

# U.S. Department of Education Releases a Report Showing Underreporting of Foreign Gifts and Contracts by Various Colleges and Universities

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On October 20, 2020, the U.S. Department of Education (the “Department”) issued a report detailing the outcome of its investigations of various higher education institutions. The report asserts that numerous colleges and universities have failed to comply with Section 117 of the Higher Education Act of 1965, which requires higher education institutions to disclose all foreign gifts and contracts totaling \$250,000 or more.

Congress enacted Section 117 over 30 years ago as a result of concerns in connection with the growing financial relationship between colleges and universities in the United States and foreign sources. In 2019, the Department launched investigations into a number of colleges and universities to determine whether the institutions were complying with the reporting requirements set forth in Section 117. In June 2020, the Department subsequently issued a reminder to higher education institutions of their obligation under Section 117 to report ownership/control by, and contracts/gifts from, foreign sources. Also in June 2020, the Department announced its new reporting system that colleges and universities must use to submit their Section 117 information.

In her statement regarding the report, U.S. Secretary of Education Betsy DeVos noted that “the threat of improper foreign influence in higher education is real. Our action today ensures that America’s students, educators, and taxpayers can follow the money.” She expanded that “transparency in foreign funding of higher education is not just something I think is a good thing; it’s the law. For too long, enforcement of that law was lax, but not anymore.”

According to Secretary DeVos, the Department uncovered “pervasive noncompliance” by higher education institutions and “significant foreign entanglement” with America’s colleges and universities. The Department’s report details “the massive failure of many colleges and universities to disclose more than \$6.5 billion in funding and resources from foreign sources including China, Russia, Saudi Arabia, the United Arab Emirates, and Qatar.”

If you have questions regarding any aspects of higher education law and compliance with reporting foreign gifts and contracts under Section 117 of the Higher Education Act of 1965, feel free to contact Hayley B. Dryer at (516) 357-3745 or via email at [hdryer@cullenllp.com](mailto:hdryer@cullenllp.com), Kevin P. McDonough at (516) 357-3787 or via email at [kmcdonough@cullenllp.com](mailto:kmcdonough@cullenllp.com), James G. Ryan at (516) 357-3750 or via email at [jryan@cullenllp.com](mailto:jryan@cullenllp.com), or Dina L. Vespia at (516) 357-3726 or via email at [dvespia@cullenllp.com](mailto:dvespia@cullenllp.com).

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## Attorneys

- Kevin P. McDonough
- Dina L. Vespia