

**August 8, 2014**

Grants and Endowment Activities

FROM: John Clement, Endowment Challenge Grant and Endowment Activities

SUBJECT: Use of grant funds to support endowments for scholarships

We understand that some grantees who have received grants under Titles III and V of the Higher Education Act of 1965, as amended (HEA), may have used some of the funds designated to support an endowment fund for scholarships or other financial aid for students.

We note however, that Section 331(c) (3)(A) of the HEA and the Department's regulations at 34 CFR §628.45 describe the allowable uses for income from an endowment fund. The use of that income is limited to supporting the operation of the grantee institution and of the endowment fund itself. The HEA and the regulations do not permit these funds to be used for scholarships or financial aid. We understand that some grantees may not have been aware of this limitation on the use of these grant funds in the past, but we will enforce this restriction going forward. Accordingly, grantees may not provide student scholarships from the income of any endowment created or supported with funds provided under Titles III or V of the HEA. To avoid disruptions for students, if a grantee has already awarded scholarships using these funds for 2014-2015, these scholarship commitments may be honored. However, no new awards may be made using these funds for the 2014-2015 academic year or any succeeding year.

If you have any questions, please contact one of the Endowment program specialists below or myself:  
Strengthening Institutions Division: Robyn Wood (robyn.wood@ed.gov, 202-502-7437)

Historically Black Colleges and Universities Division: Yolande Badarou (yolande.badarou@ed.gov, 202-219-7118)

Hispanic Serving Institutions Division: Njeri Clark (njeri.clark@ed.gov, 202-502-7763)

Chris McCormick (christopher.mccormick@ed.gov, 202-502-7580)

John Clement (john.clement@ed.gov, 202-502-7580)

NOTICE: This e-mail correspondence is subject to Public Records Law and may be disclosed to third parties. --

**September 19, 2014**

MEMORANDUM

TO: Grantees with Institutional Service (open) Endowment Grants and Endowment Activities

FROM: Dr. Leonard Haynes, Senior Director, Institutional Service

SUBJECT: Use of Grant Endowment Funds to Support Scholarships

About a year ago, Institutional Service staff received a query from an external auditor about one of our grant programs. The query was simply, 'is it OK to use endowment income to support scholarships?' Although neither the governing legislation (Section 331 of the Higher Education Act of 1965 (HEA), as amended) nor departmental regulations (at 34 CFR §628) specifically address the use of endowment income for scholarships, the HEA and the Department's regulations specify the authorized uses of income earned from endowment funds established with awards from Title III or Title V of the HEA. Those uses are clearly described in the Department's regulations at 34 CFR §628.45: The use of income is limited to supporting the operation of the grantee institution and of the endowment fund itself. Direct aid to students is not considered among allowable uses of such income; in those specific programs for which Congress has wanted to support scholarships or other forms of student aid, it has included explicit language allowing them.

In addition, §628.41(a)(2) stipulates that the endowment fund must be '...independent of any other endowment fund established by or for that institution.' That regulation has been cross-referenced by applicable program regulations. This means that Title III and Title V funds committed to an institution's endowment should not be commingled with other endowment funds that may be used to award scholarships or other forms of student aid. The income from such funds is intended for the support of the institution's own operations and maintenance of the endowment fund.

While it is expected grantees will continue to comply with Federal law and regulation regarding the use of endowment funds, the Department is prepared to address any concerns/questions that require clarification. If the use of matching funds presents particular challenges to your institution, please contact an Institutional Service program officer at the Department.

The Institutional Service program officers are noted below:

Strengthening Institutions Division: Robyn Wood (robyn.wood@ed.gov, 202-502-7437)

Historically Black Colleges and Universities Division: Yolande Badarou (yolande.badarou@ed.gov, 202-219-7118)

Hispanic Serving Institutions Division: Njeri Clark (njeri.clark@ed.gov, 202-502-7763)

Institutional Programs Development Division, Chris McCormick (christopher.mccormick@ed.gov, 202-502-7580)

Institutional Programs Development Division, Director, John Clement (john.clement@ed.gov, 202-502-7580)