**Section 1039.85 Use of Grant Funds**

a) Grant funds may be used for one or more of the following:

1) Services and goods directly related to an eligible capital project that are not prohibited by subsection (b);

2) Reimbursement for funds from other sources that were expended on an eligible capital project and the expenses were incurred on or after July 13, 2009;

3) Auditor services for the reports required in Sections 1039.40(f) and 1039.60(a)(9);

4) Projects that include the construction of a facility on leased property; the renovation of a leased facility; or the acquisition of the furnishings for a leased facility and the capital projects are not prohibited by subsection (b) shall include the following stipulations:

A) The lease shall be for a period of at least 10 years commencing at the time of the capital project completion;

B) Any reimbursement or discount by the lessor to a lessee for improvements that were originally funded by a grant made under this program shall be returned to the State as a reimbursement by the grant recipient; and

C) If within 10 years after the completion of any capital project for which a grant was made under this program, the property ceases to meet the nonsectarian use requirements of a capital project as defined in this Part, the grantee ceases to be an independent college as defined in this Part or the lease is terminated for any reason by the grantee or lessor, the grantee shall refund to the State an amount determined as follows:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Grant Amount ($) 120 Months | x | Duration of Noncompliance  (months) | = | Required Refund ($) |

b) Grant funds shall not be used for the following:

1) Operational and administrative expenses (e.g., travel, recurring supplies or other recurring expenditures that are similar in character);

2) Expenditures for leasing or rental of equipment and/or capital facilities;

3) Decorative models, plaques and other commemorative memorabilia;

4) Commodity-type consumable items having a relatively brief expected useful life (e.g., books, instructional consumables and other expenditures that are similar in character); or

5) Expenditures for services or goods not directly associated with an eligible capital project.