Memorandum

To: U.S. Department of Education
From: Amanda Martinez and Carolyn Fast
Date: February 14, 2022

The above-listed negotiators submit this proposed language for your review:

SUBPART L - FINANCIAL RESPONSIBILITY

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§ 668.171 General.

(d) Discretionary triggering events. The Secretary may determine that an institution is not able to meet its financial or administrative obligations under paragraph (b)(3)(i)(vi) of this section if any of the following events is likely to have a material adverse effect on the financial condition of the institution -

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(45) Low annual completion High annual dropout rates. As calculated by the Secretary, the institution has high annual dropout rates annual completion rates among all students, among students receiving Pell grants, or among students in any major race or ethnic group, that fall within the lowest 10% of reported completion rates for such group;

Comment: We suggest that in addition to including either dropout rates or completion rates as a discretionary trigger, the Department should include rates for at-risk groups such as Pell grant recipients. A recent report found that low completion rates, as well as low completion rates for Pell recipients, are predictive of elements of poor financial health for institutions. See Lessons from a Risk-Based Oversight Model Designed to Protect Students and Taxpayers, at p. 22.

(5) Interim reporting. For an institution required to provide additional financial reporting to the Department due to a failure to meet the financial responsibility standards in Subpart L, or due to a change in ownership, or in response to a request from the Department for additional financial reporting, there are negative cash flows, failure of other liquidation ratios, cash flows that significantly miss the projections submitted to the Department, withdrawal rates that increase significantly, or other indicators of a material change in the financial condition of the institution;
Comment: The added language is intended to make it clear that the Department may request additional financial reporting before a school has been deemed to have failed to meet financial responsibility standards. This is important to ensure that the Department can take action before it is too late to implement measures to protect students and taxpayers.