

SUPPORTING STATEMENT
FOR PAPERWORK REDUCTION ACT SUBMISSION
Application to Participate in Federal Student Financial Aid Programs

A. Justification

- 1. Explain the circumstances that make the collection of information necessary. Identify any legal or administrative requirements that necessitate the collection. Attach a hard copy of the appropriate section of each statute and regulation mandating or authorizing the collection of information, or you may provide a valid URL link or paste the applicable section¹. Specify the review type of the collection (new, revision, extension, reinstatement with change, reinstatement without change). If revised, briefly specify the changes. If a rulemaking is involved, make note of the sections or changed sections, if applicable.**

Section 487(c) of the Higher Education Act (HEA) of 1965, as amended requires that the Secretary of Education prescribe regulations to ensure that any funds postsecondary institutions receive under the HEA are used solely for the purposes specified in and in accordance with the provision of the applicable programs. The concept of this federal gatekeeping has a long history, originating in 1952. However, as a result of abuses by institutions in the Title IV programs, the HEA amendments of 1992 significantly increased the Department of Education's (the Department's) gatekeeping responsibilities. In general, the statutory provisions tightened the eligibility requirements for institutions participating in the student financial assistance programs authorized under Title IV of the HEA.

In 1994, the Secretary amended the regulations governing institutional eligibility under the HEA in accordance with the statutory requirements. The Institutional Eligibility regulations govern the initial and continuing eligibility of postsecondary educational institutions participating in the student financial assistance programs authorized by Title IV of the HEA.

Part H, Subpart 3, Section 498 of the HEA of 1965, as amended, gives the Secretary the responsibility for determining qualifications of institutions of higher education to participate in programs under the HEA. To comply with this requirement Section 498(b) of the HEA specified that the Secretary prepare and prescribe a single application form. The Department developed the Application for Approval to Participate in the Federal Student Financial Aid Programs (Application) to comply with the statutory requirements of collecting necessary information under the HEA.

An institution must use this Application to apply for approval to be determined to be eligible and if the institution wishes, to participate; to expand its eligibility; or to continue to participate in the Title IV programs. An institution must also use the Application to report certain required data as part of its recordkeeping requirements

¹ Please limit pasted text to no longer than 3 paragraphs.

contained in the regulations under 34 C.F.R. Part 600 (Institutional Eligibility under the Higher Education Act of 1965, as amended).

The Department uses the information reported on the Application in its determination of whether an institution meets the statutory and regulatory requirements.

Listed below are the specific regulations that require an institution to apply to the Department of Education for:

- An eligibility determination and if requested, certification to participate;
- Continued eligibility to participate;
- Reporting changes made to the institution, as required; and
- Expansion of its current approval.

Section 600.20 - Application procedures - requires an institution that wishes to participate in any Title IV program, to apply for initial eligibility, as well as continued or expanded approval including new locations or new programs.

Section 600.21 – Updating Application Information - requires an institution to notify the Secretary of any changes to certain information, including its name, address, etc.

Section 600.31 - Change in ownership resulting in a change of control - requires an institution that has undergone a change in ownership that results in a change in control to demonstrate to the Secretary that it meets the requirements of an eligible institution in order to continue to be eligible. The 1998 Amendments provided that the Secretary may continue the institution's participation on a provisional basis provided that the institution under the new ownership submits a materially complete application that is received by the Secretary no later than 10 business days after the change occurs.

In addition to the information above, the application is also the place where schools can report other information to us that it needs or wants us to know. For example, the Higher Education Act of 1965 (HEA), as amended, requires an institution of postsecondary education to file a disclosure report with the Secretary on January 31 or July 31 of each year, containing certain information about gifts received from or contracts entered into with foreign sources or about ownership or control of the institution by a foreign source (Section 1209, 20 U.S.C. 1145d).

- 2. Indicate how, by whom, and for what purpose the information is to be used. Except for a new collection, indicate the actual use the agency has made of the information received from the current collection.**

The School Eligibility Service Group, (the organization within the Department of Education, Federal Student Aid, responsible for providing integrated oversight to postsecondary schools) reviews and analyzes the information reported on the application and makes a determination on the institution's request. The School Participation Division's (SPD) decision to approve an institution's request for Title IV program eligibility only (in the case of an institution of higher education that does not plan to participate in our Title IV programs, however, it wishes for its students to be eligible for in-school deferments while in attendance), or Title IV eligibility and participation is based not only on the information reported by the institution on the application, but also on other information in the team's possession. SPD makes its decision using a case team approach to its work processes. This allows SPD to evaluate a school based on a total picture of integrated institutional information.

SPD's decision includes determining that the institution:

- Is designated an eligible institution;
- Is certified or recertified to participate in Title IV programs;
- Is approved, for Title IV purpose, to expand its current approval (new location or new programs, etc.);
- Met its reporting requirements and we have updated our records (changes to name or address, etc.); or
- Is denied eligibility, certification or approval of its expansion for purposes of Title IV.

3. Describe whether, and to what extent, the collection of information involves the use of automated, electronic, mechanical, or other technological collection techniques or forms of information technology, e.g. permitting electronic submission of responses, and the basis for the decision of adopting this means of collection. Also describe any consideration given to using technology to reduce burden.

The data submitted by an institution during the initial round of certification became part of the Postsecondary Education Participants System (PEPS), the Department's computerized information management system of institutional data. Subsequently, the School Eligibility Service Group designed a computerized version of the Application. An institution accesses the Application using the Internet. Many of the questions on the Application are pre-populated using information the institution submitted on its previous Application, which is stored in PEPS. Pre-populating the answers to the questions reduces burden for the institution and alleviates the need for the institution to enter a response to every question. Instead, the institution only needs to review the pre-populated information and if necessary, update it. (Note: Certain questions must be answered each time an institution submits a complete application.) Once the institution has completed its updates to the Application, it is submitted to the School Eligibility Service Group via the Internet. The institution receives immediate notification of receipt by the Department. Once the Department makes its decision to approve or to deny the Application, the information from the Application is migrated to PEPS electronically, thus reducing the Department's burden for data entry as well as increasing the accuracy of the data in PEPS.

The electronic application has additional features such as:

- Hot links to take the user from one area to another in one mouse click;
- Skip features that skip questions or a section if it does not apply to the institution;
- Edits that help the institution not miss a required question or enter the wrong type of information;
- A Help section;
- ED contacts, both phone numbers and e-mail address. The e-mail address is actually a hot link to create an email directly to the School Participation Divisions or PEPS and allows an institution to submit its questions to the Department electronically; and
- A status page that tells the institution where the application is in SPD's review process.

System of Record Notice: 18-11-09

4. Describe efforts to identify duplication. Show specifically why any similar information already available cannot be used or modified for use for the purposes described in Item 2 above.

Institutions are not required to maintain duplicate records. The Application for Approval to Participate in the Federal Student Financial Aid Programs provides the initial contact of an institution seeking to participate in Federal programs administered by Federal Student Aid. A new institution will not have provided similar information to any other office in the Department. While a continuing institution may have provided similar information as part of the Integrated Postsecondary Education Data System (IPEDS) survey, the Application information provided is not necessarily the same.

5. If the collection of information impacts small businesses or other small entities, describe any methods used to minimize burden. A small entity may be (1) a small business which is deemed to be one that is independently owned and operated and that is not dominant in its field of operation; (2) a small organization that is any not-for-profit enterprise that is independently owned and operated and is not dominant in its field; or (3) a small government jurisdiction, which is a government of a city, county, town, township, school district, or special district with a population of less than 50,000.

The information collection does not impact small businesses or other small entities.

6. Describe the consequences to Federal program or policy activities if the collection is not conducted or is conducted less frequently, as well as any technical or legal obstacles to reducing burden.

Section 498(g) of the HEA requires that the Department recertify all eligible institutions that wish to continue to participate in the Title IV programs. The maximum time period the Secretary may approve an institution is up to 6 years.

The statute also provides that the Secretary may provisionally certify new institutions, institutions that change ownership, and institutions with questionable financial responsibility and administrative capability for a period of time from one to three years. The Department uses provisional approval as a tool to allow for increased monitoring of institutions with no track record and institutions with documented problems. If information were collected less frequently, the Department would not be in compliance with the HEA and would not be using the tools Congress provided to improve gatekeeping capability.

Note that it is not necessary for an institution to submit a complete application to report activities such as change in name or address, a change in level of course offering or a change in measurement of program length. Instead, with the Application, institutions need to update only the questions on the Application that are affected by the change. Thus, while the frequency with which institutions must report certain changes has not changed and cannot, because they are vital pieces of information relative to the institution's eligibility, the reporting burden for those actions is decreased significantly.

If the collection is not conducted, a new institution would not be able to participate in Title IV programs, a currently approved institution would not be able to participate past its approved expiration date, meet the notification and recordkeeping requirements or be able to expand its eligibility. Further, the Department would lose a valuable gatekeeping tool.

7. **Explain any special circumstances that would cause an information collection to be conducted in a manner:**
- **requiring respondents to report information to the agency more often than quarterly;**
 - **requiring respondents to prepare a written response to a collection of information in fewer than 30 days after receipt of it;**
 - **requiring respondents to submit more than an original and two copies of any document;**
 - **requiring respondents to retain records, other than health, medical, government contract, grant-in-aid, or tax records for more than three years;**
 - **in connection with a statistical survey, that is not designed to produce valid and reliable results than can be generalized to the universe of study;**
 - **requiring the use of a statistical data classification that has not been reviewed and approved by OMB;**
 - **that includes a pledge of confidentiality that is not supported by authority established in statute or regulation, that is not supported by disclosure and data security policies that are consistent with the pledge, or that**

unnecessarily impedes sharing of data with other agencies for compatible confidential use; or

- **requiring respondents to submit proprietary trade secrets, or other confidential information unless the agency can demonstrate that it has instituted procedures to protect the information's confidentiality to the extent permitted by law.**

This collection of information does not meet any of the special circumstances described above.

- 8. As applicable, state that the Department has published the 60 and 30 Federal Register notices as required by 5 CFR 1320.8(d), soliciting comments on the information collection prior to submission to OMB. Summarize public comments received in response to that notice and describe actions taken by the agency in response to these comments. Specifically address comments received on cost and hour burden.**

Describe efforts to consult with persons outside the agency to obtain their views on the availability of data, frequency of collection, the clarity of instruction and record keeping, disclosure, or reporting format (if any), and on the data elements to be recorded, disclosed, or reported.

Consultation with representatives of those from whom information is to be obtained or those who must compile records should occur at least once every 3 years – even if the collection of information activity is the same as in prior periods. There may be circumstances that may preclude consultation in a specific situation. These circumstances should be explained.

We will publish 60-day and 30-day Federal Register notices to seek public comment.

The Application has been widely accepted by the community and has been in use in its current form since September of 1996. The current form was created after a focus group of industry professionals (redesign group) worked with the Department to address the higher education community's concerns about complexity, length, and burden regarding the previous version of the Application. The goals of improving the clarity, accuracy and simplicity of the Application while still allowing the Department to improve gatekeeping, have a more efficient process, receive more reliable information from the institution, and provide for institutional accountability, produced a valuable tool that asks clear questions that minimizes burden to institutions.

The Department holds a training conference each Fall devoted to the effective and efficient administration of the Title IV, HEA programs. The Application is one of the processes that are featured at these conferences. Responses received from school officials continue to be extremely positive. The feedback provided by users indicates that

the questions in the Application are clear and that the process to complete the Application is simple.

In addition, Department officials routinely attend state, regional and national professional association meetings and conferences. Typically, the Department participates in these forums as an opportunity to receive feedback from the higher education community regarding its policies and procedures including the Application and the recertification process. The feedback continues to overwhelmingly approve the Application in part, due to the reduction of data collection burden.

In addition to attending meetings and conferences, the Department also receives feedback from the community via telephone calls and e-mails. The Department has been responsive to these comments and suggestions from the community. We continued to make changes to improve the Application, which make it even easier to use.

9. Explain any decision to provide any payment or gift to respondents, other than remuneration of contractors or grantees with meaningful justification.

No payments or gifts will be provided to respondents.

10. Describe any assurance of confidentiality provided to respondents and the basis for the assurance in statute, regulation, or agency policy. If personally identifiable information (PII) is being collected, a Privacy Act statement should be included on the instrument. Please provide a citation for the Systems of Record Notice and the date a Privacy Impact Assessment was completed as indicated on the IC Data Form. A confidentiality statement with a legal citation that authorizes the pledge of confidentiality should be provided.² If the collection is subject to the Privacy Act, the Privacy Act statement is deemed sufficient with respect to confidentiality. If there is no expectation of confidentiality, simply state that the Department makes no pledge about the confidentiality of the data.

The Application includes a Privacy Act Notice that (1) informs the institution of the statutory authority for the information collection, (2) explains that disclosure of the information is voluntary, but if the institution chooses not to submit an Application for Approval to Participate in Federal Student Financial Aid Programs, the institution cannot be determined to be eligible or continue to be eligible for the Title IV, HEA programs, and (3) identifies the third parties to whom the information may be disclosed.

11. Provide additional justification for any questions of a sensitive nature, such as sexual behavior and attitudes, religious beliefs, and other matters that are

² Requests for this information are in accordance with the following ED and OMB policies: Privacy Act of 1974, OMB Circular A-108 – Privacy Act Implementation – Guidelines and Responsibilities, OMB Circular A-130 Appendix I – Federal Agency Responsibilities for Maintaining Records About Individuals, OMB M-03-22 – OMB Guidance for Implementing the Privacy Provisions of the E-Government Act of 2002, OMB M-06-15 – Safeguarding Personally Identifiable Information, OM:6-104 – Privacy Act of 1974 (Collection, Use and Protection of Personally Identifiable Information)

commonly considered private. The justification should include the reasons why the agency considers the questions necessary, the specific uses to be made of the information, the explanation to be given to persons from whom the information is requested, and any steps to be taken to obtain their consent.

This collection does not ask questions of a sensitive nature.

- 12. Provide estimates of the hour burden of the collection of information. The statement should:**
- **Indicate the number of respondents by affected public type (federal government, individuals or households, private sector – businesses or other for-profit, private sector – not-for-profit institutions, farms, state, local or tribal governments), frequency of response, annual hour burden, and an explanation of how the burden was estimated, including identification of burden type: recordkeeping, reporting or third party disclosure. All narrative should be included in item 12. Unless directed to do so, agencies should not conduct special surveys to obtain information on which to base hour burden estimates. Consultation with a sample (fewer than 10) of potential respondents is desirable. If the hour burden on respondents is expected to vary widely because of differences in activity, size, or complexity, show the range of estimated hour burden, and explain the reasons for the variance. Generally, estimates should not include burden hours for customary and usual business practices.**
 - **If this request for approval covers more than one form, provide separate hour burden estimates for each form and aggregate the hour burdens in the ROCIS IC Burden Analysis Table. (The table should at minimum include Respondent types, IC activity, Respondent and Responses, Hours/Response, and Total Hours)**
 - **Provide estimates of annualized cost to respondents of the hour burdens for collections of information, identifying and using appropriate wage rate categories. The cost of contracting out or paying outside parties for information collection activities should not be included here. Instead, this cost should be included in Item 14.**

34 CFR Requirement	Number of Respondents ³	Number of Responses/ Applications Reported Annually	Hours Required to Collect and Report	Total Hours
600.20 Initial Applications– Affected Entities				
For-Profit Institutions	70	70	17	1,190
Not-for-Profit Institutions	13	13	17	221
Public Institutions	3	3	17	51
Sub-total	86	86	17	1,462
600.20 Recertification – Affected Entities				
For-Profit Institutions	488	488	10	4,880
Not-for-Profit Institutions	455	455	10	4,550
Public Institutions	477	477	10	4,770
Sub-total	1,420	1,420	10	14,200
600.20 Foreign Recert – Affected Entities				
For-Profit Institutions	2	2	15	30
Not-for-Profit Institutions	29	29	15	435
Public Institutions	137	137	15	2,055
Sub-total	168	168	15	2,520
600.20 Expanded Eligibility – Affected Entities				
For-Profit Institutions	330	647	1	647
Not-for-Profit	244	244	1	244

³ Many institutions report more than once a year, therefore a single respondent could be counted under several of the required regulatory reporting areas. As a result, the unduplicated number of respondents is a number smaller than the sum of the sub-totals – see below.

34 CFR Requirement	Number of Respondents	Number of Responses/ Applications Reported Annually	Hours Required to Collect and Report	Total Hours
Institutions				
Public Institutions	596	1,168	1	1,168
Sub-total	1,170	2,059	1	2,059
600.21 Updating Eligibility – Affected Entities				
For-Profit Institutions	1,026	1,477	1	1,477
Not-for-Profit Institutions	696	1,002	1	1,002
Public Institutions	703	1,012	1	1,012
Sub-total	2,425	3,491	1	3,491
600.31 Change in Ownership – Affected Entities				
For-Profit Institutions	53	53	10	530
Not-for-Profit Institutions	9	9	10	90
Public Institutions	0	0	10	0
Sub-total	62	62	10	620
Total Responses	5,331 ¹	7,286		
Total Unduplicated Respondents	4,983 ²			
Total Hour Burden of Collection Information				24,352

600.20 Refers to applications submitted by institutions for initial approval, reinstatement, recertification and expansion of its current eligibility. This requirement has been broken down into four lines since it takes a new school longer to complete an initial application than one that is submitting a recertification application. As explained earlier, the electronic application is pre-populated with information the Department previously received from the institution. Further, an institution applying for expansion of its current

eligibility only needs to complete the portion of the application that applies to the expansion, so it takes much less time to complete that type of application.

600.21 Refers to the requirement that institutions must update the Department regarding certain required information such as changes to the institution's name or address.

600.31 Refers to applications submitted for change in ownership that result in the change of control.

This burden information was estimated based on recent (FY 2012) conversations with institutions that have submitted applications for these various purposes.

The following tables provide estimates of annualized cost to respondents for the hour burdens for collection of information, identifying and using appropriate wage rate categories.

600.20 Initial Applicant

Position	Wage Rate Category	Cost Per Hour	Hours Expended	Cost Burden
Senior Administrator	\$200,956	\$97	1	\$97
Professional Staff	\$62,800	\$30	16	\$480
Total			17	\$577

¹ Many institutions respond more than once a year, therefore a single respondent could be counted under several of the required regulatory reporting areas. As a result, the unduplicated number of respondents is a number smaller than the sum of the sub-totals.

600.20 Recertification

Position	Wage Rate Category	Cost Per Hour	Hours Expended	Cost Burden
Senior Administrator	\$200,956	\$97	1	\$97
Professional Staff	\$62,800	\$30	9	\$270
Total			10	\$367

600.20 Recertification of Foreign Institution

Position	Wage Rate Category	Cost Per Hour	Hours Expended	Cost Burden
Senior Administrator	\$200,956	\$97	1	\$97
Professional Staff	\$62,800	\$30	14	\$420
Total			15	\$517

¹² The unduplicated number of Respondents.

600.20 Request to Expand Eligibility

Position	Wage Rate Category	Cost Per Hour	Hours Expended	Cost Burden
Senior Administrator	\$200,956	\$97	.40	\$39
Professional Staff	\$62,800	\$30	.60	\$ 18
Total			1	\$57

600.21 Update Changes

Position	Wage Rate Category	Cost Per Hour	Hours Expended	Cost Burden
Senior Administrator	\$200,956	\$97	.40	\$39
Professional Staff	\$62,800	\$30	.60	\$ 18
Total			1	\$57

600.31 Change in Ownership

Position	Wage Rate Category	Cost Per Hour	Hours Expended	Cost Burden
Senior Administrator	\$200,956	\$97	1	\$97
Professional Staff	\$62,800	\$30	9	\$270
Total			10	\$367

Annualized Cost for Collection of Information

34 CFR Requirement	Number of Institutions Reporting Annually ⁴	Cost per Institution	Total Burden
600.20 Initial	109	\$577	\$62,893
600.20 Recertification	1412	\$367	\$518,204
600.20 Foreign Recert	87	\$517	\$44,979
600.20 Expand Eligibility	1,266	\$57	\$72,162
600.21	1,497	\$57	\$85,329
600.31	114	\$367	\$41,838
Total Annualized Cost per Application for Institutions			\$825,405

- 13. Provide an estimate of the total annual cost burden to respondents or record keepers resulting from the collection of information. (Do not include the cost of any hour burden shown in Items 12 and 14.)**
- **The cost estimate should be split into two components: (a) a total capital and start-up cost component (annualized over its expected useful life); and (b) a total operation and maintenance and purchase of services component. The estimates should take into account costs associated with generating, maintaining, and disclosing or providing the information. Include descriptions of methods used to estimate major cost factors including system and technology acquisition, expected useful life of capital equipment, the discount rate(s), and the time period over which costs will be incurred. Capital and start-up costs include, among other items, preparations for collecting information such as purchasing computers and software; monitoring, sampling, drilling and testing equipment; and acquiring and maintaining record storage facilities.**
 - **If cost estimates are expected to vary widely, agencies should present ranges of cost burdens and explain the reasons for the variance. The cost of contracting out information collection services should be a part of this cost burden estimate. In developing cost burden estimates, agencies may consult with a sample of respondents (fewer than 10), utilize the 60-day pre-OMB submission public comment process and use existing economic or regulatory impact analysis associated with the rulemaking containing the information collection, as appropriate.**
 - **Generally, estimates should not include purchases of equipment or services, or portions thereof, made: (1) prior to October 1, 1995, (2) to achieve regulatory compliance with requirements not associated with the information collection, (3) for reasons other than to provide information or keep records for the government or (4) as part of customary and usual business or private practices. Also, these estimates should not include the hourly costs (i.e., the monetization of the hours) captured above in Item 12**

Total Annualized Capital/Startup Cost : _____
Total Annual Costs (O&M) : _____
Total Annualized Costs Requested : _____

There is no cost burden to respondents or record-keepers resulting from the information collection other than shown in items 12 and 14. The total government expense for capital and start up costs for this Information Collection is zero.

- 14. Provide estimates of annualized cost to the Federal government. Also, provide a description of the method used to estimate cost, which should include quantification of hours, operational expenses (such as equipment, overhead, printing, and support staff), and any other expense that would not have been incurred without this collection of information. Agencies also may aggregate cost estimates from Items 12, 13, and 14 in a single table.**

REVIEWERS COSTS: Identifies the amount of time for a reviewer to examine the information submitted on the application and the supporting documentation. This information is then reported out to the team for a full decision on the institution's application.

34 CFR Requirement	Number of Institutions Reporting Annually	Hours Required for ED Review	Total Hours	Average Hourly Wage	Cost per CFR Requirement
600.20 Initial	109	2	218	\$34	\$7,412
600.20 Recertification	1,412	2	2,824	\$34	\$96,016
600.20 Foreign Recert	87	3	261	\$34	\$8,874
600.20 Expand Eligibility	1,266	1	1,266	\$34	\$43,044
600.21	1,497	.5	749	\$34	\$25,466
600.31	114	2	228	\$34	\$7,752
ED Cost to review of the Application information					\$188,564

ED Cost to maintain system and improve electronic Application: \$450,000

Total Annualized Cost to the Federal government: \$638,564

- 15. Explain the reasons for any program changes or adjustments. Generally, adjustments in burden result from re-estimating burden and/or from economic phenomenon outside of an agency's control (e.g., correcting a burden estimate or an organic increase in the size of the reporting universe). Program changes result from a deliberate action that materially changes a collection of information and generally are result of new statute or an agency action (e.g., changing a form, revising regulations, redefining the respondent universe, etc.). Burden changes should be disaggregated by type of change (i.e., adjustment, program change due to new statute, and/or program change due to agency discretion), type of collection (new, revision, extension, reinstatement with change, reinstatement without change) and include totals for changes in burden hours, responses and costs (if applicable).**

There have been no significant program changes and therefore the hours required for each application type have not changed. We continue to estimate burden at 7,286 responses for 24,352 burden hours.

- 16. For collections of information whose results will be published, outline plans for tabulation and publication. Address any complex analytical techniques that will be used. Provide the time schedule for the entire project, including beginning and**

ending dates of the collection of information, completion of report, publication dates, and other actions.

Application information is not expected to be published.

17. If seeking approval to not display the expiration date for OMB approval of the information collection, explain the reasons that display would be inappropriate.

There are no exceptions to the certifications statement.

18. Explain each exception to the certification statement identified in the Certification of Paperwork Reduction Act.

The Department is not requesting an exceptions to the certification statement.