

Foreign Influence in Universities Targeted by Trump Administration

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As part of the [“America First” Investment Policy Memorandum](#), released on February 21, the Trump administration signaled that it may increase restrictions on investments made by American university endowments relating to foreign adversaries, as well as stopping the “granting of university access to supporters of terrorism.” This new policy memo should serve as a warning to colleges and universities that more regulatory hurdles on endowment investment policies and other areas could be forthcoming.

Reporting foreign money by colleges and universities is nothing new. As part of the [Higher Education Act](#), certain institutions must report, for example, any foreign gifts or contracts of \$250,000 or more in a calendar year. Institutions that fail to comply could face penalties.

There has been growing concern from some [members of Congress](#) and [nonprofit groups](#) that foreign adversaries are utilizing college campuses as part of their political influence and counterintelligence campaigns. In 2020, the Department of Education (Department) conducted an [investigation](#) into foreign money and influence on colleges and universities, which lent some support to these concerns. Additionally, the protests across many institutions resulting from the Israel/Hamas war have contributed to heightened concerns about foreign influence on college campuses.

In February, two House Republican members [reintroduced](#) the Defending Education Transparency and Ending Rogue Regimes Engaging in Nefarious Transactions Act ([Deterrent Act](#)), which would amend the Higher Education Act by decreasing the reporting threshold to \$50,000 for certain covered foreign gifts and contracts (or \$0 for “countries of concern”); require the Department to share information with certain agencies, including national security agencies; require certain private institutions to disclose whether they “purchase[], sell[], or hold (directly or indirectly through any chain of ownership) one more investments of concern,” along with other detailed information related to those investments; and prohibit entering into any contract with a foreign country or entity of concern unless a waiver is granted by the Department. Institutions that do not abide by these regulations would face hefty penalties and could lose Title IV funding. The House Education and Workforce Committee has already voted to advance the bill to the House floor.

Congress’ increased attention to the impact of foreign influence in colleges and universities is not limited to investments, funding sources, and contracts, but extends to a variety of other national security areas as well. For example, on March 10, Chairman John Moolenaar of the Select Committee on the Chinese Communist Party addressed a letter to Secretary of Commerce Howard Lutnick requesting a [briefing](#) from the Bureau of Industry and Security on concerns over potential export control violations linked to foreign access to U.S. university

supercomputers.

As Troutman Pepper Locke continues to track these developments, institutions should consider the following:

- Entrust knowledgeable national security and foreign investment attorneys to assist in conducting audits of endowments to properly assess risk.
- Review and update policies on foreign investments to ensure they align with current and proposed regulations.
- Review or implement mechanisms designed to track and disclose foreign funding sources and contracts.

If institutions are conducting research dealing with sensitive information or technologies, it would be prudent to review current policies and practices in place to comply with export controls and other applicable laws, including in some cases auditing those involved in conducting the research.

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