropriations – HEERF II provides additional funds to institutions that received funding for either the Institutional Portion or the Student Aid Portion (or both) of HEERF I. The additional support will be provided automatically; previous grantees do not need to reapply for this supplemental funding.
- Expanded institutional eligibility – HEERF II extends eligibility for support to proprietary IHEs. Public and nonprofit institutions that did not receive support through the earlier program are also eligible to apply for funding under HEERF II, with applications being accepted through April 15, 2021.
- Student eligibility – Financial aid grants to students under HEERF II are not limited to students meeting the criteria set forth in the CARES Act's Interim Final Rule regarding student eligibility and its implementing regulation, 34 CFR 668.2. These limitations apply only to support provided under the HEERF I, not HEERF II. So essentially, students do not have to be Title IV eligible under HEERF II as they were required under HEERF I.
- Student grants – In making financial aid grants to students with HEERF II funds, institutions must prioritize grants to students with exceptional need. This includes Pell Grant recipients and students identified using other criteria. HEERF II funds can be used for grants to students enrolled only in distance learning, unlike the funds provided under HEERF I.
- Institutional funds for lost revenue – Replacing lost revenue is an authorized use of Institutional Portion Funds under HEERF II, a change that comes as welcome news to hard-pressed IHEs. Institutional funds can also be used for the technology costs of transitioning to remote learning, payroll, faculty and staff training, student support activities related to coronavirus and additional financial aid grants for students. IHEs with unspent Institutional Portion HEERF I funds as of December 27, 2020 can now utilize those funds consistent with HEERF II guidelines.
- Reporting requirements – The ED has not yet finalized HEERF II reporting requirements for grantees. However, the ED has stated that new funding awards may be delayed or restricted if an institution has not fully met public and/or departmental reporting requirements established under HEERF I.

On March 19, 2021, the ED released the much anticipated guidance on lost revenue and allowable dates for reimbursement of previously incurred expenses. The ED stated that IHEs can charge expenditures and cover lost revenue as of March 13, 2020 through the end of the performance period, which is defined as one year from the obligation date of each grant award (HEERF I, HEERF II, and HEERF III). The ED has added HEERF Lost Revenue FAQs to their website that include the definition of lost revenue, as well as relevant examples that can be useful for an IHE to calculate its estimated lost revenue. The provided FAQs give various methods on how to estimate lost revenue, so there is significant opportunity for an IHE to evaluate and maximize the estimated lost revenue calculation. Another key piece of clarification the FAQs provide are IHEs may not charge lost revenue against the HEERF grant award until the end of the term being used to estimate lost revenue. For example, an IHE that is considering lost revenue for the Spring 2021 semester will have to wait until the end of the semester before it can charge the estimated lost revenue against the HEERF grant award. We suggest IHEs evaluate estimated lost revenue starting March 13, 2020 through the end of the applicable performance periods to maximize the benefit of each HEERF award (including HEERF III mentioned below).

Signed into law on March 11, 2021, HEERF III extends the funding provided in HEERF I & II by providing another $40 billion to eligible IHEs under Section 2003 of the American Rescue Plan Act of 2021 (ARPA) through September 2023. The ARPA stated HEERF III would have the same terms and conditions as Section 314 of CRRSAA (which defined HEERF II). Furthermore, on March 19, 2021, the ED released HEERF III FAQs that provides additional clarification of program requirements.

IHEs leaders should take the opportunity to plan for optimal use of all HEERF funds your institution may be eligible to receive. If you need assistance in quantifying estimated lost revenue across multiple terms, identifying eligible expenses or developing appropriate methodologies for allotting HEERF funding, turn to the experienced advisors at Mauldin & Jenkins. We understand the unparalleled challenges IHEs face today and stand ready to help you formulate effective solutions.

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