

Higher Education Emergency Relief Fund (HEERF I, II, and III) Lost Revenue Frequently Asked Questions¹

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The following Frequently Asked Questions (FAQs) and Examples of Calculating HEERF Lost Revenue chart address the concept and scope of reimbursing, calculating, and reporting for lost revenue under the HEERF grant programs.

1. Question: What is lost revenue?

Answer: Generally, lost revenue refers to those revenues an institution of higher education (institution) otherwise expected but were reduced or eliminated as a result of the novel coronavirus 2019 (COVID-19) pandemic. As such, lost revenues can only be estimated.

2. Question: What HEERF grant programs allow for the reimbursement of lost revenue?

Answer: Reimbursement for lost revenue is allowable for the Institutional Portion program (assistance listing number (ALN) 84.425F) and the (a)(2) and (a)(3) programs (ALNs 84.425J, K, L, M, and N) for HEERF grant funds received under:

- The Coronavirus Aid, Relief, and Economic Security (CARES) Act (HEERF I);
- The Coronavirus Response and Relief Supplemental Appropriations Act, 2021 (CRRSAA) (HEERF II);² and
- The American Rescue Plan (ARP) (HEERF III).

Reimbursement for lost revenue is not an allowable use of funds for the Student Aid Portion program (ALN 84.425E) under HEERF I, HEERF II, or HEERF III or the Proprietary Grant Funds to Students program (ALN 84.425Q), as those grant programs may be used only to provide financial aid grants to students.

The Department strongly recommends institutions devote the maximum amount of funds possible to financial aid grants to students and prioritize costs associated with student safety and support and testing services, including by using some or all of the funds allocated for an institution's expenses.

¹ Other than statutory and regulatory requirements included in the document, the contents of this guidance do not have the force and effect of law and are not meant to bind the public. This document is intended only to provide clarity to the public regarding existing requirements under the law or agency policies. This document supersedes earlier guidance provided by Questions 43 and 44 in the [HEERF FAQ Rollup Document](#) regarding lost revenue (issued October 14, 2020 and revised January 28, 2021).

² CRRSAA section 314(d)(2) allowed for previously awarded CARES Act funds to be retroactively used for the allowable uses under CRRSAA, including reimbursement of lost revenue.

3. Question: What are potential sources of lost revenue that may be reimbursable under the HEERF grant programs?

Answer: Sources of lost revenue associated with the COVID-19 pandemic may include, but are not limited to, the following:

- Academic sources
 - Tuition, fees, and institutional charges (including unpaid student accounts receivable or other student account debts)
 - Room and board
 - Enrollment declines, including reduced tuition, fees, and institutional charges
 - Supported research
 - Summer terms and camps
- Auxiliary services sources
 - Cancelled ancillary events
 - Disruption of food service
 - Dormitory services
 - Childcare services
 - Use of facilities or venues, including external events such as weddings, receptions, or conferences (other than facilities associated with sectarian instruction or religious worship)
 - Bookstore revenue
 - Parking revenue
 - Lease revenue
 - Royalties
 - Other operating revenue

4. Question: What are potential sources of lost revenue that are not reimbursable under the HEERF grant programs?

Answer: Sources of lost revenue that are not reimbursable under the HEERF grant programs include the following:

- Capital outlays associated with facilities related to athletics (including fees assessed for capital athletic facility construction)
- Acquisition of real property (including bond revenue)
- Contributions or donations to the institution
- Marketing or recruitment activities
- Revenue related to sectarian instruction or religious worship
- Alcohol sales
- Investment income (including endowment and quasi-endowment revenue)

Generally, lost revenue cannot be used to replace revenues derived from activities and expenditures that are otherwise unallowable under the HEERF grant programs. Please see CRRSAA sections 314(c) and 314(d)(3), [2 CFR part 200 subpart E](#) “Cost Principles,” and 34 CFR §§ [75.532](#) and [75.533](#) for additional information.

5. **Question:** Does lost revenue need to be associated with the COVID-19 pandemic to be reimbursable?

Answer: Yes. An institution may only estimate lost revenue “associated with coronavirus” as specified by CRRSAA section 314(c)(1). Therefore, if the lost revenue is directly attributable to a cause other than the COVID-19 pandemic (e.g., lost housing revenue due to previously planned dormitory remodeling, previously planned elimination of a degree program, research grant income ending, one-time royalty payments), the institution may not include those lost revenues in its estimation of its lost revenue for the HEERF grant programs.

6. **Question:** What period of time may institutions use to estimate their lost revenue?

Answer: Due to the difficulty of estimating precisely when an institution should have received revenue that it otherwise did not as a result of the COVID-19 pandemic, an institution may estimate its lost revenue for the period from the declaration of the national emergency due to the COVID-19 pandemic ([85 FR 15337](#)), on March 13, 2020, through the end of its HEERF grant performance period,³ subject to the methodology described in Question 7.

7. **Question:** When may an institution charge lost revenue to its HEERF grant award?

Answer: An institution may charge lost revenue to its grant at the end of the period that it is using to estimate lost revenue.

For example, if an institution calculated lost revenue on the basis of its institutional fiscal year (FY) and used FY July 1, 2020 – June 30, 2021 to determine the amount of lost revenue it incurred, the institution may charge its HEERF grant award for the determined amount of lost revenue on or after the last day of the estimation period, June 30, 2021.

Institutions may charge their HEERF grant awards for their estimate of lost revenue from March 13, 2020 through the performance period of their HEERF grant.³

8. **Question:** How does an institution report the charge of lost revenue to its HEERF grant award?

Answer: For quarterly and annual reporting purposes, the date that an institution charges its HEERF grant award for lost revenue is the date that lost revenue cost has been “incurred.”

For reporting on a fiscal year Schedule of Expenditures of Federal Awards (SEFA), the institution should report estimated lost revenue and expenditures no earlier than the date of the award or substantial amendment to the award terms. For example, consider an institution with a July 1 – June 30 fiscal year that received a HEERF II supplemental

³ The grant performance period is generally a year from the date of the most recent HEERF grant award. Additionally, no-cost extensions (NCEs) of up to 12 months are available as described in Question 6 of the [CARES Act HEERF Rollup FAQs](#).

award on January 24, 2021. This award allowed the institution to calculate lost revenue back to March 13, 2020, for its HEERF II allocation and a new flexibility to do the same for its HEERF I allocation. In this example, the institution would include the associated estimated lost revenue and expenses on the FY 2021 SEFA (i.e., amounts associated with the period March 13, 2020 - June 30, 2020, and for the period July 1, 2020 - June 30, 2021).

9. Question: How may an institution calculate its estimated lost revenue?

Answer: The CRRSAA does not specify how institutions may calculate their lost revenue. Accordingly, institutions have flexibility to reasonably calculate their estimated lost revenue. For example, an institution may use:

- A year-over-year comparison using the prior year;
- A semester-over-semester comparison using the prior year semester (fall 2019 compared to fall 2020 or summer term 2019 compared to summer term 2020);
- A comparison using a 3- or 5-year combined average revenue as baseline revenue;
- A comparison to previously budgeted revenue or projected revenue for the period; or
- A comparison with a baseline year of a fiscal year prior to the March 13, 2020 national emergency declaration, such as the fiscal year from July 1, 2018 – June 30, 2019.

Generally, except as provided below, an institution does not need to subtract replacement revenue (net revenue) the institution received in calculating its amount of lost revenue (gross revenue).

Consistent with the cost principles of the Uniform Guidance ([2 CFR part 200 subpart E](#)), the calculation of lost revenue must:

- Be accorded consistent treatment (e.g., if using the institution’s fiscal year as a baseline, the institution must estimate lost revenue over the course of a fiscal year);
- Measure the amount of baseline revenue and lost revenue consistently (e.g., an apples-to-apples comparison);
- Be consistent with policies and procedures that apply uniformly to federally financed and other activities of the institution;
- Not include the estimated amount of lost revenue for the HEERF programs in the calculation of lost revenue for another Federal program, such as the [CARES Act Provider Relief Fund](#) (i.e., no double-dipping); and
- Not include any refunds previously provided to students in the institution’s estimate of lost revenue (e.g., if the institution provided students tuition refunds using HEERF grant funds, the institution should not factor the students’ tuition in its estimate of lost revenue).

10. Question: What documentation should an institution retain to support its estimate of lost revenue?

Answer: An institution must adequately document its estimate of lost revenue, including its rationale, calculations, methodology, underlying data, and budgets or projections used to determine the amount of lost revenue.

Additionally, an institution must continue to retain financial records, supporting documents, statistical records, and all other institutional records pertinent to lost revenue and the administration of the HEERF grant programs generally for a period of three years from the date of submission of the final expenditure report ([2 CFR § 200.334](#)).

11. Question: If an institution had increased expenses as a result of the COVID-19 pandemic, should those increased expenses be included in the institution's estimate of lost revenue?

Answer: No. If an institution had increased expenses as a result of the COVID-19 pandemic, the institution should charge those expenses as regular direct cost items to its HEERF grant awards and not include them as part of an estimate of lost revenue.

12. Question: Does an institution need to assign specific costs or expenses once it has charged its HEERF grant award for its estimate of lost revenue?

Answer: No. The incurring of the "cost" of lost revenue on an institution's HEERF grant award does not need to be assigned to any costs or expenses that the institution will pay using the amount of lost revenue since the allowable cost in the HEERF grant programs is the reimbursement of the lost revenue itself. However, in calculating the amount of lost revenue, the institution must include only permitted sources as described in Questions 3 and 4.

13. Question: Where can I obtain more information about lost revenue and the HEERF grant programs?

Answer: Institutions should regularly check our [HEERF II CRRSAA website](#) for the latest CRRSAA information and program guidance. For earlier CARES Act information and program guidance, please check our [HEERF CARES Act website](#).

Examples of Calculating HEERF Lost Revenue

Example	Example A	Example B	Example C
Goal	Estimate Lost Revenue for FY 2021 (July 1, 2020 – June 30, 2021)	Estimate Lost Revenue for FY 2020 (July 1, 2019 – June 30, 2020)	Estimate Lost Revenue for Fall Semester 2020 (August 1, 2020 – December 31, 2020)
Baseline	Using 3-year average prior to the national emergency, which shows: <ul style="list-style-type: none"> • FY 2017: \$100 revenue • FY 2018: \$90 revenue • FY 2019: \$110 revenue Average of the 3 years = \$100 of revenue	Using a year-to-year comparison, which shows for FY 2019 \$100 of revenue	Using budgeted revenue made prior to the declaration of the national emergency for the 2020 fall semester showing \$100 budgeted for revenue
Amount of revenue for period estimating loss	For FY 2021: \$50 received in revenue	For FY 2020: \$60 received in revenue	For the 2020 fall semester: \$40 actually received in revenue
Calculation to determine lost revenue	<ul style="list-style-type: none"> • Difference between \$100 average of 3 years of revenue and \$50 of FY 2021 revenue is \$50 	<ul style="list-style-type: none"> • Difference between \$100 of FY 2019 revenue and \$60 of FY 2020 revenue is \$40 • Prorated from March 13, 2020: 366 days – 256 days = 110 days (the days remaining in FY 2020) • 110 days/366 days = .3005 • 30.05 percent of \$40 = \$12.02 	<ul style="list-style-type: none"> • Difference between \$100 budgeted for 2020 fall semester revenue and \$40 actually received is \$60
Amount of lost revenue	\$50 in lost revenue chargeable to the HEERF grant award	\$12.02 in lost revenue chargeable to the HEERF grant award	\$60 in lost revenue chargeable to the HEERF grant award
When to charge the HEERF grant	On or after the close of the FY 2021 – on or after June 30, 2021	On or after the close of FY 2020 – on or after June 30, 2020	On or after the close of fall semester 2020 – on or after December 30, 2020
What SEFA to report the charge for lost revenue	FY 2021 SEFA	FY 2021 SEFA ⁴	FY 2021 SEFA

⁴ This is because the award permitting the estimated lost revenue and expenses back to March 13, 2020 did not occur until FY 2021. See Question 8 for more information.