

Ask the NACUBO Policy Experts



2021
ANNUAL
MEETING
JULY 27 – 30

Polling Question

How do you keep up with the policy work done by higher education associations? Check all that apply:

- Legislative lunchcasts
- Townhalls
- Current weekly newsletter
- Regional associations (CACUBO, SACUBO, EACUBO, WACUBO)
- Trade publications such as Inside Higher Ed, The Chronicle of Higher Education, Academic Impressions
- I don't keep up much with this work but would like to do so more
- I don't keep up with this work because I don't see it as necessary for my position

Q&A

What can we answer for you?

- HEERF Questions?
- Hill Questions?
- Agency Action Questions?
- Tax Questions?
- Accounting and reporting?

Capitol Hill Updates-Infrastructure

Bipartisan Framework

- Traditional infrastructure
- \$579 billion
- Needs 60 votes to overcome filibuster attempts

Timing

- **Congress wants both moved forward before the August recess**

Reconciliation Plan

- “Human infrastructure”
- Incorporates the American Jobs Plan and the American Families Plan, including the ambitious higher education proposals
 - Free community college
 - Pell increases
 - R&D increases
 - Digital infrastructure program
- \$3.5 trillion
- Other tax changes and offsets to pay for the plan

Capitol Hill Updates

Other Items Moving

- Nomination confirmations
- The annual budget process
- Student-athlete compensation
 - Supreme Court decision
 - NCAA rule changes
- Normal committee work, bill introductions, hearings, etc.

Capitol Hill Updates

Section 179D Energy Efficient Construction Deduction

Varying policy proposals

- The deduction was made permanent in December 2020
- It offers a maximum tax deduction of \$1.80 per square foot for energy efficient construction or retrofits
- The deduction is determined by energy savings of relative to ASHRAE standards in three areas

House: GREEN Act (H.R. 848)	Treasury Green Book (Biden administration's proposal)	Senate: Clean Energy for America Act (S. 2118)
<ul style="list-style-type: none"> • Would increase the maximum benefit to \$3.00 per square foot • Reduce eligibility requirements to 30 percent savings over a rolling ASHRAE standard • Remove lifetime limitation 	<ul style="list-style-type: none"> • Would increase the maximum benefit to \$3.00 per square foot • Reduce eligibility requirements to 30 percent savings over a rolling ASHRAE standard 	<ul style="list-style-type: none"> • Would increase the maximum benefit to \$5.00 per square foot • Extend 179D to most nonprofit organizations • Broaden eligibility requirements • Remove lifetime limitation • Add new labor requirements

Capitol Hill Updates Charitable Giving

Legislation we're following

- Universal Giving Pandemic Response and Recovery Act (S. 618, H.R. 1704)
 - Builds on the \$300 universal charitable deduction for individual filers passed as part of the CARES Act
 - Raises the cap to roughly \$4,000 for individuals and \$8,000 for couples
 - Eliminates the exclusion on gifts to donor-advised-funds
 - Extends the deduction through tax year 2022
 - [Charitable Giving Coalition one-pager](#)
- Legacy IRA Act of 2021 (S. 243, H.R. 2909)
 - Expands the IRA charitable rollover to allow younger individuals to make tax-free distributions
 - Increases the amount that these individuals can give
 - [Legacy IRA one-pager](#)

Department of Education Updates

Lots of rulemaking

- The Department of Education's Office of Postsecondary Education has shared a list of 14 topics selected for future negotiated rulemaking efforts, including Pell Grant eligibility for prison education programs, financial responsibility requirements for institutions, and potential changes to multiple student loan and loan forgiveness programs.
- ED hosted a series of virtual public hearings on June 21, 23, and 24 to receive input on these and other potential issues for future rulemaking sessions.
- NACUBO joined other higher education associations in submitting comments

NACUBO Financial Responsibility Comments

- Composite scores are poor predictors
 - Systemic changes needed
 - Holistic financial evaluation
 - Suggest collaboration
- Composite score previews with additional steps
- Issues with long-term debt and refinancing penalize NFPs
- Full [comments](#) available
- NACUBO site: [financial responsibility standards](#)

Department of Education Updates

Title IX Changes Coming

- ED Office for Civil Rights held a virtual public hearing between June 7 and June 11 “to gather information for the purpose of improving enforcement” of Title IX.
- ED OCR also issued a new Notice of Interpretation (NOI)
 - The NOI confirms that the prohibitions on sex-based discrimination in Title IX include discrimination based on sexual orientation and gender identity. OCR stated that the NOI represents its “sustained effort to promote safe and inclusive schools for all students, including LGBTQ+ students.”
- New ED filing indicates that new Title IX rules are likely coming in May of next year

Check out the NACUBO HEERF Resource Center!

Our latest analysis

COVID-19 Accounting Tutorials

COVID-19 Town Halls

Department of Education
Guidance

Polling Question

How would you rate NACUBO's advocacy and educational sessions related to the Higher Education Emergency Relief Fund (HEERF) and other COVID-19 federal relief programs?

- Extremely helpful and informative
- Somewhat helpful and informative
- Not at all helpful and informative
- N/A (I'm not familiar with or haven't followed NACUBO's work in this area)

Department of Education Updates

Proposed HEERF Annual Reporting Form

- Institutional portion: lost revenue claims
 - Use of funds
 - By functional expense category
- Emergency Student Aid
 - Demographic information
 - By *calendar* year, aid versus no-aid, enrollment / retention, degree completion
- [Comments due August 23](#)

ARPA Guidance

Emergency Grants to Students

- All students who were in enrolled in an institution on or after March 13, 2020 are eligible to receive emergency grants (includes citizens, permanent residents, international students, refugees, asylum seekers, DACA recipients)
- Still need to prioritize grants to students with “exceptional need” and document how you make those determinations
- What if the student doesn’t cash their check by a reasonable date?
 - Can’t recover stop-payment fees with this aid
- Earlier guidance stands on coercion, and allowable uses
- Earlier guidance on taxability stands

IRS HEERF Guidance

New Guidance Regarding 1098-T Reportability

Reiterates that students do not need to report the grants as income, and that the emergency grants are not taxable to the student.

Since the grants are not considered income to students, they should not be reported on Forms 1099- MISC.

Institutions were not required to report emergency grants on the 2020 Form 1098-T.

New guidance clarifies that there is no special requirement to report student emergency grants on the 2021 Form 1098-T.

Institutions should report payments received for qualified tuition and related expenses—which may or may not be paid for with student emergency grants—as they normally would in Box 1 of the form. Emergency grants to students should not be reported in Box 5.

ARPA Guidance

Institutional Share

- Reiterates much of ED's earlier guidance
- “Minor remodeling expenses” and purchases are allowed
 - You can upgrade your HVAC and lease/purchase some items to aid in virus mitigation
- Emergency Grants/Lost revenue discharge of student debt: use for students who may be experiencing enrollment holds, transcript withholding, or other particular hardships related to unpaid balances
- Large drawdown? You may get an email.
- Drawdown within 90 days, minimize time between drawdown and expenditures
- One-year spend period

ARPA Guidance

Institutional Share: Lost Revenue Use: Student Account Balance Discharge

- Institutions are strongly encouraged to use their Institutional Share to discharge unpaid student account balances and debts.
- Students must be enrolled at any point on or after March 13, 2020
- The complete account balance as of March 13, 2020, and forward can be discharged
- Communicate with student / provide documentation
- An institution may not condition, nor imply that it will condition, the discharging of any funds on the condition that the student takes any specified action, such as re-enrollment.
- Indirect costs can not be taken on discharged student balances
- [Accounting Tutorial](#)

ARPA Guidance

Institutional Share: Lost Revenue Use: Student Account Balance Discharge

An institution seeks to reengage 100 students by eliminating their balance owed.

	HEERF Cash		Student A / R		Tuition and Fee Revenue		HEERF Revenue		Reengagement Expense	
	DR	CR	DR	CR	DR	CR	DR	CR	DR	CR
Total account receivable balances for these 100 students = \$250,000			250,000			250,000				
Cash	250,000									
HEERF Revenue								250,000		
Cash draw from G5 for student reengagement										
Student engagement expense									250,000	
Student A / R				250,000						
Relieve student account balances										
ACCOUNT LEDGER TOTALS	250,000		-	-		250,000		250,000	250,000	

QUESTION: Does this "reengagement account write off" lead to "double-dipping" that must be adjusted when calculating lost student revenue?

ANSWER: No. The above entry reverses A/R, the revenue amount remains constant. When revenue is analyzed, (for example, FY21 revenue against FY19 [pre-pandemic base year]) there is no revenue benefit in the calculation.

ARPA Guidance

Institutional Share: Lost Revenue Student Account Balance Discharge

Question: What if a college “wrote-off” student account balances **prior to** Department of ED guidance on discharging student debt for reengagement?

Answer: **Institutions are advised to reverse the write-off entries.**

For compliance, this can be done if write-offs happened before HEERF guidance on discharging student debt as an allowable use.

HEERF will be audited as a major program (Single Audit), so consult with your auditors.

After write-off reversal, use entries on the previous slide.

ARPA Guidance

Institutional Share: Lost Revenue Student Account Balance Discharge

Question: Are student account balance discharges income to the student (Form 1099-MISC) of reportable on Form 1098-T?

Answer: No IRS guidance

NACUBO interpretation: HEERF program funds are pandemic relief funds, use of funds to assist / reengage students is not reportable student income (1099-MISC)

- No Box 1 reporting (not a payment from the student)
- No Box 5 reporting (not a grant for scholarship type grant for qualified expenses)

ARPA Guidance

Institutional Share: Lost Revenue General Review

- When to claim
 - A charge to HEERF of lost revenue should be claimed at the end of the period used to estimate the lost revenue.
 - FY calculations - recognize at the end of the fiscal year.
 - Term calculations - recognize at end of term
 - Avoid booking lost revenue in a different year to smooth earnings.
- Estimation (calculation) flexibility
 - Methodology and base year flexibility
 - Consistency by type of revenue recommended
- No need to offset cost savings or expenses against lost revenue estimate.
- **Cannot claim indirect costs on lost revenue**
- State appropriations that have been reduced not explicitly disallowed (CAUTION – this could result in double dipping if state provided coronavirus relief funds)
- [NACUBO Tutorial](#)

Polling Question

How do you get financial accounting and reporting information?
(Check all that apply)

- NACUBO Current
- NACUBO's website (Advisories, news, accounting tutorials)
- NACUBO's FARM (Financial Accounting and Reporting Manual)
- FASB or GASB websites
- AICPA
- Your audit firm

ARPA Guidance

New Required Use of Funds

- Mandated by legislation
 - “implement evidence-based practices to monitor and suppress coronavirus in accordance with public health guidelines”
 - “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.”
- Guidance offers a lot of best practice advice, while providing some flexibility
- Documentation required for both (guidance specifies how)
- Use the Cost Principles in 200 CFR part 200 subpart E to guide their decisions on what constitutes a reasonable and necessary portion of HEERF grant funds to commit to implementing these two required grant activities.

ARPA Guidance

Reporting/Misc.

- New quarterly reporting form for the institutional share
 - Quarterly reports should be for the reporting period, not cumulative
- Guidance on how to close out a HEERF grant
- Guidance on general audit requirements
- Guidance on indirect costs and other grant management miscellany
- Outlines possible enforcement actions including but not limited to:
 - heightened institutional monitoring and reporting requirements
 - freezing or termination of HEERF aid
 - potential “high risk status” flags for the institution

New ARPA Guidance

SEFA Reporting

- SEFA (likely) will not agree with audited financial statements
 - GAAP timing issues for revenue recognition
 - Institutional portion revenue should not be recognized ahead of student aid disbursements
 - GASB Statement 33
 - FASB ASU 2018-02
 - NACUBO [grant accounting and revenue recognition tutorial](#)
 - [AICPA GAQC Guidance](#)
- Lost revenue will need to be reflected as an expenditure on the SEFA
 - [NACUBO SEFA Tutorial](#)
 - Conceptually: Force a transfer entry to expenditure [HEERF grant] with an offset to a general fund clearing account / fund [HEERF transfers]

Financial Accounting and Reporting

FASB and GASB Projects NACUBO is Monitoring



- FASB
 - Consolidations
 - Will the Board revisit operating measure guidance for NFPs?
 - Updated NACUBO Operating Measure Advisory: [AR 21-01](#)
- GASB
 - Financial reporting model
 - Revenue and expenses
 - Proposed Tuition Discounting Advisory
 - [21/22 Project](#) studying new alternate method estimations for publics
 - Private institutions – advisory updated: terminology and examples
 - Compensated absences
 - Disclosure concepts

Polling Question

Are you aware that over the past year NACUBO has launched an Accounting and Tax Quarterly web-based newsletter?

- Yes
- No
- N/A to my role at my institution

Thank you!

