

The Department of Education (the Department) proposes to amend the Student Assistance General Provisions regulations issued under the Higher Education Act of 1965, as amended (HEA), to implement changes made to the Student Assistance General Provisions regulations in §§ 668.171 and 668.172. These proposed regulations are a result of negotiated rulemaking and would add requirements to the current regulations.

The proposed regulations in §668.171 establish actions or events that have or may have an adverse material effect on an institution's financial condition and revise Appendices A and B of the financial responsibility regulations to conform to changes in the accounting standards. The proposed regulations in §668.172 addresses changes to the accounting standards regarding leases.

§668.171 General.

Under the proposed section 668.171(f), in accordance with procedures to be established by the Secretary, an institution would notify the Secretary of any action or event described in the specified number of days after the action or event occurred. In the notice to the Secretary or in the institution's preliminary response, the institution may show that certain of the actions or events are not material or that the actions or events are resolved.

AFFECTED ENTITIES AND BURDEN:

There would be burden on institutions to provide the notice to the Secretary when one of the actions or events occurs. We estimate that an institution would take two hours per action to prepare the appropriate notice and to provide it to the Secretary.

We estimate that 180 private institutions may have two events annually to report for a total burden of 720 hours (180 institutions x 2 events x 2 hours).

Affected Entity	# of Respondents	# of Responses	Hrs/Response	Total Burden
Private Institutions	180	360	x 2 hours	720

§ 668.172 Financial Ratios

Under proposed 668.172(d), institutions can request the Secretary to compute a second composite score excluding operating leases and have the higher of the two composite scores used to determine, in part, if the institution meets the financial responsibility requirements to participate in title IV financial aid programs.

AFFECTED ENTITIES AND BURDEN:

There would be burden on institutions to request that the Secretary perform the second composite scoring calculation. We estimate that it would take a school .25 hours (15 minutes) to request the recalculation.

We estimate that 25% of the private institutions 450 (1,799 x .25) would request the recalculation for 113 hours (450 institutions X .25 hours).

Affected Entity	# of Respondents	# of Responses	Hrs/Response	Total Burden
Private Institutions	450	450	x .25 hours	113

Appendix A and B for Section 668 - subpart L – Financial Responsibility

Under proposed Section 2 for Appendix A and B, proprietary and private schools would be required to submit a Supplemental Schedule as part of their audited financial statements. With the update from the Financial Accounting Standards Board, some elements needed to calculate the composite score would no longer be readily available in the audited financial statements, particularly for private institutions. With the proposed updates to the Supplemental Schedule to reference the financial statements, this issue would be addressed in a convenient and transparent manner for both the schools and the Department by showing how the composite score is calculated.

AFFECTED ENTITIES AND BURDEN:

There would be burden on schools to provide the Supplemental Schedule to the Department. In development of this proposal, the members of the negotiated rulemaking subcommittee indicated that they believed that as the information would be readily available upon completion of the required audit and the burden would be minimal. We estimate that it would take each proprietary and private institution one hour to prepare the Supplemental Schedule and have it made available for posting along with the annual audit.

We estimate that 1,799 private schools would require 1 hour of burden to prepare the Supplemental Schedule and have it made available for posting along with the annual audit for a total burden of 1,799 hours (1,799 institutions x 1 hour).

Affected Entity	# of Respondents	# of Responses	Hrs/Response	Total Burden
Private Institutions	1,799	1,799	x 1 hour	1,799

We estimate the cost to institutional respondents, based on \$44.41 per burden hour, would be:

Private Institutions = \$ 116,887.12 (2,632 hours x \$44.41)

TOTALS

Responses	2,609
Respondents	1,799
Burden Hours	2,632