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4000-01-U

DEPARTMENT OF EDUCATION

34 CFR Part 668

[Docket ID ED-2020-OGC-0165]

The Department's Enforcement Authority for Failure to Adequately Report under Section 117 of the Higher Education Act of 1965, As Amended

AGENCY: Office of the General Counsel, Department of Education.

ACTION: Notice of interpretation; request for comments.

SUMMARY: The U.S. Department of Education (Department) issues this interpretation to clarify the Department's enforcement authority for failure to adequately report under section 117 of the Higher Education Act of 1965, as amended (HEA).

DATES: This interpretation is effective [INSERT DATE OF PUBLICATION IN THE FEDERAL REGISTER]. Comments must be received by the Department on or before [INSERT DATE 30 DAYS AFTER DATE OF PUBLICATION IN THE FEDERAL REGISTER].

ADDRESSES: Submit your comments through the Federal eRulemaking Portal or via postal mail, commercial delivery, or hand delivery. We will not accept comments submitted by

fax or by email or those submitted after the comment period. To ensure that we do not receive duplicate copies, please submit your comments only once. In addition, please include the Docket ID at the top of your comments.

- Federal eRulemaking Portal: Go to [www.regulations.gov](http://www.regulations.gov) to submit your comments electronically. Information on using Regulations.gov, including instructions for accessing agency documents, submitting comments, and viewing the docket, is available on the site under "Help."

- Postal Mail, Commercial Delivery, or Hand Delivery: The Department strongly encourages commenters to submit their comments electronically. However, if you mail or deliver your comments about the interpretation, address them to Levon Schlichter, U.S. Department of Education, 400 Maryland Avenue, SW, 6E-235, Washington, DC 20202.

Privacy Note: The Department's policy is to make all comments received from members of the public available for public viewing in their entirety on the Federal eRulemaking Portal at [www.regulations.gov](http://www.regulations.gov). Therefore, commenters should be careful to include in their comments only information that they wish to make publicly available.

FOR FURTHER INFORMATION CONTACT: Levon Schlichter, U.S. Department of Education, 400 Maryland Avenue, SW, room 6E-

235, Washington, DC 20202-5076. Telephone: (202) 453-6387. Email: Levon.Schlichter@ed.gov.

SUPPLEMENTARY INFORMATION:

Invitation to Comment: We invite you to submit comments regarding this interpretation. We will consider these comments in determining whether to take any future action. See ADDRESSES for instructions on how to submit public comments.

During and after the comment period, you may inspect all public comments about the interpretation by accessing Regulations.gov. Due to the novel coronavirus 2019 pandemic, the Department buildings are currently not open to the public. However, upon reopening, you may also inspect the comments in person at 400 Maryland Ave., SW, 6E-251, Washington, DC, between 8:30 a.m. and 4:00 p.m., Eastern Time, Monday through Friday of each week except Federal holidays. To schedule a time to inspect comments, please contact the person listed under FOR FURTHER INFORMATION CONTACT.

Assistance to Individuals with Disabilities in Reviewing the Rulemaking Record: On request, we will provide an appropriate accommodation or auxiliary aid to an individual with a disability who needs assistance to review the comments or other documents in the public rulemaking record

for the interpretation. To schedule an appointment for this type of accommodation or auxiliary aid, please contact the person listed under FOR FURTHER INFORMATION CONTACT.

Background: Section 117 of the HEA (20 U.S.C. 1011f) provides that institutions of higher education (IHEs) must file a disclosure report with the Secretary of Education under the following circumstances:

Whenever any institution is owned or controlled by a foreign source or receives a gift from or enters into a contract with a foreign source, the value of which is \$250,000 or more, considered alone or in combination with all other gifts from or contracts with that foreign source within a calendar year, the institution shall file a disclosure report with the Secretary on January 31 or July 31, whichever is sooner.

The current version of this disclosure requirement was adopted in 1998, see Pub. Law 105-244, Higher Education Amendments of 1998, Title I, sec. 102(a), adding HEA Title I, sec. 117 (Oct. 7, 1998); but a substantially similar disclosure requirement has been in place since 1986. See

Pub. Law 99-498, Higher Education Amendments of 1986, Title XII, sec. 1206, adding HEA Title XII, sec. 1207 (Oct. 17, 1986) (then codified at 20 U.S.C. 1145d).

We have attempted to collect Section 117 information via our approved Application to Participate in Federal Student Financial Aid Program (e-App), Office of Management and Budget (OMB) Control Number 1845-0012, but did not receive sufficient information to faithfully enforce the statute. Consequently, on February 10, 2020, we established a new information collection request (ICR) pursuant to the Paperwork Reduction Act (OMB Number 1801-0006). This new collection is necessary to ensure institutions provide congressionally mandated transparency with respect to covered gifts from and contracts with foreign sources, the public has ready and meaningful access to this information, and the Secretary receives more detailed information about covered gifts or contracts involving a foreign source and ownership or control of the institution by a foreign source, to determine whether it appears an institution has failed to comply with the requirements of 20 U.S.C. 1011f.

The prior reporting by institutions through the e-App plainly did not collect sufficient information to determine compliance with 20 U.S.C. 1011f, to encourage institutions

full reporting of covered gifts and contracts from foreign sources, and to provide members of the public with statutorily mandated access to accurate information regarding institutions' gifts from and contracts with foreign sources. Government Accountability Office reports (see <https://www.gao.gov/assets/700/696859.pdf>; <https://www.gao.gov/assets/700/697156.pdf>; and <https://www.gao.gov/assets/680/679322.pdf>); a comprehensive congressional report regarding the operation of Chinese government propaganda centers on U.S. campuses (see [http://www.hsgac.senate.gov/download/majority-and-minority-staff-report\\_-chinas-impact-on-the-us-education-system](http://www.hsgac.senate.gov/download/majority-and-minority-staff-report_-chinas-impact-on-the-us-education-system)); and evidence obtained by the Department through its civil investigations, confirm the majority, and perhaps the vast majority, of institutions failed to file required disclosures to the Department when institutions were using the e-App to submit Section 117 information. For example, our investigations regarding potential noncompliance with Section 117 have preliminarily shown that institutions have failed to disclose approximately \$6.5 billion of gifts from and contracts with foreign sources. Therefore, we issued an ICR to ensure that institutions comply with the statutory disclosure requirement and provide the public with information as Congress has intended.

Through this notice of interpretation, the Department clarifies its enforcement authority with respect to institutions that fail to report accurate and complete Section 117 information.

Interpretation:

*Institutions Are Required Under Their Program*

*Participation Agreements (PPA) to Report Section 117 Data*

Section 20 U.S.C. 1094(a)(17) of the HEA provides:

- (a) In order to be an eligible institution for the purposes of any program authorized under this subchapter, an institution must . . . enter into a program participation agreement with the Secretary. The agreement shall condition the initial and continuing eligibility of an institution to participate in a program upon compliance with the following requirements:

. . .

- (17) The institution will complete surveys conducted as a part of the Integrated Postsecondary Education Data System (IPEDS) or *any other Federal*

*postsecondary institution data collection effort, as designated by the Secretary, in a timely manner and to the satisfaction of the Secretary.*

The program participation agreement requirement was adopted in 1986, see Pub. Law 99-498, Higher Education Amendments of 1986, Title IV, sec. 407(a), adding HEA Title IV, sec. 487 (Oct. 17, 1986); and subsection (a)(17) was added in 1992, see Pub. L. No. 102-325, Higher Education Amendments of 1992, Title IV, sec. 490 (July 23, 1992).

On April 29, 1994, the Department promulgated 34 CFR 668.14 to implement the 1992 amendments. See 59 FR 22425; see also 59 FR 9526, 9538 (Feb. 28, 1994) (notice of proposed rulemaking explaining that the regulatory text is "without substantive modifications" from 20 U.S.C. 1094(a)(17)). Section 668.14(b)(19) provides:

(b) By entering into a program participation agreement, an institution agrees that—

. . .

(19) It will complete, in a timely manner and to the satisfaction of the Secretary, surveys conducted as a part of the Integrated Postsecondary

Education Data System (IPEDS) or *any other Federal collection effort*, as designated by the Secretary, regarding data on postsecondary institutions;

The Secretary, in light of widespread underreporting, clarifies via this notice that the Section 117 information collection is part of a 1094(a)(17) "Federal data collection effort, as designated by the Secretary" to ensure the public understands ED's enforcement authority. The requirement that institutions "file a disclosure report with the Secretary" comes within the plain and ordinary public meaning of 20 U.S.C. 1094(a)(17) at the time of its enactment. *See Bostock v. Clayton County*, 140 S.Ct. 1731, 1749 (2020). Indeed, a substantially similar foreign gift reporting requirement had already been in place for six years when Congress added Section 1094(a)(17) in 1992. *See* Pub. Law 99-498, Higher Education Amendments of 1986, Title XII, sec. 1206, adding HEA Title XII, sec. 1207 (Oct. 17, 1986) (then codified at 20 U.S.C. 1145d). And when Congress expanded that reporting requirement in 1998, it did not exempt the new Section 117 from Section 1094(a)'s requirements. Congress' consistent understanding is reflected in statutory language adopted in 2008, when Congress incorporated Section 117 standards into Title VI,

and expressly referred to Section 117 reporting as a “data requirement.” See 20 U.S.C. 1132-7; Pub. Law 110-315, Higher Education Opportunity Act, Title VI, sec. 622, adding HEA sec. 638 (Aug. 14, 2008). Finally, to the extent it is relevant, we note that there is nothing in the legislative history of 20 U.S.C. 1094(a)(17) suggesting that Congress intended to narrow the plain meaning of the words “any other Federal postsecondary institution data collection effort.”

Under 20 U.S.C. 1094(a)(17), where an institution fails to report Section 117 information timely and accurately, the institution has failed to comply with its reporting obligations under 20 U.S.C. 1011f and failed to comply with a requirement in its PPA. Under 20 U.S.C. 1094(a), the Department has authority to implement a range of corrective measures for an institution that violates its PPA, including termination of the institution’s Title IV participation. We note that under 34 CFR 668.81 et seq. institutions have administrative appeal rights when the Department imposes fines, limitations, suspensions, or termination of the institution’s Title IV participation.

*The Department has Authority to Administratively Subpoena Information from Parties When Investigating Possible Violations of Section 117*

An institution's failure to adequately report Section 117 gifts and contracts is a violation of an institution's participation in the HEA programs and PPA under 20 U.S.C. 1094(a)(17). Therefore, in addition to obtaining records and employee interviews under 34 CFR 668.24 in furtherance of any investigation about the sufficiency of an institution's Section 117 reporting, under 20 U.S.C. 1097a, "the Secretary is authorized to require by subpoena the production of information, documents, reports, answers, records, accounts, papers, and other documentary evidence pertaining to participation in any program under [Title IV of the HEA]." Consistent with applicable law, the Secretary is also authorized to share such evidence with other agencies of the U.S. Government for law enforcement and other lawful purposes.

#### Title VI Reporting

For institutions that receive Title VI funds, 20 U.S.C. 1132-7 imposes a reporting obligation that is similar to Section 117. While the monetary threshold is almost identical in Section 117 and 20 U.S.C. 1132-7, they reference different time periods. Section 117 requires IHEs to disclose reportable transactions greater or equal to \$250,000 occurring within a *calendar year* while 20 U.S.C. 1132-7 requires IHEs to disclose reportable transactions

greater than \$250,000 occurring during a *fiscal year*. Institutions that receive Title VI funds and participate in the HEA programs are advised to be mindful of this temporal difference when designing corporate compliance processes since failure to adequately report under 20 U.S.C. 1132-7 may result in administrative enforcement actions similar to those described above for failure to comply with Section 117 reporting requirements and 20 U.S.C. 1094(a)(17).

Accessible Format: Individuals with disabilities can obtain this document in an accessible format (e.g., braille, large print, audiotape, or compact disc) on request to the program contact person listed under FOR FURTHER INFORMATION CONTACT.

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Dated:

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Reed D. Rubinstein,  
*Principal Deputy General Counsel  
delegated the authority to perform  
the functions and duties of the  
General Counsel for the Office of  
the General Counsel.*