

## Comparison Showing 90/10 Consensus Changes

### § 668.28 Non-Federal revenue (90/10).

#### (a) *General* –

(1) ***Calculating the revenue percentage.*** A proprietary institution meets the requirement in § 668.14(b)(16) that at least 10 percent of its revenue is derived from sources other than ~~Title IV, HEA program~~ Federal funds by using the formula in appendix C of this subpart to calculate its revenue percentage for its latest complete fiscal year. For purposes of this section--

(i) For any annual audit submission for a proprietary institutional fiscal year beginning on or after January 1, 2023, Federal funds used to calculate the revenue percentage include title IV, HEA program funds and any other educational assistance funds provided by a Federal agency directly to an institution or a student including the Federal portion of any grant funds provided by or administered by a non-Federal agency, except for non-Title IV Federal funds provided directly to a student to cover expenses other than tuition, fees and other institutional charges. The Secretary identifies the Federal agency and the other educational assistance funds provided by that agency in a notice published in the *Federal Register*, with updates to that list published as needed.

(ii) For any fiscal year beginning prior to January 1, 2023, Federal funds are limited to title IV, HEA program funds.

(2) ~~***Cash basis accounting.***~~ Except for institutional loans made to students under paragraph (a)(5)(i) of this section, the ***Disbursement rule.*** An institution must use the cash basis of accounting in calculating its revenue percentage by —

(i) For each eligible student, counting the amount of Federal funds that were used to pay tuition fees and other institutional charges the institution received during its fiscal year—

(A) Directly from an agency identified under paragraph (a)(1)(i) of this section; and

(B) Paid by a student who received Federal funds.

(ii) For each eligible student, counting the amount of title IV, HEA program funds the institution received to pay tuition, fees and other institutional charges during its fiscal year. However, before the end of its fiscal year, the institution must—

(A) Request funds under the advanced payment method in §668.162(b)(2) or the heightened cash monitoring method in §668.162(d)(1) that the students are eligible to receive and make any disbursements to those students by the end of the fiscal year; or

(B) For institutions under the reimbursement or heightened cash monitoring methods in §668.162(c) or (d)(2), make disbursements to those students by the end of the fiscal year and report as Federal funds in the revenue calculations the funds that the students are eligible to receive before requesting funds.

(3) ***Revenue generated from programs and activities.*** The institution must consider as revenue only those funds it generates from -

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- (i) Tuition, fees, and other institutional charges for students enrolled in eligible programs as defined in § 668.8;
  - (ii) Activities conducted by the institution that are necessary for the education and training of its students provided those activities are -
    - (A) Conducted on campus or at a facility under the institution's control;
    - (B) Performed under the supervision of a member of the institution's faculty; ~~and~~
    - (C) Required to be performed by all students in a specific educational program at the institution; and
    - (D) Related directly to services performed by students; and
  - (iii) Funds paid by a student, or on behalf of a student by a party ~~other than~~ unrelated to the institution, ~~its owners, or affiliates~~, for an education or training program that is not eligible under § 668.8 ~~if the program and that does not include any courses offered in an eligible program. The non-eligible education or training program must be provided by the institution, and taught by one of its instructors, at its main campus or one of its approved additional locations, at another school facility approved by the appropriate State agency or accrediting agency, or at an employer facility. The institution may not count revenue from a non-eligible education or training program where it merely provides facilities for test preparation courses, acts as a proctor, or oversees a course of self-study. The program must --~~
    - (A) ~~Is~~ Be approved or licensed by the appropriate State agency;
    - (B) ~~Is~~ Be accredited by an accrediting agency recognized by the Secretary under 34 CFR part 602;
    - (C) ~~Provides~~ Provide an industry-recognized credential or certification, ~~or prepares students to take an examination for an industry-recognized credential or certification issued by an independent third party;~~
    - (D) ~~Provides~~ Provide training needed for students to maintain State licensing requirements; or
    - (E) ~~Provides~~ Provide training needed for students to meet additional licensing requirements for specialized training for practitioners that already meet the general licensing requirements in that field.
- (4) **Application of funds.** The institution must presume that any ~~Title IV, HEA program~~ Federal funds it disburses, or delivers, to a student, or ~~on behalf of~~ determines was provided to a student by another Federal source, will be used to pay the student's tuition, fees, or institutional charges, ~~regardless of whether the institution credits the up to the amount of those Federal funds to the if a student's account or pays the funds directly to the student~~ makes a payment to the institution, except to the extent that the student's tuition, fees, or other charges are satisfied by -
- (i) Grant funds provided by ~~non-~~ ---

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- (A) ~~Non-Federal public agencies or private~~, provided that those grant funds do not include Federal or institutional funds unless the Federal portion of those grant funds can be determined and that portion of Federal funds must be included as Federal funds under this section. If the Federal funds cannot be determined no amount of the grant funds may be included under this section; or
- (B) Private sources ~~independent of~~unrelated to the institution, its owners, or affiliates;
- (ii) Funds provided under a contractual arrangement with the institution and a Federal, State, or local government agency for the purpose of providing job training to low-income individuals who need that training;
- (iii) Funds used by a student from a savings plan for educational expenses established by or on behalf of the student if the saving plan qualifies for special tax treatment under the Internal Revenue Code of 1986; or
- (iv) Institutional scholarships that meet the requirements in paragraph (a)(5)(iv) of this section.
- (5) **Revenue generated from institutional aid.** The institution ~~must~~may include the following institutional aid as revenue:
- (i) For loans made to students and credited in full to the students' accounts at the institution ~~on or after July 1, 2008~~ and ~~prior~~used to July 1 satisfy tuition, 2012 fees, include as revenue the net present value of the and other institutional charges, the amount of principal payments made on those loans ~~made to~~by current or former students that the institution received during the fiscal year, ~~as calculated under paragraph (b) of this section,~~ if the loans ~~—~~
- (A) Are bona fide as evidenced by standalone repayment agreements between the students and the institution that are enforceable promissory notes;
- (B) Are issued at intervals related to the institution's enrollment periods;
- (C) Are subject to regular loan repayments and collections by the institution; and
- (D) Are separate from the enrollment contracts signed by the students.
- (ii) ~~For loans made to students before July 1, 2008, include as revenue only the amount of payments made on those loans that the institution received during the fiscal year. If an institution wants to include an income share agreement or any other alternative financing agreement as cash in its attestations in which the agreement is with the institution only or with a related party to include any entity in the ownership tree, any common ownership, any other contractual agreement or continuous financial relationship for this section, then the following must be included in the agreement—~~
- (A) The institution must clearly identify the institutional charges that are being covered by the agreement, the charges must be the same or less than the stated rate for institutional charges.

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(B) The maximum time and amount a student would be required to pay is clearly identified including the implied or imputed interest rate and any fees.

(C) All payments must be applied in accordance with debt repayment regulations. Interest and fees would not be included in the attestation.

(D) The imputed or implied interest rate cannot be more than the Federal Direct Unsubsidized Loan interest rate for the same borrower type at the time the agreement was signed.

~~(iii) For loans made to students on or after July 1, 2012, include as revenue only the amount of payments made on those loans that the institution received during the fiscal year. Only cash payments representing principal payments on the income share agreement or other financing agreement that were used to satisfy tuition fees and other institutional charges may be included in the attestation. No amounts from the sale of the income share agreement or other financing agreement may be included in the attestation.~~

(iv) For scholarships provided by the institution in the form of monetary aid ~~or tuition discount~~ and based on the academic achievement or financial need of its students, ~~include as revenue~~ the amount disbursed to students during the fiscal year. The scholarships must be disbursed from an established restricted account and may be included as revenue only to the extent that the funds in that account represent ~~designated~~ \_\_\_\_\_

(A) Designated funds from an outside source that is unrelated to the institution, its owners, or affiliates; or ~~income~~

(B) Income earned on those funds.

~~(6) Revenue generated from loan funds in excess of loan limits prior to the Ensuring Continued Access to Student Loans Act of 2008 (ECASLA). For each student who receives an unsubsidized loan under the FFEL or Direct Loan programs on or after July 1, 2008 and prior to July 1, 2011, the amount of the loan disbursement for a payment period that exceeds the disbursement for which the student would have been eligible for that payment period under the loan limit in effect on the day prior to enactment of the ECASLA is included and deemed to be revenue from a source other than Title IV, HEA program funds but only to the extent that the excess amount pays for tuition, fees, or institutional charges remaining on the student's account after other Title IV, HEA program funds are applied.~~

(6) (7) Funds excluded from revenues. For the fiscal year, the institution does not include -

(i) The amount of Federal Work Study (FWS) wages paid directly to the student. However, if the institution credits the student's account with FWS funds, those funds are included as revenue;

(ii) The amount of funds received by the institution from a State under the LEAP, SLEAP, or GAP programs;

(iii) The amount of institutional funds used to match ~~Title~~title IV, HEA program funds;

(iv) The amount of ~~Title IV, HEA program funds refunded or returned under § 668.22. If any funds from the loan disbursement used in the return calculation under § 668.22 were counted as non-title IV revenue under paragraph (a)(6) of this section, the amount of Title~~title IV, HEA program funds

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refunded to students or returned to the Secretary under § 668.22 ~~is considered to consist of pre-ECASLA loan amounts and loan amounts in excess of the loan limits prior to ECASLA in the same proportion to the loan disbursement; or~~

(v) The amount the student is charged for books, supplies, and equipment unless the institution includes that amount as tuition, fees, or other institutional charges;

(vi) Any amount from the proceeds of the factoring or sale of accounts receivable or institutional loans, regardless of whether the loans were sold with or without recourse; or

(vii) Any funds, including loans, provided by a third party related to the institution owners or affiliates to a student in any form.

(b) *[Reserved]*

(c) **Sanctions.** If an institution does not derive at least 10 percent of its revenue from sources other than ~~Title IV, HEA program~~ Federal funds -

(1) For two consecutive fiscal years, it loses its eligibility to participate in the Title IV, HEA programs for at least two fiscal years. To regain eligibility, the institution must demonstrate that it complied with the State licensure and accreditation requirements under 34 CFR 600.5(a)(4) and (a)(6), and the financial responsibility requirements under subpart L of this part, for a minimum of two fiscal years after the fiscal year it became ineligible; ~~or~~

(2) For any fiscal year, it becomes provisionally certified under § 668.13(c)(1)(ii) for the two fiscal years after the fiscal year it failed to satisfy the revenue requirement. However, the institution's provisional certification terminates on -

(i) The expiration date of the institution's program participation agreement that was in effect on the date the Secretary determined the institution failed this requirement; or

(ii) The date the institution loses its eligibility to participate under paragraph (c)(1) of this section; ~~and~~

(3) For any fiscal year that it fails to meet the requirements of this section, it must notify students of the possibility of loss of title IV eligibility;

(4) ~~(3)~~ It must ~~notify the Secretary~~ determine whether it passed the revenue requirement and report a failure no later than 45 days after the end of its fiscal year, or immediately thereafter if subsequent information is obtained that shows an institution incorrectly determined that it ~~failed to meet this~~ passed the revenue requirement for the prior fiscal year; and

(5) It is liable for any title IV, HEA program funds it disburses after the fiscal year it becomes ineligible to participate in the title IV, HEA program under paragraph (c)(1) of this section, excluding any funds the institution was entitled to disburse under §668.26.

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