

SUPPORTING STATEMENT

A. Justification

1. Public Law 98-95, the Challenge Grant Amendments of 1983, established a new Endowment Grant Program authorized by Title III of the Higher Education Act. In 1986, the name was changed to the Endowment Challenge Grant Program. In 1998, Congress amended Title III of the Higher Education Act by adding endowment building as an allowable activity under Title III and Title V Programs.

Under the Endowment Challenge Grant Program the Secretary was specifically authorized to make grants to eligible institutions of higher education for the purpose of increasing endowment funds at those institutions. Congress specifically identifies that not more than 20% of a grantee's total budget may be used for increasing and building endowments at the grantee institution.

The "endowment fund corpus" consists of the Federal grant and institutional match. The institution may not spend any of the endowment fund corpus for the length of the 20-year grant period. At the end of the grant period, the grantee may use the endowment fund corpus for any educational purpose.

In general, a grantee may spend up to 50 % of endowment fund income earned during the 20-year grant period. Endowment fund income is the value of the endowment fund minus the endowment fund corpus. The institution may use that income to defray expenditures necessary for the operation of the institution, including general operating and maintenance expenses.

The statute establishing this Endowment Challenge Grant Program, and for the Title III and Title V endowment building activity, requires the grantee to:

- a. establish an endowment fund independent of any other endowment fund at the institution;
- b. invest the endowment fund corpus and income in low-risk securities in which a regulated insurance company may invest under the law of the state;
- c. exercise judgment and care in investing;
- d. spend no more than 50% of the total aggregate endowment fund income;
- e. withdraw no part of the endowment fund corpus before 20 years, both the matching funds and Federal funds;
- f. repay the Secretary if the institution withdraws part of the endowment fund corpus or more than 50% of the income before 20 years; and

- g. provide to the Secretary information to audit or examine expenditures made from the endowment fund corpus or income.

The Department would be unable to determine if the grantee had met these requirements unless the grantee annually completed this financial report.

2. The information submitted on this form will be analyzed by the program office to determine whether or not the grantee has complied with the statutory and regulatory requirements. In cases of non-compliance, the Department must see that the grantee takes corrective action.

3. The electronically accessible form will collect the same information as the previous form. A "Dear Colleague" letter will be sent out to grantees required to report on endowments informing them of the new electronically accessible form. In addition, a weblink to the electronic endowment reporting form, a hard copy of the electronic reporting form, a temporary pin number and detailed instructions will be provided. Respondents will be requested to complete the electronic form and submit it online by the requested deadline. In addition, the respondents will fax the signature page for certification to the Department.

4. The Department has reviewed the information required in this financial report form and has looked elsewhere in the Department for duplicate information. We have found there is no duplicate information being requested within the Department. Grantee institutions do not send information on these particular endowment funds to any other Federal office.

5. The collection of information does not involve small businesses or other small entities.

6. If this information was not collected or collected less frequently than annually, we would not know whether grantees were properly investing the endowment monies, whether they had invaded the principal, or spent more than 50% of the income.

7. The only special circumstance of this collection is that program regulations, (34 CFR Part 628.47(b)), require grantees to retain each year's records for a minimum of five years after the grant period ends.

8. No consultations were conducted with persons outside the agency since there has been no funding for this program since FY 1995 and this program is considered to be in a close-out status. We will publish 60-day and 30-day Federal Register Notices to allow public comment.

9. No payments or gifts are provided.

10. The Department's disclosure policies adhere to the provisions of the Privacy Act.

11. No sensitive or personal information is solicited.

12. Estimates of the hour burden - The Department estimates an annual burden hours of 900.

The estimated professional burden hours are 300 hours. This figure is calculated based on 1 professional burden hour per each respondent. Since there are 300 respondents, 1 hour x 300 respondents = 300 estimated burden hours.

The estimated clerical burden hours are 600 hours. This figure is calculated based on 2 clerical burden hours per each respondent. Since there are 300 respondents, 2 hours x 300 respondents = 600 estimated burden hours.

Therefore, the total estimated annual burden hours are 900 hours. This final figure is calculated using the 300 professional estimated burden hours + 600 clerical burden hours = 900 estimated burden hours.

The figures noted here represent the resources needed and the costs associated for all of the respondents to complete the financial report form.

Costs:

Professional	300 respondents x \$144	=	\$43,200
Clerical	300 respondents x \$8	=	<u>2,400</u>
	Total		\$45,600

13. No other cost to respondents.

14. Estimate of cost to the Federal government – Item A) represents the amount of clerical and related resources required to prepare the annual mailing of information regarding the new electronic financial report form. Item B) represents the amount of related resources required to process the incoming financial report data and the day-to-day management of related technical information. We also estimate for preparation and review staff will spend two hours per package.

A.

Averaged Hourly Clerical Rate: GS 9-3	=	\$23.53 x 1 hour x 300 packages
Clerical Staff (duplication, filing)	=	\$7,059
Printing 550 copies x \$2	=	1,100
Mailing 300 x 40 cents	=	<u>120</u>
Total		\$8,279

B.

Averaged Hourly Professional Staff Rate: GS 13-2 = \$39.31 x 1 hour x 300 respondents

Professional Staff (Analysis & review) = \$11,793

Total \$11,793

Total Federal Estimated Cost \$20,072

15. There have been no program changes or adjustments. The number of respondents has not changed from the last time the form was submitted for approval because there has been no funding for this program since FY 1995.

16. We will use the information submitted by the grantees to determine the progress of increasing their endowment fund and to monitor the grantees' compliance with regulations. The Department does not intend to ever publish the data contained in these reports.

17. No objection to display of this information.

18. No exceptions are requested.

B. Collection of Information Employing Statistical Methods – No statistical methods are used in the collection of this information.