

HEERF Emergency Grants to Students

Award Determination Considerations

As you all know by now, President Trump signed the CARES Act into law on 3/27/2020. Part of that Act authorized the Higher Education Economic Relief Fund (HEERF) to provide emergency financial relief to institutions and their students. \$12.5 billion in emergency funding was authorized under this program for institutions of higher education. Half of those funds are intended for emergency grants to students, and the other half is intended to provide financial relief to institutions.

The total HEERF allocation for your institution, as well as the 50% portion required for exclusive use as student grants, can be found in the [HEERF funds allocation report](#). The specific guidance from GEMCOR in this publication relates only to the funds authorized for emergency grants to students. Guidance related to the receipt and use of the institution's portion of the HEERF program funds, i.e., the other 50% of your total allocation, will be provided at a later date.

Administration of Emergency Grants to Students

To date, little formal guidance has been provided by the federal government regarding the administration of these emergency student grants. The only published information thus far can be found in the language contained in four documents:

- A [Press Release](#) by Betsy DeVos, U.S Secretary of Education on 4/9/2020
- A [Cover Letter](#) to Institutions Announcing the Planned Release of HEERF Program Funds
- A [Certification and Agreement](#) that each Institution must Execute to Receive the Funds
- A [FAQ publication](#) from the USDE published in late April 2020

All information from this point forward will include language either taken directly from those publications (with direct quotes **specifically enhanced**) or will include recommendations to promote compliance with the intended use of the HEERF awards. We encourage you to read the three documents noted above with close attention to the Certification and Agreement which outlines the actual terms that you agreed to when submitting your application on Grants.gov for the HEERF award for your institution.

It's important to begin with a direct statement in the Cover Letter to Institutions:

“The CARES Act provides institutions with significant discretion on how to award this emergency assistance to students.”

This really says it all. You have significant discretion. However, significant discretion does not allow you to deviate from the general intended purpose of the grant funds. What is the general intended purpose of the emergency grants to students?

“provide students with emergency financial aid grants to help cover expenses related to the disruption of campus operations due to coronavirus”

Additional language of interest in the Cover Letter states that:

“each institution may develop its own system and process for determining how to allocate these funds, which may include distributing the funds to all students or only to students who demonstrate significant need”

And,

“The only statutory requirement is that the funds be used to cover expenses related to the disruption of campus operations due to coronavirus (including eligible expenses under a student’s cost of attendance, such as food, housing, course materials, technology, health care, and child care).”

Note that the statutory language does not permit the institution to use the emergency grant funds for institutional charges. The program charges in your enrollment agreements have not changed as a result of the disruption of campus operations due to COVID-19. Therefore, tuition is not an expense that has been incurred as a result of the coronavirus pandemic.

Student grants under the HEERF program should be issued directly to the student. Beyond that, the student can elect what expenses he/she wishes to pay with their own resources.

Now, let’s examine some of the language in the Agreement that you signed which contains the terms regarding the use of funds.

“[The institution]...shall not use the advanced funds to reimburse itself for any costs or expenses, including but not limited to any costs associated with significant changes to the delivery of instruction due to the coronavirus and/or any refunds or other benefits that Recipient previously issued to students.”

As mentioned earlier in this publication, this initial release of 50% of your total HEERF allocation is exclusively intended for emergency student grants. The remaining 50%, which can be used for institutional expenses, will be released at a later date.

“The advanced funds shall not be used for any purpose other than the direct payment of grants to students for their expenses related to the disruption of campus operations due to coronavirus, such as food, housing, course materials, technology, health care, and child-care”

Of importance in the above language is the reference to the *“direct payment of grants to students”*. Compliance with this provision would be accomplished by issuing the emergency grant awards to students in the form of a check or electronic transfer of funds to their bank account, if you are equipped to do so. We do not advise you to use authorization statements, cash, or any other method to deliver these grants to students other than by evidentiary bank transactions. Issue a check directly to the student and maintain documentation in your files.

The program requires that you disburse all emergency student grants within one year after the date you signed your Agreement. However, we believe these funds will run out long before then. Also, assuming

any disruption in education as a result of the coronavirus will terminate upon life going back to normal, we believe this period of “disruption” will be limited to the spring/summer of 2020. Finally, these are “emergency grants”. As such, there should be no unnecessary delay in the delivery of these funds to students.

Your final condition according to the language in the Agreement is your obligation to:

“(i) report to the Secretary thirty (30) days from the date of this Certification and Agreement and every forty-five (45) days thereafter.....how grants were distributed to students, the amount of each grant awarded to each student, how the amount of each grant was calculated, and any instructions or directions given to students about the grants; and.....

(ii) document that [the institution] has continued to pay all of its employees and contractors during the period of any disruptions or closures to the greatest extent practicable, explaining in detail all specific actions and decisions related thereto”

Recommendations

Now that we know what the official guidance is, and it isn’t very extensive, the following represents our recommendations for policies and procedures regarding the handling of these students grants.

Establish a Formal Policy Regarding Student Grants under the HEERF Program

You have significant discretion, within the terms of the program’s intent, to determine how you will manage these funds.

Who is Eligible?

First, we recommend that you only award this money to currently enrolled students. These are the students most affected by the COVID disruptions. If a student has graduated or withdrawn, he/she is no longer a “student” and we do not believe meets the intent of the program. Even if the student may have been enrolled into March, and may have even suffered a hardship due to a COVID related disruption, this HEERF program was not authorized until 3/27 when the CARES Act was signed. Your institution was technically not a participant until you submitted your Agreement and applied for the grant. So, keep those facts in mind when you determine what students will be eligible to benefit from these grants.

The HEERF grants are not regulated by Title IV, FSA rules. Accordingly, a student recipient of a HEERF grant does not have to be a recipient of Title IV funds. Based on further guidance from the USDE in its FAQ publication in late April 2020, HEERF Grant recipients must, however, be eligible for Title IV FSA funds. Briefly, this means that HEERF Grant recipients be U.S. citizens or eligible non-citizens, HS graduates or its equivalent, be registered with Selective Service if required, not be in default on, or owing a refund on, an existing FSA student loan or Federal Pell Grant, and be enrolled in a FSA eligible program. Students commonly referred to as “cash pay” students are eligible for HEERF Grants if they would otherwise be eligible for Title IV FSA funds. We encourage you to obtain a valid ISIR, for students receiving a HEERF Grant, that has no C codes that would render the student ineligible for FSA funds. Verification does not have any impact on a student’s HEERF Grant eligibility.

Many have inquired as to the eligibility for HEERF grants of students who are on an approved leave of absence. These students have not been expressly prohibited from participation but you have to determine, for your own policy, whether these students will qualify. They are considered to be enrolled even while on a LOA, so they are still considered “students”. We recommend that you again refer back to the intent of the grants in the language of the Agreement which specifies the use of the money for;

“expenses related to the disruption of campus operations due to coronavirus, such as food, housing, course materials, technology, health care, and child-care”

Considering the above, if you transitioned to a system of distance education due to the coronavirus, and a student requested a LOA because he/she was unable to participate in the new distance education training, then an argument can be made that the LOA is related to the disruption of operations due to coronavirus. For, if not for the virus and change in campus operations, the student would have remained in school.

On the other hand, if a student was on a LOA prior to the pandemic, or if the LOA is unrelated to the coronavirus (due to pregnancy, for example), then the student has really not suffered from a hardship due to the coronavirus. (Let’s not talk about if the pregnancy was the result of the stay-at-home orders due to the virus!!)

If you decided to remain temporarily closed and have not transitioned to continue offering training via distance education, then clearly enrolled students are incurring the includable expenses as a result of disruptions to campus operations due to the coronavirus. These students would qualify for HEERF grants based on the language in the statute. Because the institution has ceased providing education, it is currently unknown whether or not the institution will be able to benefit from any of the other 50% of the HEERF award. Those guidelines will be made available when more information is released on that portion of the allocation.

You do have significant discretion as we know. It is not realistic to write a policy that covers all scenarios regarding who is eligible. You simply have to take into consideration the general guidelines and incorporate those guidelines into a general policy.

How will the Award Amount be Determined?

The Cover Letter to institutions states that;

“each institution may develop its own system and process for determining how to allocate these funds, which may include distributing the funds to all students or only to students who demonstrate significant need”

Certainly, the easiest, quickest, and most non-discriminate way to award these emergency grants would be to divide the allocation by the number of eligible students to determine the award amounts. In the alternative, you could establish a policy regarding how you will determine a student’s need and subsequent award amount. Taking the latter approach can ensure that funds are more directed to those students who have significant financial need.

For example, you could create an application form for students to complete with questions regarding whether or not the student is responsible for their own (or their family’s) living expenses. Has the

student (or family member) suffered a loss of employment due to the coronavirus? Has the student incurred additional technology expenses as a result of coronavirus related disruptions in training (purchase of a new laptop now required for participation in distance learning, for example)? Has the student incurred additional health care related expenses as a result of the coronavirus? Has the student incurred additional child care expenses as a result of the coronavirus?

All of the above are directly related to the conditions for which these grants are being provided. Again, you have significant discretion under this program. That discretion extends to all components, including award amount determination. The only award amount suggestion from the federal government is that student awards be limited to no higher than the current amount of a full Pell Grant which is \$6,195.00. That, however, is a recommendation, and is not a statutory limitation.

How will the Emergency Grants be Disbursed?

Your policy should contain language regarding how the grants will be disbursed. Will they be disbursed in a single payment, or will you issue the award in multiple disbursements to ensure the student has funds for expenses in the coming months? If under a multiple disbursement approach, when can the student expect to receive future disbursements? What happens to any amounts undisbursed if the student withdraws before his/her entire award has been disbursed? Can the student request early disbursement? Will the disbursements be made by check, EFT into the student's bank account, or stored value debit card? The amount of burden you wish to take on is up to you because you have what?.....significant discretion!

How will you Receive the HEERF money to Fund the Grants?

In relation to how the grants will be disbursed is how you will receive the funds from G5 for those student grants. The drawdown of these funds will be initiated by GEMCOR and will be deposited into your bank account that is on file with G5. For most of you, that will be your Title IV federal funds account. Once again, these funds are to be used exclusively for student grants. Accordingly, your policy on how the grants will be disbursed to students will dictate how GEMCOR will drawdown the funds. If your allocation is \$250,000, and you will disburse these funds to students over a longer period of time, we do not recommend drawing down all \$250,000 and having the funds sit in your account or be combined with institutional resources in your operating account.

We advise schools to request from GEMCOR by email, the amount of HEERF funds that you will need to fund a batch of HEERF grants. So, you will determine the student recipients and grant amounts in accordance with your policy and will provide that total amount to us for drawdown. We will then drawdown that amount and you can immediately disburse it to your list of recipients when the funds are received from G5. If you elect to disburse your entire allocation at once, that's fine but we do not want to violate any restrictions on the use of funds by unnecessarily keeping unused HEERF grant money on hand.

What will be your Accounting and Recordkeeping Procedures?

You must maintain complete and adequate records regarding the awarding and disbursement of the HEERF grants. To avoid any presumption of impropriety, we recommend that you maintain a subsidiary ledger system for these grants that is completely outside of the existing student ledger system you have for program costs. Remember, this 50% allocation is intended to be used exclusively for emergency grant payments to students. These funds are not intended to be used for any other purpose, and we recommend that these grants not appear on the student's existing tuition ledger in your system.

A simple spreadsheet can be an effective way to track the administration and disbursement of HEERF grants to students. Remember, these funds are intended for direct payment to students. Create a spreadsheet containing your student recipients and the total amount of each student's HEERF grant. Then, create a column for each date that a disbursement of grant funds will be made. If your column total on 5/1/2020 is \$38,500, notify GEMCOR by email with a request for \$38,500 in HEERF funds. When those are deposited in to your federal funds account, you can transfer them to your operating account in the same manner as you do for FSA drawdowns, and release HEERF grant payments to students. If you have another disbursement batch on 5/10/2020, repeat the process until all HEERF Emergency Student Grants have been disbursed. Your spreadsheet contains the details of who received the grant funds, how much each received, and when.

You are required to act as a fiduciary in all matters involving federal financial assistance and this is no different. You are required to maintain adequate records supporting the awarding and disbursement of HEERF grants to students. And, you have future responsibilities to meet reporting obligations on the use of these funds. These reporting obligations are scheduled to begin within the 30 days of the date you signed the Certifications and Agreement document. We do not yet have any information from the USDE about the specifics of these reports but we do expect those requirements to be published shortly.

Summary

This publication represents only our guidelines and recommendations regarding the administration of Emergency Student Grants authorized by under the HEERF program. This is all temporary. Once this allocation of funds is disbursed, the money is gone and there are currently no appropriations for additional funding.

This pertains only to the emergency student grants portion of the HEERF allocation.

The USDE has stated that the conditions and release of the other half of your total allocation, which is intended for institutional expenses due to COVID-19 disruptions in operations, will be published in the near future.

We understand that many of you may have more specific questions about student eligibility or award amounts, but there is no additional guidance available from the Department. You absolutely have "significant discretion" in relation to these student grants, and you will have to evaluate any unique situations against the policies you develop in this regard.

We also understand that many of you would like for GEMCOR to simply write a policy, but the law does not provide GEMCOR with the discretion. The institution has the discretion to determine how it will administer these funds, and every institution (and its student population) is different. This publication is designed to provide you with all of the things to consider so you can create a policy that is best for your institution and your students. Administering these funds can be done quickly with minimal burden, or it can be as detailed as you wish it to be. The bottom line is that your students receive this additional emergency funding in accordance with the Act's intent.

GEMCOR, Inc.
April 15,2020