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EDUCATION REGULATIONS: ROADBLOCKS TO STUDENT CHOICE IN HIGHER EDUCATION

HEARING

BEFORE THE

COMMITTEE ON EDUCATION
AND THE WORKFORCE
U.S. HOUSE OF REPRESENTATIVES

ONE HUNDRED TWELFTH CONGRESS

FIRST SESSION

HEARING HELD IN WASHINGTON, DC, MARCH 17, 2011

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EDUCATION REGULATIONS: ROADBLOCKS TO STUDENT CHOICE IN HIGHER EDUCATION

Thursday, March 17, 2011
U.S. House of Representatives
Committee on Education and the Workforce
Washington, DC

The committee met, pursuant to call, at 10:00 a.m., in room 2175, Rayburn House Office Building, Hon. John Kline [chairman of the committee] presiding.

Present: Representatives Kline, Petri, McKeon, Biggert, Platts, Foxx, Hunter, Roe, Walberg, DesJarlais, Hanna, Barletta, Heck, Kelly, Miller, Payne, Andrews, Scott, McCarthy, Tierney, Wu, Davis, Grijalva, Bishop, and Hirono.

Staff present: Katherine Bathgate, Press Assistant; James Bergeron, Director of Education and Human Services Policy; Colette Beyer, Press Secretary-Education; Kirk Boyle, General Counsel; Casey Buboltz, Coalitions and Member Services Coordinator; Heather Couri, Deputy Director of Education and Human Services Policy; Daniela Garcia, Professional Staff Member; Jimmy Hopper, Legislative Assistant; Amy Raaf Jones, Education Policy Counsel and Senior Advisor; Barrett Karr, Staff Director; Brian Melnyk, Legislative Assistant; Alex Sollberger, Communications Director; Linda Stevens, Chief Clerk/Assistant to the General Counsel; Alissa Strawcutter, Deputy Clerk; Tylease Alli, Minority Hearing Clerk; Jody Calemine, Minority Staff Director; John English, Minority Presidential Management Fellow; Sophia Kim, Minority Legislative Fellow, Education; Brian Levin, Minority New Media Press Assistant; Megan O'Reilly, Minority General Counsel; Helen Pajcic, Minority Education Policy Advisor; Julie Peller, Minority Deputy Staff Director; Alexandria Ruiz, Minority Administrative Assistant to Director of Education Policy; Melissa Salmanowitz, Minority Press Secretary; and Daniel Weiss, Minority Special Assistant to the Chairman.

Chairman KLINE [presiding]. A quorum being present, the committee will come to order.

I want to make an administrative announcement. I have talked to some of the witnesses. I want to make sure all my colleagues understand that we are expecting votes—how this place works—somewhere around 10:15.

It is my intention that we will have opening remarks, Mr. Miller and I. And we will move as far down witness testimony as we can

and, and then we will break for votes—I think there are two—and come back and resume.

Well, good morning, and welcome to the fourth hearing in our series to examine federal rules and regulations that undermine the strength of our nation's educational system.

I would like to thank our witnesses for joining us today. Your time is valuable, and we appreciate the opportunity to hear from you about the impact of the Department of Education's proposed gainful employment regulation.

The Higher Education Act states that in order to receive Title IV funding, programs at proprietary colleges must prepare students for "gainful employment in a recognized occupation."

Congress has purposely never defined the term "gainful employment," despite its presence in the statute for the past 50 years. It was decided that any attempt to define such an evolving concept could have unintended consequences.

However, some in the administration seem to believe they know better than Congress. Last year, the Department of Education issued a new regulation that attempts for the first time to define "gainful employment."

Under the regulation, proprietary colleges would be required to seek pre-approval from the federal government before creating new programs and adhere to a confusing formula that utilizes the debt-to-income ratio and loan repayment rates of program graduates to determine eligibility for federal student aid. Additionally, these institutions would face a host of new and unprecedented reporting requirements.

This gainful employment regulation is yet another example of federal overreach into the nation's colleges and universities that will reduce access to higher education for millions of students, undercut our efforts to re-energize our economy and, frankly, destroy jobs.

More than 3 million students attend proprietary colleges each year. These colleges, also known as for-profit colleges or career colleges, provide students with skills that can be applied immediately to specific jobs in the workplace. As our unemployment rate continues to hover around 9 percent, and more than 13 million Americans remain out of work, proprietary colleges address a critical need in today's economy.

These colleges are uniquely geared toward underserved, non-traditional students, such as single parents, first-generation college students and working adults, who require training, but are not able to attend traditional colleges or universities.

These institutions are flexible and able to adapt to the needs of the American workforce, and they prepare a new generation of job-seekers to meet the demands of a changing local economy. For example, if a community lacks trained nurses or qualified auto mechanics, proprietary colleges can quickly develop programs to fill those needs.

More and more Americans are realizing the value of obtaining an education from a proprietary college. Unfortunately, the proposed gainful employment regulation could force many of these valuable institutions to close their doors, denying millions of potential students access to key job training programs.

This poorly conceived regulation would allow the federal government to control program expansion by restricting financial aid eligibility, limiting initial enrollment and requiring schools to document the demand for workers with specific skills. According to one report, as many as 5.4 million students could be shut out from higher education by 2020 as a result of this regulation.

I should note, these are concerns shared by members on both sides of the committee. Last month, an overwhelming bipartisan majority of members of the House of Representatives voted to put an end to the regulation before it hurt students and our economy. I have repeatedly asked Secretary Duncan to withdraw this regulation.

At its heart, the issue is about student choice. We all support transparency and accountability, and we should have more of it.

We realize there are some bad actors that should be rooted out. But we should not deny students the opportunity to attend the college of their choice and gain the valuable skills they need to compete in the workforce. That is why we are here today—to have a thoughtful discussion about the gainful employment regulation.

This morning, we will hear from one young woman who graduated from a proprietary college and is now a successful professional. Without access to the proprietary college, she would not be where she is today.

Rather than restrict access to an entire sector of colleges, we need to empower individuals to make informed decisions about their education and career goals.

The President has laid out a bold vision to lead the world in college graduates by the end of the decade. We cannot meet this goal by launching an assault against an entire sector of higher education. Instead, we should encourage a strong and competitive workforce by providing opportunities for individuals to gain the skills and training they need to succeed in the workplace.

Again, I would like to thank our witnesses for joining us.

And I will now recognize my distinguished colleague, George Miller, the senior Democratic member of the committee, for his opening remarks.

[The statement of Chairman Kline follows:]

Prepared Statement of Hon. John Kline, Chairman, Committee on Education and the Workforce

A quorum being present, the committee will come to order.

Good morning and welcome to the fourth hearing in our series to examine federal rules and regulations that undermine the strength of our nation's education system. I'd like to thank our witnesses for joining us today. Your time is valuable and we appreciate the opportunity to hear from you about the impact of the Department of Education's proposed gainful employment regulation.

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Under the regulation, proprietary colleges would be required to seek preapproval from the federal government before creating new programs and adhere to a confusing formula that utilizes the debt-to-income ratio and loan repayment rates of program graduates to determine eligibility for federal student aid. Additionally,

these institutions would face a host of new and unprecedented reporting requirements.

This gainful employment regulation is yet another example of federal overreach into the nation's colleges and universities that will reduce access to higher education for millions of students, undercut our efforts to reenergize our economy, and destroy jobs.

More than three million students attend proprietary colleges each year. These colleges, also known as for-profit colleges or career colleges, provide students with skills that can be applied immediately to specific jobs in the workforce. As our unemployment rate continues to hover around nine percent and more than thirteen million Americans remain out of work, proprietary colleges address a critical need in today's economy.

Proprietary colleges are uniquely geared toward underserved, non-traditional students, such as single parents, first-generation college students, and working adults, who require training but are not able to attend traditional colleges or universities. These institutions are flexible and able to adapt to the needs of the American workforce, and they prepare a new generation of job-seekers to meet the demands of a changing local economy. For example, if a community lacks trained nurses or qualified auto mechanics, proprietary colleges can quickly develop programs to fill those needs.

More and more Americans are realizing the value of obtaining an education from a proprietary college. Unfortunately, the proposed gainful employment regulation could force many of these valuable institutions to close their doors, denying millions of potential students access to key job-training programs. This poorly conceived regulation would allow the federal government to control program expansion by restricting financial aid eligibility, limiting initial enrollment, and requiring schools to document the demand for workers with specific skills. According to one report, as many as 5.4 million students could be shut out from higher education by 2020 as a result of the gainful employment regulation.

I should note these are concerns shared by members on both sides of the committee. Last month, an overwhelming bipartisan majority of members in the House of Representatives voted to put an end to the regulation before it hurts students and our economy. I have repeatedly asked Secretary Duncan to withdraw his regulation.

At its heart, this issue is about student choice. We all support transparency and accountability. We realize there are some bad actors that should be rooted out. But we should not deny students the opportunity to attend the college of their choice and gain the valuable skills they need to compete in the workforce. That's why we're here today—to have a thoughtful discussion about the gainful employment regulation. This morning, we will hear from one young woman who graduated from a proprietary college and is now a successful professional. Without access to a proprietary college, she would not be where she is today.

Rather than restrict access to an entire sector of colleges, we need to empower individuals to make informed decisions about their education and career goals. The president has laid out a bold vision to lead the world in college graduates by the end of the decade. We cannot meet this goal by launching an assault against an entire sector of higher education. Instead, we should encourage a strong and competitive workforce by providing opportunities for individuals to gain the skills and training they need to succeed in the workplace.

Again, I'd like to thank our witnesses for joining us, and I will now recognize my distinguished colleague George Miller, the senior Democratic member of the committee, for his opening remarks.

Mr. MILLER. Thank you, Mr. Chairman. And thank you for holding this hearing.

You mentioned that this is one in a series of hearings about the role of regulations in undermining—or impacting education.

This might also be a hearing this morning about what happens to you in the absence of regulation, and what happens to taxpayers, and what happens to students, and what about the product that is being offered to some of those students in terms of quality.

The topic we are discussing this morning is one that is not new to us on this committee, and it is not new to the higher education

industry. But it is one of significant impact in many communities across the country.

For-profit or career colleges play a very important role in our economy. Many career colleges provide job training opportunities that Americans need to get ahead. Taxpayers subsidize these opportunities through federal student loans, Pell Grants and through other state programs, which students use in some of these schools to get the education they need.

It has become apparent, however, that a handful of bad programs and schools are not only failing their students, but they are also wasting taxpayer dollars. Instead of students earning a certificate from these programs better prepared for the workforce or for a career, they are only leaving with crippling amounts of debt.

In fact, a recent report by the Department of Education showed that nearly one in four borrowers at for-profit colleges default on repaying their loans within 3 years. This number is staggering.

These are taxpayer subsidies that are being given away without any real accountability. In some cases, these institutions take 90 percent of their revenues from federal student loan programs, the Pell Grant program and, as I mentioned before, other state taxpayer programs.

With this taxpayer money in play, we have an obligation to the students and to the taxpayers to conduct the oversight, as does the department. And I think that is what they are trying to do with this regulation.

Whether this regulation will be successful or not, whether this regulation addresses the exact problem, remains to be seen when they are finished and ready to publish it.

It is completely fair to expect that institutions profiting from federal taxpayer money to have a standard to meet in terms of what their schools need to provide for their students. It is a tragedy to see that so many students from some of these schools graduate with much higher debt and then very high default rates—as I mentioned before, almost 25 percent of the time.

And some of these programs simply do not provide the kind of educational opportunity or atmosphere and the success rate that they should. In fact, only 22 percent of the students graduating from for-profit colleges compared to 65 percent of the private colleges, or 55 percent of students in public universities.

A recent report from Ed Trust reported that 24 percent of all Pell Grant recipients are at for-profit colleges, even though they represent 12 percent of the total college enrollment. This number has nearly doubled in 10 years. That may be a good thing; it may not be.

The report also shows that for-profit colleges account for 43 percent of all federal student loan defaults.

Given the growing reliance on taxpayer dollars, the performance of for-profit schools should be a concern to every member of this Congress. It should be a concern to the taxpayers and a concern to the administration. And I think that is what the administration is reflecting.

When we see the kinds of scandals that have erupted in the past in some of these institutions—again, not all of them—you have to ask, "What is going on? And what do we need to do to fix it?"

This is not about what you end up doing in your career over time, but about whether or not you got what you paid for, and whether the institution you attended delivered the services that they promised. In this economy, graduating from a career education program should mean a job, not stifling debt. It is irresponsible not to insist on some level of accountability when billions of federal dollars and student financial security are at risk.

The case is very clear. We have to demand more quality and affordability from schools on behalf of students and the taxpayers, not less. And I look forward to hearing from our witnesses.

[The statement of Mr. Miller follows:]

Prepared Statement of Hon. George Miller, Senior Democratic Member, Committee on Education and the Workforce

Thank you Mr. Chairman and thank you for holding this hearing.

The topic we're discussing this morning is one that isn't new to us on this committee and isn't new to the higher education industry.

But it is one that has a significant impact on many communities across this country.

For-profit or career colleges play an important role in this economy.

Many career colleges provide job training opportunities that Americans need to help get ahead. Taxpayer subsidize these opportunities through federal student loans, which students use at some of these schools to get the education they need.

It has become apparent, however, that a handful of bad programs are not only failing their students, but they're also wasting taxpayer dollars.

Instead of students earning a certificate from these programs better prepared for the workforce or for a career, they're only leaving with crippling amounts of debt.

In fact, a recent report from the Department of Education showed that nearly one in four borrowers at for-profit colleges default on repaying their loans within three years.

This number is staggering.

These are taxpayer subsidies that are being given away without any real accountability.

In some cases, these institutions take in 90 percent of their revenue from federal student loans.

With federal money in play, we have an obligation to both the students and the taxpayers.

Ensuring accountability with this money is what the administration is trying to do with their new gainful employment regulation.

It is completely fair to expect institutions profiting from federal taxpayer money to have a standard to meet in terms of what their schools need to provide for their students.

It is a tragedy to see that many students from some of these schools graduate with much higher debt and default in excess of 45 percent of the time. Some of these programs simply do not provide the kind of educational atmosphere and the success ratio that they should.

In fact, only 22 percent of students graduated from for-profit colleges, compared with 65 percent at private colleges or 55 percent of students at public universities.

A recent report from Ed Trust showed that 24 percent of all Pell Grant recipients are at for-profit colleges even though they only represent 12 percent of total college enrollment. This number has nearly doubled from 10 years ago.

The report also shows that for-profit colleges account for 43 percent of all federal student loan defaults.

Given their growing reliance on the taxpayer dollar, the performance of for-profit schools should be a concern to every member of this congress.

It should be a concern to the taxpayers, and it is a concern to this Administration.

When we see the kinds of scandals that have erupted in the past at some of these institutions, again not all of them, you have to ask what's going on and what can we do to fix it?

This isn't about what you end up doing in your career over time but about whether or not you got what you paid for and whether the institution you attended delivered the services that they promised.

In this economy, graduating from a career education program should mean a job, not stifling debt.

It is irresponsible to not insist on some level of accountability when billions of federal dollars and students' financial security are at risk.

The case is very clear. We have to demand more quality and affordability from schools on behalf of students and taxpayers, not less.

I look forward to hearing from our witnesses and continuing this conversation.

Chairman KLINE. I thank the gentleman.

Pursuant to Committee Rule 7c, all committee members will be permitted to submit written statements to be included in the permanent hearing record.

And without objection, the hearing record will remain open for 14 days to allow statements, questions for the record and other extraneous material referenced during the hearing to be submitted in the official hearing record.

I always pause a little bit at that "other extraneous material." Sometime somebody will explain that to me.

Or maybe you know. It is one of our mysteries here. I do not know.

Okay. It is now my pleasure to introduce our distinguished panel of witnesses.

First, Ms. Catherine Barreto is a senior sales manager at the Doubletree Hotel in Jersey City. Ms. Barreto received her associate's degree in hospitality management at Monroe College in 1996, and her bachelor's degree from Monroe in 2002. She has also earned an MBA from Long Island University.

She has served as an area sales manager representing six Hilton Hotels, as well as a business travel sales manager at the Hilton Rye Town.

Mr. Travis Jennings has been with Orbital Sciences Corporation for the past 13 years. Prior to his current job as electrical supervisor of the manufacturing launch systems group, he worked at Intel Corporation and spent 6 years in the United States Navy.

He has an associate and science degree from Mesa Community College, a bachelor's of science in operations management technology from Arizona State University, and has credits towards his MBA at Grand Canyon University.

Dr. Arnold Mitchem has served as the president of the Council for Opportunity in Education, the organization that represents the interests of the federal TRIO programs in Washington since 1986.

Prior to serving at the council, Dr. Mitchem served on the history faculty and as a director of the Educational Opportunity Program at Marquette University. He received his Ph.D. in foundations of education from Marquette University in 1981.

Ms. Jeanne Herrmann became chief operating officer of Globe University/Minnesota School of Business in 2004. In 2009, she was appointed to the board of directors of the Accrediting Council of Independent Colleges and Schools. She is past chair of the Minnesota Career College Association and is a member of the Minnesota Higher Education Advisory Council and P-16 Partnership.

Always a pleasure to welcome all of you, particularly someone from Minnesota. And congratulations on getting out of there this week. If your house is like mine, there are still several feet of snow.

The light system, when you start your testimony, there will be a green light that comes on. When you have been speaking for 4

minutes, there will be a little yellow light that comes on. And when you reach 5 minutes, a red light will come on.

Please try to wrap up your testimony shortly after that red light comes on. Your entire testimony will be entered into the record.

We are ready to go.

Ms. Barreto, you are recognized for 5 minutes.

STATEMENT OF CATHERINE BARRETO, GRADUATE, MONROE COLLEGE

Ms. BARRETO. Chairman Kline, Ranking Member Miller and distinguished members of the committee, good morning, and thank you for this opportunity to share my story with you. I consider this an extreme honor to make this presentation to you all today.

My name is Catherine Barreto. I am a first generation of my family born in this great nation. My mother was from the Dominican Republic, and my father was from Peru.

I was raised in the Harlem section of New York City, along with my sister, by my single mother. My mother taught me strong standards and the importance of a good education, respect towards others and faith. I remember my mother telling me that our neighborhood did not define us, and that an education can never be taken away.

With this guidance, I have overcome many challenges. I am proud to say that I am now employed as a senior sales manager at the Doubletree Hotel Jersey City, and now I am supporting my family.

After high school, I enrolled in the Borough of Manhattan Community College. I was the first female in my family to attend college. Unfortunately, I found BMCC a bit overwhelming. Class size was too large, and I felt like a number.

It also seemed like every consumer goods company you can imagine came to promote their products and have a huge party.

While at BMCC I considered transferring, and a friend told me she was enrolled at Monroe College and liked it. I did my research, and I enrolled at Monroe College as a transfer student.

I was impressed by the enrollment process. They answered all my questions and treated me well.

This was an extreme difference from BMCC where I had to stand in multiple lines for enrollment. My friend from Monroe College told me she enjoyed the hospitality management courses she was taking, so I decided to pursue my degree in hospitality management.

Classes were a good size, and I received close attention from my professors. They did not only teach me, they seemed to be interested in my success.

I recall receiving a letter asking me to meet with my accounting professor, Professor Jacob Lamar. I was having difficulties in this class, and he recommended I go to tutoring. I took advantage of the free tutoring, and I did well in the class.

Later, I was offered an internship by my housekeeping teacher at the U.N. Park Hyatt Hotel, because I was one of the top students in my class. This was a tremendous opportunity.

With one semester to go, I needed further financial assistance, because I used up all my TAP funds. I met with a loan officer at Monroe College, and he told me I had three options.

The first he told me, I had an option to take a semester off, save the money for the semester that I needed. Second, he told me I can take a loan from a family member. Third, he mentioned I could take out a student loan.

I had to come up with approximately $800. This was a lot of money for me since I only made $5 an hour. My internship was non-paying at the time. I was assisting my family.

My mother had already made significant sacrifices for my sister and me, so I decided to take out a loan. I am very proud, as I graduated with my associates in 1996.

After graduation, I started to pay off my loan. However, I ended up defaulting. I was now a single mother living at home, supporting my elderly mother and assisting my sister. I always intended to repay my loan, but it was either to live or to pay back the loan.

My internship began as non-paying, and later turned into a paying position. As soon as I could afford it, I repaid my loan in full.

Looking back, I realize how difficult it was to pay the loan back at that time. I wish I would have had more time to make my payments.

Working for The Boston Consulting Group, I found a position I wanted to pursue, which required a bachelor's degree. I did not hesitate to call my long-time adviser at Monroe College, Dean Goldstein. With my employer's assistance, they had a tuition reimbursement program. I enrolled in Monroe College and sought my bachelor's degree.

I worked full-time, went to college part-time, and supported my 2½-year-old daughter. I was very proud that I did not take out any loans, and I graduated at Monroe with a bachelor's degree in June 2002.

I realized that I needed a master's degree to advance in my career, so again, I met with Dean Goldstein at Monroe College for more advice. We discussed options, and after our discussion I enrolled in Long Island University-Brooklyn Campus.

Working full-time, I enrolled at LIU part-time. With one semester left, a class I needed to finish my MBA was not offered at the campus.

I learned that Monroe College now had a master's program that offered the class I needed. I took this class at Monroe and juggled my other classes at LIU. Despite working full-time and being a parent, I graduated with my MBA in 4 years.

On June 10, 2007, my 70-year-old mother, who was legally blind and on my dialysis, was at my graduation along with my younger sister and my 8-year-old daughter. We celebrated my huge accomplishment. This was the best day of my life.

Several months after receiving my master's degree, I received an e-mail from Monroe College regarding a job fair. Since I was with my current employer 8 years, I decided to see what other opportunities were out there. I attended the job fair in the fall of 2007, and I was later hired for the position of business travel sales manager at the Hilton Rye Town.

Since taking this job, I have received two promotions, and I am currently the senior sales manager at the Doubletree Hotel Jersey City.

I am here because I want you to know my story. I have not fully explained the difficulties I have had to endure in my life. But I would not have been able to do this without the opportunities provided by Monroe College.

Testifying before you today is proof that I have come a very long way. And I am very thankful for the opportunity to speak to you today. I welcome your questions.

[The statement of Ms. Barreto follows:]

Prepared Statement of Catherine Barreto, MBA, Graduate, Monroe College

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My friend from Monroe College told me she enjoyed the Hospitality Management courses she was taking so I decided to pursue my Associates Degree in Hospitality Management. Classes were a good size and I received close attention by my professors. They did not only teach me, they seemed interested in my success. I recall receiving a letter asking me to meet with my accounting professor, Professor Jacob Lamar. I was having difficulties in this class and he recommend I go to tutoring sessions. I took advantage of the free tutoring and did well in the class.

I was offered an internship by my Housekeeping Professor at the UN Park Hyatt Hotel, because I was one of the top two students in my class. This was a tremendous opportunity. With one semester to go, I needed further financial assistance because I had used all my TAP (state aid) funds. I met with a loan officer at Monroe College and he told me I had three options. First, he told me I could take a semester off and save the money to pay for my remaining semester. Second, he told me I could take a loan from a family member; third, I could take out a loan.

I had to come up with approximately $800. This was a lot of money for me since I only made $5 per hour. My internship was non-paying at that time and my family was not in a position to contribute anything to me. My mother had already made significant sacrifices for my sister and me so I decided to take out a loan. I was very proud as I graduated with my Associates in 1996.

After graduation, I started paying off my loan; however, I ended up defaulting on the loan. I was now a single mother, living at home, supporting my elderly mother and assisting my younger sister. I always intended on repaying my loan but it was either live or pay back my loan.

My internship began as non-paying and later turned into a paying position. As soon as I could afford to, I repaid my loan in full. Looking back I realize how difficult it was to pay the loan back at that time. I wished I had more time to make my payments.

Working for The Boston Consulting Group, I found a position I wanted to pursue which required a Bachelors degree. I did not hesitate; I called my long-time advisor at Monroe College Dean Goldstein. With help of my employer's tuition reimbursement program, I enrolled in Monroe College and sought my Bachelors Degree. I worked full-time, went college part-time and supported my 2½ year old daughter. I am also very proud that I did not take out any loans and I graduated with my Bachelors Degree from Monroe College in June 2002.

I realized that I needed a Masters Degree to advance my career so I again met with Dean Goldstein at Monroe College for more advice. We discussed options and after our discussions, I enrolled in Long Island University-Brooklyn Campus. Working full-time I enrolled part-time at LIU. With one semester left, a class I needed to finish my MBA was not offered at that campus. I learned that Monroe College now had a masters program and that offered my class. I took this class at Monroe College and juggled my other classes at LIU. Despite working full-time, and being a parent, I graduated with my MBA in four years.

On June 10, 2007 my 70 year old mother, who was legally blind and on dialysis, was at my graduation along with my younger sister and my 8 year old daughter. We all celebrated my huge accomplishment. This was best day of my life.

Several months after receiving my Master's Degree, I received an email inviting me to a Monroe College Job Fair. Since I had been with my employer for eight years I decided to see what other opportunities were out there. I attended the job fair in the fall of 2007 and I was later hired in the position as Business Travel Sales Manager at the Hilton Rye Town. Since taking this job I received two promotions and am currently the Senior Sales Manager at the Doubletree Hotel Jersey City.

I am here because I wanted you to know some of my story. I have not fully explained the difficulties I have had in my life and troubles I have endured but I want you to know that I could not have done it without the opportunities provided to me from Monroe College.

Testifying before you today is proof that I have come a long way and I am thankful for this opportunity to speak with you. I welcome your questions.

Chairman KLINE. Thank you very much, Ms. Barreto. You have indeed come a long way.

Mr. Jennings, you are recognized.

STATEMENT OF TRAVIS JENNINGS, ELECTRICAL SUPERVISOR, MANUFACTURING LAUNCH SYSTEMS GROUP, ORBITAL SCIENCES CORP.

Mr. JENNINGS. Good morning. My name is Travis Jennings.

I am the electrical test department supervisor at Orbital Sciences Corporation, Launch Systems Group, Chandler, Arizona. My responsibilities include managing electrical test technicians engaged in the process of validating the acceptability of flight and ground support hardware for complex multi-stage missile systems.

I am representative of a typical line manager within a manufacturing organization, frequently tasked with the responsibility of locating qualified employees.

Employing graduates from both public and private postsecondary technical programs, I find their technical capabilities to be indiscernible. However, I have found it difficult to recruit from the three community colleges in the Phoenix metropolitan area offering the technical degree programs. I would like to explain some of the reasons.

Several barriers seem to impede our recruitment of public school students. Typically, public schools operate within a traditional 16-week semester, two semesters per year, with limited summer attendance and staff. Recruitment is only possible during regular semesters.

Additionally, career placement duties are assigned as a collateral responsibility to existing staff with other responsibilities, rather than to a dedicated department as seen in the career colleges.

My last attempt to recruit from a local community college required an extraordinary amount of time away from work presenting the employment opportunity. These tasks are normally performed by placement specialists in career colleges, who take the job information from the hiring manager and, in turn, provide a pool of qualified candidates.

This attempt was at the community college that I graduated from, and I was unsuccessful at recruiting from it.

The career placement services in career colleges are absolutely a valued commodity offered to employers in search of qualified technical candidates. It has been my experience that, within these schools, there is a genuine customer-supplier relationship that exists between the students, faculty and staff.

The students understand from the beginning of their enrollment that the tuition he or she pays is compensation for contributions far beyond classroom instruction. There is an understanding by both students and staff that the services provided do not end with just a diploma.

It is clearly evident that career placement for graduating students is a high priority for these career colleges. Employers, like Orbital Sciences Corporation, managers, such as myself, need only reap these ancillary benefits.

In addition, the career colleges seem to understand the needs of their customers; that is, the potential employers. As I have witnessed, private postsecondary institutions actively practice continuous improvement through the use of industry advisory committees.

I am currently a standing member of ITT Technical Institute's Tempe, Arizona campus, School of Electronics, Technology Industry Advisory Committee, and have just recently received an invitation to participate in DeVry University's electronics program industry advisory committee for the Phoenix, Arizona campus.

These advisory committees allow industry leaders the opportunity to provide constructive feedback and recommendations for curriculum enhancement based on graduate performance in the industry. This approach has an immediate benefit for employers, as new graduates enter the industry armed with the skills and knowledge to solve real issues in the workplace.

In Orbital's manufacturing electrical test department, the ideal candidate for an entry level position is a recent graduate of a 2-year technical program. Orbital strongly encourages advancement and growth through continued formal education coupled with on-the-job training.

The rate of return for continuing education is immeasurable, as each team member will return to the workplace with an increased knowledge, skills, and expertise, fostering innovation and driving the organization to the next level. Career colleges accommodate working adults with flexible schedules, frequently offering evening, weekend, and compressed classes.

This is mutually beneficial to employees and employers, allowing employers to retain a skilled workforce while the employee is in-

creasing their potential for growth in their respective technical disciplines.

As our workforce expands, I find myself instinctively contacting one of the private sector technical schools in the area first. I typically get an immediate response from career service professionals that provide me with an applicant pool meeting my job specifications. This allows me to fill positions quickly and maintain production schedules and, ultimately, customer commitments.

Additionally, my employees are encouraged to pursue greater opportunities within the company, and know that this is only achievable with increased formal education. Many of these employees know this can be accomplished with the flexible schedules offered by career colleges.

Thank you for this opportunity. I certainly welcome any questions.

[The statement of Mr. Jennings follows:]

Prepared Statement of Travis Jennings, Electrical Test Department Supervisor, Orbital Sciences Corp., Launch Systems Group

Good morning. My name is Travis Jennings. I am the Electrical Test Department Supervisor at Orbital Sciences Corporation, Launch Systems Group, in Chandler, Arizona. My responsibilities involve managing electrical test technicians engaged in the process of validating the acceptability of flight and ground support hardware for complex multi-stage missile systems.

I am representative of the typical line manager, within a manufacturing organization, frequently tasked with the responsibility of locating and hiring qualified employees.

Employing graduates from both public and private sector postsecondary technical programs, I find their technical capabilities to be indiscernible. I have however; found it difficult to recruit from the three community colleges in the Phoenix metropolitan area offering technical degrees programs.

Several barriers seem to impede our recruitment of public school students. Typically, public schools operate within a traditional sixteen week semester, two semesters per year, with limited summer attendance and staff. Recruitment is only possible during regular semesters. Additionally, career placement duties are assigned as a collateral responsibility to existing staff rather than a dedicated department as seen in the private sector. My last attempt to recruit from a local community college required an extraordinary amount of time away from work presenting the employment opportunities. These tasks are normally performed by placement specialists in the private sector, who take the job information from the hiring manager and, in turn, provide a pool of qualified candidates.

The career placement services, in private sector schools, are certainly a valued commodity offered to employers in search of qualified technical candidates. It has been my experience that within these private postsecondary educational institutions there is a genuine customer-supplier relationship between the students, faculty and staff. The students understand from the beginning of their enrollment that the tuition he or she pays is compensation for contributions far beyond classroom instruction. There is an understanding by both students and staff that the service provided doesn't end with a diploma. It is clearly evident that career placement for graduating students is a high priority for the private postsecondary education sector. Employers, like Orbital Sciences Corporation, need only reap these ancillary benefits.

In addition, the private sector strives to understand the needs of their end customers; potential employers. As I've witnessed, private postsecondary educational institutions actively practice continuous improvement through the use of industry advisory committees. I am currently a standing member of ITT Technical Institute, Tempe, Arizona, School of Electronics Technology, Industry Advisory Committee, and have recently received an invitation to participate on the advisory committee for DeVry University, Phoenix, Arizona. These advisory committees allow industry leaders the opportunity to provide constructive feedback and recommendations for curriculum enhancement based on graduate performance in the industry. This approach has an immediate benefit for employers as new graduates enter the industry armed with the skills and knowledge to solve real issues in the workplace.

In Orbital's Manufacturing Electrical Test Department, the ideal candidate for an entry level position is a recent graduate of a two year technical program. Orbital strongly encourages advancement and growth through continued formal education coupled with on-the-job-training. The rate of return for continuing education is immeasurable, as each team member will return to the workplace with increased knowledge, skills and expertise, fostering innovation and driving the organization to the next level. Private postsecondary schools accommodate working adults with flexible schedules, frequently offering evening, weekend and compressed classes. This is mutually beneficial to employees and employers, allowing employers to retain a skilled workforce while the employee is increasing their potential for growth in their respective technical disciplines.

As our work force expands, I find myself instinctively contacting one of the private sector technical schools in the area, first. I typically get an immediate response from a career services professional that provides me with an applicant pool meeting the job specifications. This allows me to fill positions quickly and maintain production schedules and ultimately customer commitments. Additionally, my employees are encouraged to pursue greater opportunities within the company and know that this is only achievable with increased formal education. Many of these employees know this can be accomplished with the flexible schedules offers by the private sector postsecondary institutions.

Thank you for this opportunity to provide these comments.

Chairman KLINE. Thank you, Mr. Jennings.

As you can tell by the lights and the buzzers and things, there is a vote underway. I would like to get Dr. Mitchem's testimony before we break.

And so, that will be our expectation for my colleagues here. Then we will break, come back, and get Ms. Herrmann's, and go into questions.

So, Dr. Mitchem, you are recognized.

STATEMENT OF ARNOLD MITCHEM, PRESIDENT, COUNCIL FOR OPPORTUNITY IN EDUCATION

Mr. MITCHEM. Thank you very much, Mr. Chairman, Ranking Member Miller and members of the Education and Workforce Committee. I deeply appreciate the opportunity to testify this morning.

My name is Arnold Mitchem, and I am the president of the Council for Opportunity in Education, an organization representing over 1,000 colleges and over 5,000 administrators, counselors, and teachers, who work every day to provide low-income and first-generation students a realistic chance to enter and succeed in college.

In developing my testimony, I spoke with many of these educators, and I also drew upon my own experience of nearly 40 years of working directly with low-income young people and adults.

Throughout these 40 years, I have tried to govern my interactions with students by a simple maxim: Work so that other people's children have the same range of options that my own children had, and now my grandchildren have.

I believe this view is consistent with President Johnson's closing remarks as he signed the Higher Education Act 45 years ago: Tell your children, and tell your grandchildren, that the doors of opportunity are now open.

At the time, he was advancing an equal educational opportunity policy, a policy that envisioned access to and inclusion of all segments of the American family in all categories of colleges and universities.

Mr. Chairman, I and many others are troubled today by the over-concentration of low-income Americans in for-profit schools. This class, ethnic and racial stratification is troubling for two reasons.

First, there is little evidence that this stratification is the result of the informed choice of these students or their families.

Second, in far too many instances, the enrollment in a program does not adequately prepare these students for the workforce, but simply allows them to accumulate large amounts of private and federal college loans—in many instances, leading students to default on these loans.

According to the Career College Association's own research, students attending for-profit institutions are twice as likely as students at other institutions to default on their loans.

Let me elaborate.

What do we know about the circumstances surrounding students' decisions to attend for-profit institutions?

First, we know that, in most instances, the low-income student and his or her family come to the table with limited information about college. We all know that discussions about the relative ranking of colleges, the sticker price of college as opposed to the actual price, transferability of credits, or how financial aid works, are confusing even to families with resources.

Middle- and upper-income families invest a great amount of time and financial resources in ensuring the path to college admission and completion for their children.

Families at the lower end of the economic ladder and without college experience most often do not even know the right questions to ask.

In short, when low-income and first-generation students enter the for-profit college marketplace, they think they are dealing with counselors. But far too often, they are dealing with salespeople.

So, on one side of the table we have a poorly informed consumer, and on the other side of the table we have a business that is marketing its product using sophisticated, state-of-the-art techniques.

Over and over again we were told stories of students being subjected to high-pressure marketing to enroll in for-profit institutions. In some cases, I heard from students who, once cornered by for-profit recruiters, were pushed to register for courses and apply for financial aid within a single sitting.

Some would argue that these situations are rare, that there are only a few bad apples in the for-profit sector who engage in these marketing tactics.

Mr. Chairman, I believe this is a fair point.

For example, Ms. Herrmann's testimony, to my left, points up the various ways in which her own institution works to provide students with the guidance needed to emerge from their course of study and into the job market. Also, the most egregious behaviors uncovered by the GAO are limited.

Yet the basic inequity in the relationship between the low-income consumer and the industry is inherent. A sophisticated business with a high-cost product it wants to sell, for example, and a poorly informed consumer is a cocktail for abuse.

As I said earlier, our second major concern about the current regulations governing low-income students and for-profit institutions

is that in too many instances, a student's enrollment is not a real opportunity, but instead results in a situation where the individual is worse off than they were before they enrolled. In short, we stand opportunity on its head.

Mr. Chairman, thank you again for the opportunity to testify and for your addressing these serious and complex concerns.

[The statement of Mr. Mitchem follows:]

Testimony of Arnold Mitchem
President, Council for Opportunity in Education
Before the House Committee on Education and the Workforce

"Education Regulations: Roadblocks to Student Choice in Higher Education"
March 17, 2011

Chairman Kline, Ranking Member Miller and Members of the Education and the Workforce Committee, I deeply appreciate the opportunity to testify before you today. While I believe that the topic of this hearing is critical with respect to the federal investment in student aid, in my view, it is a topic that must be carefully parsed and debated. If the Committee is simply examining whether the federal government is hindering student achievement in higher education, I would probably not be the best witness to have been invited.

I began my career in higher education more than forty years ago when I was appointed the first director of the Educational Opportunity Program for low-income and minority students at Marquette University. My experience guiding underrepresented students through college was a key motivator during my years at the university. Currently, the Educational Opportunity Program and thousands of other TRIO programs continue to steer low-income, first-generation students towards the most appropriate means of pursuing and financing their postsecondary educations. Yet, I appear before the Committee today on behalf of the millions of other low-income students who have not had the benefit of receiving objective information about colleges. It is these students who we must seek to protect not only from unscrupulous and abusive practices within the for-profit sector, but also from the inequities inherent in the relationship between low-income students and for-profit institutions.

As you may know, the organization that I direct, the Council for Opportunity in Education ("the Council" or "COE"), represents teachers, counselors, and administrators who work with low-income and first-generation students. Before COE issued its statement on for-profits and gainful employment, I consulted with many of these individuals, particularly those working in TRIO's Educational Opportunity Centers, Veterans Upward Bound, and Talent Search programs, to gain insight into their perspectives on for-profit institutions. In particular, I wanted to find out from them:

(1) Were they often able to recommend a for-profit program as the best fit for their students?
(2) If yes, when was there a particularly good fit? If no, why do they seldom recommend for-profit programs?
(3) How often did they encounter individuals whom they felt had previously been treated inappropriately by for-profit institutions?

Almost without exception, each of the answers I received indicated that it was rare that they found for-profit programs to be the best fit for the students they counseled. Two reasons emerged. First, almost always, they could identify less expensive, publicly supported alternatives in the same area that would not require the student to assume as high a loan burden. Second, in very many instances, TRIO counselors found that many for-profit admissions counselors were not fully forthcoming and did not distinguish their programs from those offered at other public and independent colleges.

Many TRIO staff pointed to the marketing techniques of the for-profit institutions as the root cause of this problem. As a result of current federal policy, the playing field for low-income students simply is not level. Unwittingly, we have created an environment in which for-profit institutions have very good reason (and an exceptional level of resources) to heavily recruit low-income students while many publically supported and independent colleges have neither the financial incentives nor the resources to engage in the same state-of-the art, well-targeted, high-pressure marketing. Now the GAO, and TRIO staff, can point to a number of instances that I would say go beyond "state of the art, well-targeted marketing." But, I would urge this Committee to recognize that even in the absence of unscrupulous or simply greedy behaviors on the part of institutions or individuals, currently there simply are not sufficient safeguards in place to protect low-income students in their interactions with for-profit institutions.

These institutions hold up the promise of a better life – in fact, the promise of the American Dream – to individuals of modest means. In the face of such glossy advertisements and tenacious recruiting tactics, it is, in my view, unrealistic to assume that a majority of first-generation and low-income students – who are tackling higher education on their own – will be able to step back, assemble a team of wise and experienced advisors, and ultimately make the best decisions.

A concern repeatedly raised by TRIO counselors was the difficulties many low-income individuals had distinguishing between the value of a particular program and the value of "college." Families in which parents are college graduates might find this hard to understand. But many low-income individuals and families have difficulty distinguishing between a for-profit education and a traditional college experience when both can put "college" in their names and both are "endorsed" by the federal government – which provides financing to facilitate their attendance.

A story of a former serviceman served by one of TRIO's Veterans Upward Bound programs comes to mind. This individual completed 54 credits of a 60 credit associate's degree program at a for-profit "college" before being deployed to Iraq. When he returned home and attempted to enroll in a university, he found that none of those credits were transferable, though he had been assured that they would be. Often TRIO-eligible students begin their postsecondary careers at for-profit institutions, assuming that it is a building block in their long-term educational plans. But, too often, their enrollment at these institutions hinders those plans. Debt to the for-profit institution, which prevents transfer of credit; confusion about transferability; and default on student loans after

enrollment at a high-cost for-profit institution can each serve to create a dead-end for a student's aspirations.

Now, when advocates like me raise concerns about for-profit institutions, a distinct line of counterarguments emerge. The first and most pronounced is that for-profits are the only institutions providing access to postsecondary education for many low-income youth and adults. This argument is often raised by individuals from minority communities, like me, who are deeply sensitive to issues of discrimination and access. My problem with this argument is that I believe it is based on inaccurate information. In fact, many public and independent colleges offer comparable programs to low-income students at a much lower cost than what is being provided at for-profit institutions. Low-income students are simply unaware of the entire range of educational opportunities available to them.

At this juncture, I would like to take a brief moment to commend this Committee, which has worked diligently to address this issue through the reauthorization of Talent Search, Educational Opportunity Centers and other postsecondary information programs governed by the Higher Education Act. Your emphasis on ensuring financial literacy in these programs is particularly timely. Similarly, efforts made to provide reasonable, income-based repayment plans for student borrowers are also key.

I think all of us in this room agree that access is critical, but access to what? Mountains of debt? Personal and career success must be the answer to the access question. What we are witnessing at COE is that many low-income and first-generation students are not achieving success after participating in for-profit programs. Instead, we are seeing students who emerge with considerable loan burdens and without the ability to obtain meaningful employment or transfer the credits earned at for-profit institutions to accredited, publically supported or independent institutions.

Similarly, many who oppose greater controls on for-profit institutions argue simply that freedom in the marketplace is a core value of American institutions, and that to interfere with the right of for-profit institutions to make a profit is inappropriate. To go that route, however, would lead us down a road that too closely parallels the one that played a major role in the recent recession. As we saw in the mortgage and banking industries, lending directed at low-income borrowers that is not closely monitored will, almost without exception, lead to abuse. My greatest fear is that the presence of such abuses in the educational arena will – in the foreseeable future – undermine public support for the entire range of federal financial assistance programs.

I began this testimony by noting that I had been involved in issues and programs designed to increase college opportunity for low-income youth and adults for over forty years. Throughout these four decades, I have tried to govern my interactions with students by a simple maxim: work so that other people's children have the same range of options that my own children, and now grandchildren, have available to them. Like most low-income Americans, I am extremely wary of a two-tiered system of education whereby one set of institutions is available to individuals with information, guidance, and

means, and another set is provided for those with less information, little guidance and lower means.

I have also been around long enough to know that the problem is not limited to for-profit schools, and it would be unfair to place the burden solely on them. However, in my work with low-income students across the country, I can speak to what I hear from students, counselors, TRIO directors and university officials. Low-income students are being targeted by for-profits at alarming rates, leading to defaults on loans and credits that cannot be transferred to other institutions.

When you saddle a low-income student with these burdens, it is a recipe for disaster. The Career College Association's own study concluded that students attending for-profits are twice as likely to default on loans as students at other institutions. I certainly think regulations like gainful employment, which place the burden on the backs of for-profit institutions and not students, are necessary to ensure that low-income students are protected and federal dollars are being spent wisely.

If each of the institutions being examined by this Committee were targeting students from a range of economic backgrounds, the necessity of your work would be lessened. But my experience is that they are not. Many of these institutions purposely target low-income students. I believe that there is a moral imperative and a responsibility to ensure that all students, regardless of background, race or income level, are fairly represented in higher education. These students can only look to you for protection, and I am deeply honored, Mr. Chairman, that you have asked the Council for Opportunity in Education to join with you in this important work.

Chairman KLINE. Thank you, Dr. Mitchem.

Thanks to the witnesses.

When we come back, we will pick up with Ms. Herrmann.

You can see by the screen there that the time remaining for us to vote is 7 minutes and 44 seconds. It turns out that is just another one of the big lies here on Capitol Hill. But we will be back as quickly as we can.

We are in recess.

[Recess.]

Chairman KLINE. Welcome back. We will resume with witness testimony.

And Ms. Herrmann, you are recognized for 5 minutes. Please.

STATEMENT OF JEANNE HERRMANN, CHIEF OPERATING OFFICER, GLOBE UNIVERSITY/MINNESOTA BUSINESS SCHOOL

Ms. HERRMANN. Chairman Kline, Ranking Member Miller, and other distinguished members of the committee, my name is Jeanne Herrmann, and I am the chief operating officer at Globe University/Minnesota School of Business, Globe MSB.

Both schools are owned by the Kaye and Terry Myhre family, and I would like to acknowledge their attendance with me today.

Thank you for the opportunity to testify regarding the gainful employment regulations proposed by the Department of Education. We believe they pose serious roadblocks to students' choice in higher ed.

As a member of the Globe executive team since 1997, I am accountable to ensuring successful outcomes for our students, which is a goal central to our strategic plan.

I work with Chancellor McCormick's office as a founding member of the state's P-20 Partnership that looks to improve the connections between early childhood education and graduate school. I have worked with other state leaders to create a data accountability system.

I am very committed to the education field and proud to work for a school that truly cares about its students and their success.

The schools were established in 1885 and 1877. Both institutions are private, tax-paying institutions with 20 campuses in Minnesota, Wisconsin and South Dakota, and we serve over 11,000 students. We offer a range of programs from certificate through master degree level, and the schools are accredited by the Accrediting Council for Independent Colleges and Schools, ACICS.

I will address three main points today.

First, Globe's commitment to providing a quality education is demonstrated by our strong outcomes.

Second, we understand that the department wants to ensure the highest quality and accountability of programs that benefit from Title IV funds. But we believe the proposed rule would adversely impact students' choice of postsecondary education.

Third, there are other alternatives that could better address consumer protection, quality, and student loan debt concerns that may be driving the G.E. rule.

To my first point, our retention and placement rates are strong. In 2010, our average placement retention rates were over 70 percent.

At Globe, we make certain students acquire essential knowledge, skills, and abilities to succeed in their chosen career fields by setting specific learner outcomes in every program, by having closer relationships with employers to help design curriculum, and through a strong commitment to community engagement.

In 2010, Globe students and staff participated in 3,600 community events, totaling more than 24,400 volunteer hours.

Our commitment to student achievement and financial literacy of our students have had a positive effect on our default rates. In fis-

cal year 2008, Globe MSB campuses had an average default rate of 5.7 percent.

We take compliance with the federal, state, and accrediting body triad of regulation very seriously, and compliance best practices are part of our culture.

To my second point, we support the department's desire to ensure the highest quality and accountability of Title IV programs. But the proposed metric is an unnecessary, complex regulation not based on sound analysis.

Under the proposed rule, programs with marginally successful outcomes in terms of graduation and job placement could continue, while programs with outstanding results in preparing students for high-demand occupations could fail.

Among other flaws, the Charles River Associates study found that the metric may reduce access to programs that would have conferred significant benefits to students in terms of higher lifetime earnings, would foreclose between 1.2 and 2.3 million students from any postsecondary option through 2020.

In contrast, the department's claim that 90 percent of students in programs closed as a result of the proposed rule would find replacement programs, actually, only 25 to 50 percent of those displaced students would be able to find other programs.

For Globe, it is difficult to anticipate which programs would be impacted by the metric, because schools do not have access to Social Security earnings, and this is information that is needed to calculate the metric.

The programs most likely to be impacted include those that have strong placement rates, because starting salaries are not at pay levels that will meet the department's metric.

In addition, certain medical and business programs, including registered nursing, are among the 15 most high-demand occupations over the next decade. And yet, they are likely to be negatively impacted by the proposed rule.

To my third point, it is unclear what problem the department is trying to solve. If the objective is consumer protection, provide all students with information relevant to choosing career-focused programs, such as the total cost of education and understanding of how they will pay for these costs and reasonable expectations for employment.

Many of these disclosures are already required under the 2008 amendments to Higher Education Opportunity Act, and just became effective.

If better metrics of quality are the concern, then requiring outcome measures, such as placement and graduation rates and licensure passage rates, are better measures of value and quality than loan debt or repayment rates. It is not for the department to direct students to specific types of jobs.

Let me be clear. We are not opposed to regulation per se, but we support reasonable, fact-based regulation focused on improving outcomes.

Students are customers who vote with their feet. If schools do not perform, we risk losing student enrollment, Title IV eligibility and accreditation.

Mr. Chairman, the proposed G.E. rule is so bad for our students and for our country, that we have no alternative but to ask Congress to stop.

We thank you for your leadership in the bipartisan amendment that passed the House with a strong vote recently. That would put a necessary pause in the department's implementation of this rule and allow a more thoughtful approach to these issues.

I am grateful for the opportunity today. Thank you so much.

[The statement of Ms. Herrmann follows:]

Prepared Statement of Jeanne Herrmann, Chief Operating Officer, Globe University/Minnesota School of Business

Mr. Chairman and other distinguished Members of the Committee, my name is Jeanne Herrmann and I am the Chief Operating Officer at Globe University/Minnesota School of Business. On behalf of the students, faculty and administration of Globe University and the Minnesota School of Business (referred to jointly as "Globe" below), which are both owned by the Terry and Kaye Myhre family, I thank you for the opportunity to submit testimony to the House Committee on Education and the Workforce on the topic of regulations proposed by the Department of Education ("the Department") that pose roadblocks to students' choice in higher education. My testimony is directed specifically to the Department's proposed regulation to define "gainful employment" ("GE") for purposes of determining Title IV student financial aid eligibility of programs offered by proprietary institutions of higher education and postsecondary vocational institutions, as published in its July 26, 2010 Notice of Proposed Rulemaking (NPRM).

I joined Globe in 1994 and I have responsibility for providing oversight and leadership to our campus operations. I have a team of six regional directors who work with each campus on a daily basis to ensure that compliant, consistent and caring practices are in place to serve every student. I provide oversight to our academic, student, career services and military support teams. I am a member of the executive team that sets our strategic, organizational goals each year and I have responsibility for ensuring successful outcomes for our students, which is a goal central to our strategic plan.

Outside of my immediate responsibilities at Globe, I serve on the Minnesota Higher Education Advisory Board, which includes four higher education sector leaders and the commissioner of K-12. I also serve in an advisory role to the governor-appointed executive director of the Minnesota Office of Higher Education, participate actively with the Minnesota Career College Association and serve on several state committees that focus on education and workforce development. I am proud to be one of the founding members of the Minnesota P-20 Partnership that looks to improve the connections between early childhood education and graduate school. I have worked with other leaders in Minnesota to create the State Longitudinal Educational Data Systems (SLEDS) so that we can more accurately account for students and their college attainment rates, as well as their success in entering the workforce.

On a national level, I serve as a Commissioner of the Accrediting Council for Independent Colleges and Schools (ACICS), a national institutional accrediting body, where I work to ensure the standards of accreditation are upheld, best practices are shared and quality improvement is a continuous focus of member institutions. In my capacity as Chair of the Institutional Effectiveness Committee (IEC), I am currently working with staff at ACICS and the United States Department of Education to develop a student success initiative project that focuses on everything from graduation rates to default prevention.

As detailed above, I am deeply committed to the education field. I am very proud to work for a school that truly cares about the success of its students. I do a great deal of training of internal staff regarding our accreditation and compliance responsibilities and I always end my training by saying to our employees that we have an obligation to do our very best for our students. That is why I appreciate the opportunity to appear before this Committee, knowing there are people who are not always supportive of or do not have a complete understanding of private sector higher education, to explain the valuable educational and other services we provide our students and our concerns about the harm that the GE proposal would have on students.

My testimony focuses on three main points. First, private sector colleges and universities (PSCUs) are committed to providing a quality education, just as their coun-

terparts in traditional higher education, and to observing both the letter and the spirit of the myriad laws that govern them. Independent research of PSCUs demonstrates very positive outcomes. Globe is one among many PSCUs that bring great value to students, employers and communities.

Second, the Department's proposed GE regulation will detrimentally impact students' access to, and choice of, postsecondary programs nationally and at Globe. We fully support the President's objective of regaining the nation's premier rank in proportion of citizens with at least one year of postsecondary education by 2020, but the GE proposed rule will actually work against that objective by restricting choice and access. Moreover, if the metric is designed to solve the problems of student debt load, quality of programs, or directing students to programs that will prepare them for the highest-demand occupations, it fails in being the best route to all three objectives. Under the proposal, programs with marginally successful outcomes in terms of graduation and job placement could continue, while programs with outstanding results in preparing students for high-demand occupations could fail. For these reasons, it should be abandoned.

Third, if the Department had better defined the problem it was trying to solve through the proposed GE rule, more common sense solutions could be implemented. For example, if the objective is consumer protection, transparency through enhanced disclosure of key, relevant information to consumers is far more effective in assisting students in choosing career-focused programs than the application of a convoluted, complex metric. If student debt loads are the concern, then financial aid officers could be given the discretion to limit federally guaranteed student borrowing when the amount borrowed exceeds the educational costs, as it does all too often. If better metrics of quality are the concern, then requiring minimum outcomes measures such as placement and graduation rates are better measures of value and quality of education for students than debt load or repayment rates. We stand ready to work with the Committee to develop such common sense legislative proposals.

I. Globe's Commitment to Career Education and the Community

Globe is not new to career education. Globe University (then, Globe College) was established in 1885 in downtown St. Paul with the goal of providing "practical" education to students. The Minnesota School of Business was established in 1877 to teach bookkeeping, shorthand, English and penmanship in downtown Minneapolis. Both institutions are private, tax-paying, accredited postsecondary institutions based in Woodbury, Minnesota, with twenty (20) campuses throughout Minnesota, Wisconsin and South Dakota. A list of campus locations is included as Attachment A to this testimony. As of March 2011, 11,175 students were enrolled at our schools. Our schools offer masters', bachelors', associates', diploma and certificate programs that help prepare students for careers in multiple fields, including accounting, health fitness, medical assisting, business administration, paralegal services, criminal justice, information technology, network support, registered nursing, veterinary technology, and health care management.

Globe University and Minnesota School of Business are accredited by the Accrediting Council for Independent Colleges and Schools (ACICS), a national accrediting agency recognized by both the Department and the Council for Higher Education Accreditation. Schools accredited by ACICS are required to meet and maintain high standards of faculty qualification, student retention and student placement. Specifically, to maintain national accreditation, our schools are required to meet minimum placement rates and to submit annual reports tracking enrollment, retention, and default rates. These requirements are a focus of our efforts and, as a result, a majority of our students stay in school, complete their programs and get jobs.

Finding suitable employment, our students are able to repay their loans. Although not all the students who enroll in our programs end up graduating, we are proud that our federally guaranteed student loan default rates are in the single digits for many of our programs. In Fiscal Year 2008, Globe University had an average Cohort Default Rate (CDR) of 6.6% and Minnesota School of Business had an average CDR of 5.5%. In addition, our retention and placement rates are strong. In 2009, the average retention rate at the ten Minnesota Business School campuses was 73.1% and the average placement rate was 77.1%. For the ten Globe University campuses, in 2009 the average retention rate was 70.3% and the placement rate was 78.1%. We achieve these positive outcomes through student supports to keep students in school, default management and financial literacy training to educate students about loan repayment obligations, and well-staffed placement offices that have longstanding relationships with local and national employers. To put it simply, we must have positive outcomes for our students. Otherwise, we cannot continue to operate, both because our reputation will suffer, making it difficult to recruit new students,

and because our accrediting body will remove our ability to continue to accept students with Title IV funds.

The required ACICS reports also include audited annual financial statements to verify that adequate fiscal resources back our programs and student support services. Compliance with ACICS requirements are linked to Globe's eligibility to accept Title IV student financial aid, including Stafford Loans, federal PLUS loans, Pell Grants, Academic Competitiveness Grants, National SMART Grants, federal SEOG grants and other Title IV grant and loan assistance. In addition, many of our programs are programmatically accredited by specialized accrediting bodies, such as the Commission on Collegiate Nursing Education (CCNE) for our Bachelor of Science in Nursing, the Accrediting Bureau of Health Education Schools (ABHES) and the American Veterinary Medical Association (AVMA). In addition to accrediting body oversight, our schools are also subject to a variety of other Title IV regulations, including required minimum Cohort Default Rates, as well as state oversight. We take compliance with the federal-state-accrediting body "triad" of regulation very seriously and compliance best practices are part of our culture at Globe.

Globe's philosophy as a career-focused educational institution is to invest in our students by providing knowledge, skills and credentials to support their immediate employment goals and to build a foundation for continued career opportunities. Our 21st Century economy is a knowledge economy, and skilled workers are a central driver of business and prosperous communities. We search for faculty and staff who are passionate about learning. We provide, and keep up to date, pedagogical resources to help students acquire the skills and knowledge needed to succeed in their chosen field. To ensure students are acquiring essential knowledge, skills and abilities to succeed in their chosen career fields, every program has learner outcomes specific to that career path that are assessed in courses throughout their educational program using a variety of assessment tools.

We are both a career-centered and a community-focused institution by mission. Globe believes that citizens' quality of life and ability to contribute to communities is tied to educational attainment. Our institutional mission statement is centrally tied to the community. It states: "We will demonstrate We Care by preparing career-focused, community-minded graduates for the global workforce." Globe evidences this shared career and community focus in the following ways:

Strong Employer Collaboration. We have close, established relationships with employers to help design our curriculum and to make sure that it is kept current. Our Program Advisory Committees (PACs) ensure that our curricula meet employers' industry standards and needs. Each campus maintains a PAC with appropriate membership for every program offered at the campus. PAC members cannot be employed by the school. Membership is diverse and includes a minimum of 15 members, at least three of whom are employers, who can provide multiple points of view. In 2010, 521 employers or practitioners were active members of our PACs. In addition, we monitor annually and, when appropriate, end enrollments in specific programs in order to ensure that the number of graduates of a program in a geographic area is compatible with employer demand for those graduates.

Globe Community Engagement: Globe is committed to building communities through education. We accomplish this through service-learning and community partnerships, memberships, sponsorships, and charitable support and outreach initiatives. In 2010, our campus students, faculty and staff participated in 3,612 community events totaling 24,412 volunteer hours.

Service Learning: Through service-learning, our students learn how to be engaged, ethical and responsible citizens of their communities. Students apply their learning to real-world situations, which benefits them and our community partners including employers, the government and nonprofit organizations. In the process, students hone their critical thinking skills and learn the value of community engagement. Community partners benefit by having access to energetic individuals with sharp minds and volumes of great ideas. As of November 15, 2010, Globe courses that had a service-learning component applied this concept to 1,113 projects that provided a real world learning experience for our students and a service to community partners.

Memberships: Globe is a member of twenty-three Chambers of Commerce, twelve industry-specific professional organizations related to our program fields, the Association of Private Sector Colleges and Universities, the Better Business Bureau, the Dakota Association for College Admission Counseling, Distributive Education Clubs of America (DECA), Minnesota Association of Financial Aid Administrators, Minnesota Career College Association, Minnesota Library Association, National Association of Colleges & Employers, National Association of Student Financial Aid Administrators, numerous Rotary and Kiwanis Clubs, the South Dakota Association of Student Financial Aid Administrators, the South Dakota Career Planning & Place-

ment Association and the Wisconsin Council for Independent Education. And when we join these organizations, we play an active role, learning from them and giving back.

Charitable Support & Outreach Initiatives: Globe supports the American Cancer Society and other cancer research and awareness organizations, the Children Heritage Foundation, the Correctional Facility Education Initiative, India Higher Education Outreach, Luther Seminary, Make-a-Wish Foundation, Peace House Africa, Salvation Army, Vision Slovakia, and Youth Frontiers, among other charitable and community service organizations.

Sponsorship: Globe has been a sponsor of the Minnesota Chamber of Commerce Luncheon, "Best in Class: Building a World Class Education System" featuring the U.S. Secretary of Education, the Madison Area Music Association Awards, numerous Chamber of Commerce Business Development Luncheons, the TechFuse Technology Conference, the Veteran of the Month radio program, charitable golf tournaments, and numerous community parades, festivals and sporting events.

Globe has received a Certificate of Recognition from the Minnesota Governor and a Certificate of Appreciation from the Minnesota Department of Veterans Affairs for support of veterans. We have been designated a Yellow Ribbon Campus from the State of Minnesota and were voted a Top 100 "Best for Vets" College from Military Times EDGE. Career education and community service are inextricably bound together at Globe and we are committed to being both a fine institution of higher education and a responsible and valuable member of the community.

II. The Proposed GE Rule Would Severely Limit Student Choice and Should Be Abandoned

We support the desire of the Department and this Committee to ensure the highest quality and accountability of programs that benefit from Title IV funds and to prevent abuse, for both students and taxpayers. However, the proposed GE rule that would tie a program's Title IV student financial aid eligibility to debt/income and repayment rate metrics is an overly burdensome, unnecessarily complex regulation not based on sound data and analysis. At the heart of the problem is the fact that it is not clear what problem the rule is trying to solve, yet it will have the unintended consequence of precluding students, many of whom are ones who need training the most—like Globe students who are working parents, young adults, military personnel, veterans, career-changers and other non-traditional students—from receiving the education they want and need.

Is the goal of the rule to limit loan indebtedness, eliminate poor quality programs, or direct students to certain occupations and away from others? If the goal is controlling student loan indebtedness, a much better approach is to permit institutions to limit the amount of loan funds a student may borrow to that which is needed to pay for the student's educational charges, such as tuition and fees. This would require Congressional authorization, and we would be happy to work with the Committee to advocate for such legislation. In addition, Congress could require that private loan funds be disbursed directly to the institution, rather than the student, to allow one final opportunity to counsel students about financial literacy, the benefits of federal loans over private loans, and the dangers of over-borrowing and default. We would be happy to work with the Committee on such a proposal if it is of interest. Congress is best equipped to be making these types of loan indebtedness decisions, not the Department through a convoluted metric with damaging unintended consequences.

If the goal is to measure the quality of the program through the costs and benefits to the students, the rule does not do that either, as explained in more detail below. Moreover, the General Education Provisions Act (GEPA), 20 U.S.C. §1232a provides that the Department is prohibited from such qualitative assessments by "exercise[ing] any direction, supervision, or control over the curriculum, program of instruction, administration, or personnel of any educational institution, school, or school system limitations." The proposed rule would run afoul of this provision by unnecessarily encumbering the process of designing and offering to students innovative academic programs that are responsive to rapidly shifting economic and social conditions.

In the absence of key research by the Department itself, Charles River Associates (CRA), a well-respected research organization, conducted the most exhaustive analysis done thus far about the potential impact of the proposed GE rule on programs and students, using data from over 10,000 programs and more than 600,000 stu-

dents.[1] It did the initial analysis in large part because the data used in support of the Department's published proposed GE rule was very limited and the analysis lacking. The CRA study concluded the following, among other things:

• the GE metric underestimates the economic benefits that students receive from postsecondary education and, as a result, "has the potential to reduce access to programs that would have conferred significant benefits to students in terms of higher lifetime earnings" without being a measure of the quality of those programs;

• between 1.2 and 2.3 million students could be foreclosed from any postsecondary option through 2020, including mostly female and minority students who stand to gain most socio-economically from additional schooling;

• between 18.4% and 22.6 % of all programs would fall within the ineligible or restricted Title IV categories under the metric and between 27.1% and 46.6% of students are currently in programs that would either fail or be deemed ineligible under the metric;

• despite the Department's claim that 90% of students in programs closed as a result of the proposed rule would find replacement programs, only 25% to 50% of displaced students would find replacement programs, leaving others with no further access to postsecondary programs; and

• despite the Department's assumption that programs with a higher debt-to-income ratio also have a higher default rate, in fact if a student graduates from a program with a higher debt-to-income ratio, he or she is less likely—not more likely—to default on their student loans, undermining a fundamental assumption of the metric.

Finally, if the goal of the metric is to set forth a methodology for directing students to specific types of jobs, social engineering of that type would never work. Nor is it the appropriate role for the federal government to determine how many graduates are needed in a particular field and manage the labor force to that end. The market, along with various accreditation standards such as placement rates, is much better at anticipating and measuring workforce demands. In a market economy, students are customers who vote with their feet—if we cannot perform and the programs cannot prepare students for careers, we risk our institutional accreditation, our Title IV eligibility, and future student enrollment because our reputations will suffer. Nor is it the role of the federal government to get involved in price fixing, by telling schools they must lower their tuition to maintain the designated ratios, as some in the Department have suggested. And, because schools cannot limit the amount a student borrows, even if a school would lower its tuition to try to meet the metric, as long as students are allowed to borrow the maximum, the school will still fail the GE metric. Many schools would also have a significant problem in meeting the 90/10 test if they were forced to lower tuition primarily to meet the GE proposed rule. That rule requires proprietary schools to receive no more than 90% of their revenue from Title IV funds and the rule has the unintended effect of making tuition reductions difficult without impacting that ratio negatively.

Why, we must ask, would the Department pursue a rule with such significant impacts on student choice at a time when the gap in economic well-being between the rich and the poor is increasing, and education is the one path to bridge that gap? At Globe, it has been extremely difficult to anticipate exactly which programs would be deemed restricted or ineligible for Title IV funding because schools do not have access to the average annual earnings information by which the debt/income metric is calculated. Specifically, the proposed rule is structured in a way that schools do not have access to Social Security earnings used to calculate the metric, which are understandably classified as private. We view that lack of transparency and notice as a violation of our due process rights. In addition, the Department, in its proposed rule, makes Title IV eligibility contingent on past years' data—data from as long as three years ago—and thus does not provide us with an opportunity to adjust programs to comply with the rule or access that data.

That said, we believe that among many other programs, our allied health, medical assisting, veterinary technician, massage therapy, and paralegal programs are most vulnerable to negative impact by the proposed rule. Yet, we have high placement rates for these programs, indicating students are getting jobs despite what is, at the start of their careers, often pay levels that will not meet the Department's metric. In addition, medical and clinical assistants, registered nursing, medical office management/administration and business administration, business management and operations, programs which we also offer, are among the 15 most high-demand occupations over the next decade, and yet they are likely to be negatively impacted by the proposed rule. We simply do not understand why the federal government would, es-

[1] Public Comment of Charles River Associates, filed September 9, 2010 with the Department of Education.

pecially at this time in our country's history, seek to implement a rule that would impact job placement in fast-growing occupations. In short, the Department could not have contrived a more anti-student and thereby anti-employer and anti-taxpayer proposed rule.

One other point, Mr. Chairman and Members of the Committee, which is more about process than outcomes, but I think is critical to thinking about the GE proposal. This Congress took ten years to reauthorize the Higher Education Act, including countless hearings and reports. During that time, both parties held the gavel in this Committee. The final product was the 2008 reauthorization, which, though it had a few controversial elements, was fundamentally bipartisan. In several areas, it included additional student and taxpayer protections in response to concerns this Committee heard. Implementing those changes has added costs to our operation, but we have complied because the Congress came to those changes after fair deliberations based on the record that was established.

During those ten years, as far as we have been able to determine, no hearings were held, no suggestion was made by this Committee or anyone else in the Congress that the term "gainful employment," which has been in the statute for more than four decades, needed to be redefined. No indication existed that there was a substantial problem in the relationship between graduates' earnings and the amounts borrowed or that establishing a metric as in the Department's GE proposed rule would solve the problem. Not being from Washington, I do not claim to understand everything that goes on here, but it seems that if the problem really existed and if a solution was apparent, it would have surfaced sometime during that ten year period. But it did not. To me, that indicates the GE rule is a solution in search of a problem. The fact that the proposed rule generated an unprecedented 90,000 comments, the majority negative, many from Members of Congress, indicates that the proposed solution is far from accepted. So, again as an educator, not a policy expert, I would offer that a change in policy as dramatic as the GE proposed regulation should be dealt with through the legislative process, so that this Congress can determine whether it has merit.

III. If the Goal of the Proposed GE Rule were Clear, a More Common Sense Solution Could be Implemented

We are not opposed to regulation per se, but we support reasonable, fact-based regulation focused on improving outcomes for students. We believe that instead of a misguided regulation, like the GE proposed rule, there are steps that can be taken to protect and inform consumers and taxpayers. For instance, educational outcomes—retention, placement, passage of post-graduation licensure examinations—are direct measures of quality, as opposed to the convoluted and ultimately harmful measures such as the proposed GE metric. Institutions that perform well should continue to participate fully in Title IV programs. Institutions that are poor performers should be required to improve and adhere to regulatory requirements. Abusers should have their eligibility suspended or terminated.

Further, transparency is critical. All students should have information available to them regarding their total cost of education, an understanding of how they will pay for those costs and reasonable expectations for employment or graduate school following completion of their undergraduate studies, as has been provided for in the 2008 amendments to the Higher Education Opportunity Act (HEOA) addressing enhanced consumer disclosure that just became effective in 2010. These outcome and transparency improvements stand to benefit all of higher education, not just the proprietary sector, if adopted widely. We would support a more comprehensive approach to solving these problems and offer to work with the Committee as requested. The time has come to put aside different treatment of postsecondary institutions based on tax status and to work together to protect students while also preserving choice so that we can meet the demands of preparing our nation's workforce to be globally competitive now and into the future.

In conclusion, Mr. Chairman, Globe supports the idea of reasonable and fair regulation. Our job is to provide a quality education while adhering to the rules. We understand the Department's role is to oversee the rules, make sure any and all needed improvements, and to propose new or modified rules when the current system lapses. The proposed GE rule is so bad, however, in our estimation, for our students and our country that we have no alternative but to ask the legislative branch to stop it being implemented. We appreciate the overwhelming, bipartisan vote in the House to push the pause button on this regulation through the Kline/Foxx/Hastings/McCarthy/Payne amendment to the Continuing Resolution, and hope that the amendment will appear in the final Continuing Resolution that is signed by the President.

Thank you, Mr. Chairman and other distinguished Members of the Committee for this opportunity. We stand ready to assist you further in any way requested.

ATTACHMENT A: GLOBE UNIVERSITY/MINNESOTA SCHOOL OF BUSINESS CAMPUS LOCATIONS

Each of our campuses is handicapped accessible and has facilities and equipment that comply with federal, state and local ordinances and regulations, including those required for safety, building safety and health. Based on the programs offered, a variety of equipment and technologies provide students with training that is current with existing professional practices.

GLOBE UNIVERSITY

Appleton Campus

Globe University-Appleton campus is located at 5045 West Grande Market Drive, Grand Chute, Wisconsin.

Eau Claire Campus

Globe University-Eau Claire campus is located at 4955 Bullis Farm Road in Eau Claire, Wisconsin.

Green Bay Campus

Globe University-Green Bay campus is located at 2620 Development Drive in Bellevue, Wisconsin, a suburb of Green Bay.

La Crosse Campus

Globe University-La Crosse campus is located at 2651 Midwest Drive in Onalaska, Wisconsin, a suburb of La Crosse.

Madison East Campus

Globe University-Madison East campus is located at 4901Eastpark Blvd in Madison, Wisconsin.

Madison West Campus

Globe University-Middleton campus is located at 1345 Deming Way in Middleton, Wisconsin, a suburb of Madison.

Minneapolis Downtown Campus

Globe University-Minneapolis Downtown campus is located at 80 South 8th Street, Suite 51, in downtown Minneapolis, Minnesota. The site occupies 20,000 square feet in the concourse level of the IDS Center.

Online Division

Globe University-Online Division is located on the third floor of Minnesota School of Business-Richfield at 1401 West 76th Street, Richfield, Minnesota, a suburb of Minneapolis.

Sioux Falls Campus

Globe University-Sioux Falls campus is located at 5101 South Broadband Lane in Sioux Falls, South Dakota.

Wausau Campus

Globe University-Wausau campus is located at 1480 County Highway Xx in Rothschild, Wisconsin.

Woodbury Campus

Globe University-Woodbury campus is located at 8089 Globe Drive in Woodbury, Minnesota, a suburb of St. Paul.

MINNESOTA SCHOOL OF BUSINESS

Blaine Campus

Minnesota School of Business-Blaine campus is located at 3680 Pheasant Ridge Drive Northeast in Blaine, Minnesota, a northern suburb of Minneapolis.

Brooklyn Center Campus

Minnesota School of Business-Brooklyn Center campus is located at 5910 Shingle Creek Parkway in Brooklyn Center, Minnesota, a northern suburb of Minneapolis.

Elk River Campus

Minnesota School of Business-Elk River campus is located 11500 193rd Avenue in Elk River, Minnesota, a northern suburb of Minneapolis.

Lakeville Campus

Minnesota School of Business-Lakeville campus is located at 17685 Juniper Path in Lakeville, Minnesota, a southern suburb of Minneapolis.

Moorhead Campus

Minnesota School of Business-Moorhead campus is located at 2777 34th Street South in Moorhead, Minnesota.

Online Division

Minnesota School of Business-Online Division is located on the third floor of Minnesota School of Business-Richfield at 1401 West 76th Street, Richfield, Minnesota, a suburb of Minneapolis.

Plymouth Campus

Minnesota School of Business-Plymouth campus is located in the center of the Plymouth Plaza at 1455 County Road 101 North in Plymouth, Minnesota, a western suburb of Minneapolis.

Richfield Campus

Minnesota School of Business-Richfield campus is located at 1401 West 76th Street in Richfield, Minnesota, a suburb of Minneapolis. The campus has additional classrooms and labs at a nearby location, 4445-4555 West 77th Street in Edina, Minnesota.

Rochester Campus

Minnesota School of Business-Rochester campus is located at 2521 Pennington Drive Northwest in Rochester, Minnesota.

Shakopee Campus

Minnesota School of Business-Shakopee campus is located in Shakopee Town Square at 1200 Shakopee Town Square in Shakopee, Minnesota, a southwestern suburb of Minneapolis.

St. Cloud Campus

Minnesota School of Business-St. Cloud campus is located at 1201 2nd Street South in Waite Park, Minnesota, three miles west of St. Cloud.

Chairman KLINE. Thank you, Ms. Herrmann, and all the witnesses.

We will move into our give-and-take discussion now, with members of the committee asking questions and occasionally making speeches. And we look forward to your responses, your discussion and your thoughts.

We will try—I am going to put myself—I am making a speech, but will put myself on the 5-minute clock here.

Ms. Herrmann, since this rule first started rolling out, it has concerned me, and I have been very outspoken in my criticism of the part of the rule that says, if you are a for-profit college, like Globe, and you want to start a new program, you have to get approval from the U.S. Department of Education.

One of the strengths of this sector, in my opinion, is its ability to be nimble and to quickly address the needs of the workplace. So, for example, if there is a shortage of nurses in an area, the for-profit sector has been very quick to establish a new nursing program, so that you have new nurses entering the field and taking those positions.

This rule would not allow you to do that until you got approval from the U.S. Department of Education.

So, can you talk about what problems that might cause for you and other institutions? And I am a little bit concerned, because I have been looking at the possibility that this might be potentially in violation of the General Education Provisions Act.

So, please take some time and talk about that aspect of this rule.

Ms. HERRMANN. Thank you, Chairman Kline.

Indeed, it will add another layer. And there are already extensive processes in place when we look to add a new program at our schools.

The one that you spoke to specifically was nursing. It already has an additional layer, because there is a state regulatory board associated with reviewing nursing curriculum specifically.

Secondly, it would then go to the regular state board of higher education and have another thorough review. And then, finally, it goes to our accreditors.

And all through that process, we have to be able to provide information that shows we have used outside experts, that we are working with industry in developing that curriculum, that there are positions available.

More specifically, as you mentioned nursing, we would have to be able to prove that we have practicum and clinical sites in contracts set up with local hospitals, so that we are able to ensure our curriculum will be able to be followed as nurses progress through their training with us. So, there are already very stringent processes in place for curriculum and new program approval.

But I feel it would be very burdensome. And as you said, it does not allow us to be responsive to the workforce like we need to be, by putting yet another approval, stamp of approval.

I feel like it is already a very good process.

Chairman KLINE. What about your concerns about the General Education Provisions Act, and possible violation of that? Have you given that any thought at all?

Ms. HERRMANN. Well, I do not know that I am, you know, able to speak to the legal side of that. But again, putting the additional barrier there would be difficult for us.

Chairman KLINE. With the federal government making decisions about what——

Ms. HERRMANN. Exactly.

Chairman KLINE [continuing]. Goes in the——

Ms. HERRMANN. Which, typically, they are not involved in academic decisions.

Chairman KLINE. And have typically been purposely barred from entering into that curriculum.

Ms. HERRMANN. Exactly.

Chairman KLINE. Ms. Barreto, your story, as we knew it would be, was particularly poignant and touching. And we thank you for being here and for your testimony, and for sharing your story of your travels through higher education.

When you think about when you started and the decisions that you had to make, what kind of information do you think would be most helpful for students—traditional students or non-traditional students—as they start on this journey of a higher education?

Ms. BARRETO. Well, they need to know their options. For example, whether just getting materials—back then, when I started at Monroe, online was not big.

So, just being able to be knowledgeable, get the information about the school or the courses you are going to take, knowing—like, I was an evening student. And just knowing—by reading the material that was given to me, I knew that the school, Monroe, was a school that was centered around students.

I knew that, you know, just because I went to evening classes—you know, offices were open. I knew if I had a question about financial aid, bursar, registrar, they were all open. All the counselors were there, even though I was an evening student.

So, just more resources available. That is really helpful towards—you know, for students.

Chairman KLINE. Okay. Thank you very much.

In an always futile effort to set the example here in timing, I see my time is about to expire.

I yield back, and I recognize Mr. Miller.

Mr. MILLER. Thank you, Mr. Chairman.

And thank you again to the witnesses.

If the stories that Ms. Barreto and Mr. Jennings in their testimony related to the committee are accurate, that is the way the system is supposed to work. But unfortunately, for an awful lot of students, that is not the way the system is working.

And when that experience is financed almost with more than 90 percent federal dollars, I think the Congress has to ask a question.

And Mr. Mitchem, you raise a number of these questions that are of concern to me and others. And that really is—it goes to both the default rate on loans and the completion rate in colleges.

In the Ed Trust report, they point out that, at a 4-year for-profit, low-income students must find a way to finance almost $25,000 each year with a 22 percent chance of graduation, completion of their programs. Or on the other hand, at a 4-year private non-profit institution, it is $16,000 a year.

That is a big chunk of difference per year. And the graduation rates of 4-year—for 4-year graduation rates of 22 percent versus 55 percent, let us say, for publics, is a very different outcome for a huge sector of those individuals who are—or most all of them—who are taking out loans or using other federal resources.

Mr. MITCHEM. Well, these differentials are a concern. And that is what prompts me to be here this morning.

The mission of my organization is to advance and defend the interest of low-income and first-generation Americans. And we got into this issue because, as we talked with our practitioners around the country, we kept running into these issues that, from our perspective, were abuses.

And really, the federal government got into the business of assisting low-income, first-generation Americans to give them and provide them upward mobility.

And what we saw was something in the reverse happening. Oftentimes, these students—particularly because of the loan issues—were in sort of a permanent bondage. And this is our concern.

Mr. MILLER. Well, you know, I think——

Mr. MITCHEM. For those who——

Mr. MILLER. And I guess I am chiming in with you on that concern.

I have been a very strong proponent of for-profit schools. I think that they have developed an alternative education model that fits the needs of many, many adults——

Mr. MITCHEM. I agree.

Mr. MILLER [continuing]. Especially working adults.

But I am also deeply concerned about the overall results.

And, you know, it is interesting. The legislation that passed on the floor also said that the department could not regulate in this area in the future.

So, I appreciate—everybody says, well, there are always these few bad apples. There are a few things. We ought to do something about them.

At first, when the department first announced what they were doing, there was a complete—you know, just stop it in its tracks—reaction at the outset.

I finally encouraged some of the schools to work with the department, to meet with them, and that process has taken place.

But, you know, the idea that somehow, because of the successes, we cannot examine the overall system, to me is just counterintuitive to the role of this committee.

I wonder if we would start involving—when we have schools who enroll a couple hundred thousand students, and they have a completion rate at 6 years of 9 percent—would that trigger our interest? Or 16 percent, or 18 percent, or 8 percent, or 13 percent?

Now, there are schools there that have very good completion rates. But each one of those is carrying a federal dollar with them. And in many instances, that completion rate also reflects the inability to pay back that loan.

Mr. MITCHEM. Exactly.

Mr. MILLER. And that is a very, very worrisome thing, because the banks and the lenders a number of years ago got a change, so you could not discharge this debt in bankruptcy.

Mr. MITCHEM. Exactly.

Mr. MILLER. So you now do not have the occupation, you do not have the job opportunity you thought you were seeking. And it may be your fault, you know.

But the fact is, for very, very—I mean, if 9 percent of the people are completing, we have to ask the question about the other. But you do not have an ability to discharge that debt.

Now, you are a poor student with a poor education and a poor credit record, and you are trying to survive in American society.

Mr. MITCHEM. Absolutely. They made the wrong choice, because they did not have good information to begin with. That is how they got themselves into that situation.

Mr. MILLER. They got themselves into that situation. And you can say, well, that is their fault.

We also know there is a very active recruiting process going on. There has to be a development of that next year's class.

And again, in many instances, that information is very valuable. Our two witnesses found it valuable. But in many instances, it is also the subject of settlements of lawsuits by the Justice Department and others.

Mr. MITCHEM. Right. That is one of our principal concerns.

Mr. MILLER. Thank you.

Chairman KLINE. I thank the gentleman. His time has expired.

Just a sort of a clarification. Mr. Miller talked about the department could not regulate in the future. That language in the C.R. only applied to September 30th. We would all hope that we would look at the opportunity to provide more information to students.

And Dr. Foxx, you are recognized for 5 minutes.

Mrs. FOXX. Thank you very much, Mr. Chairman.

And I want to thank all the members of the panel. Dr. Mitchem and I have known each other for a long time.

Mr. MITCHEM. Long time.

Mrs. FOXX. I was director of an Upward Bound/Special Services Program many years ago.

And I want to thank all of you for coming.

I do not want to make a long speech, but I do need to respond just a little bit to a couple of comments that Mr. Miller has made.

I think nobody, again, wants there to be bad actors out there. But we have mechanisms for going after the bad actors. And earlier, I think someone said that some of these institutions—it may have been Dr. Mitchem who said it does not prepare them for jobs.

But I will tell you that we have lots of people graduating from well-known institutions in this country, 4-year institutions, graduate schools, who have not been prepared for jobs either. So, it is not just a phenomenon that occurs in one segment.

And I would say, it is not perfect anywhere. No institution is perfect anywhere.

I was in a university for 15 years. I was at a community college for seven. And I know other schools very well. And we have a lot of public schools who have a much worse track record than for-profit schools.

And I think that, if we are going to look at the results, we need to do it for everybody. But let me stop there.

Ms. Barreto, I want to say to you that you are truly an inspiration. And I hope lots of people get to hear your story.

Mr. Jennings, I would like to ask you a question. In your testimony, you mentioned that you sit on the advisory council of one of the proprietary colleges.

Can you discuss what your service on that council entails? And what is the school hoping to gain from your service? And what benefits do you or others in your profession gain?

Mr. JENNINGS. Well, I sit on the ITT Technical Institute's Tempe, Arizona campus industry advisory committee. We break into disciplines. I sit on their electronics board.

We discuss some of the things we are seeing that work well and some of the shortcomings, maybe, that we see. We bounce it off of their other industry managers that come and meet. It is twice a year.

We talk about maybe some of the technical skills that we could see improved. We are sitting there with the instructors, and we discuss ways that maybe they could put that into their curriculum, or maybe how they can enhance existing classes to beef up certain areas, whether it be soft skills, data manipulation, you know, programming—things that we are seeing.

And usually, typically what it is, is the technology is changing. We are constantly evolving, constantly changing out there in the world. So, we need to be able to tune those curriculums up just a little bit. So, that happens twice a year.

We are also asked to give a—to do a critique, if you will. I know that ITT has gone with a national database type critique system. They go through and ask very specific questions. Would you like to see more training in this area versus that area?

And what they do is, they will adjust their national curriculum based on that. When they see an overwhelming response in a certain area, they will actually adjust their curriculum throughout the—at the national level. And that is maybe even adjust classes, drop a class and add a class.

Regionally, locally what they will do is just say, you know what? Maybe we should do another project in this area, so they get more experience in a specific technical area.

Mrs. FOXX. So, the goal is to make sure that when the students come out, they have the skills that they need to get a job in the industry.

Mr. JENNINGS. Oh, yes, ma'am. Yes, ma'am.

I give them very honest and accurate feedback. Look, this is what I see, you know, this is what I am having to train these folks to do once they reach my department. Once they reach my production floor, this is what I would like to see them train to do before they reach me.

Mrs. FOXX. Right.

Mr. JENNINGS. This is what I would like to see happen in the college classroom.

Mrs. FOXX. Right. And if community colleges are doing their jobs, they would have advisory councils like this and bring them in. And the better community colleges do do that.

Mr. JENNINGS. Yes. I have not heard from my alma mater yet.

Mrs. FOXX. Okay. So, you do not get asked to do the same thing——

Mr. JENNINGS. I am a—yes. I don't. I do not, no.

Mrs. FOXX. Okay.

Mr. JENNINGS. No, ma'am.

Mrs. FOXX. Well, again, having been at a community college, I know the better ones do that. Not all of them do that.

Ms. Herrmann, I have a question for you, but my time is over. So, I will check with you later, and I will get it in the record.

Thank you very much.

Chairman KLINE. Thank the gentlelady.

Mr. Payne, you are recognized.

Mr. PAYNE. Thank you very much. Let me certainly commend the four witnesses here.

And I would like to certainly also add my accolades to Ms. Barreto. Not only have you shown by example what perseverance and opportunity will give you, but, secondly, you work in my congressional district, so that is very important. [Laughter.]

We are tax-and-spenders, you know, so you are helping America. [Laughter.]

Let me say that, of course, my good friend, Dr. Mitchem, of the work that you have done for so many, many years, I think your

greatest achievement is probably catching Ms. Gwen Moore and telling her she should go to college, and she went on to Marquette where you were. And she is one of our rising stars. So, I would like to give you credit for that, also.

Let me just, Dr. Mitchem, in your testimony—and this is certainly an issue that we are really grappling with.

First of all, if our students—we know they are usually not able to get into traditional 4-year colleges. They are either too expensive or the students do not meet the requirements. Many of our community colleges do not prepare them for a job immediately.

And many of the people—being older and non-traditional, veterans, older persons—are looking, really, basically for training for a job, not particularly for a general education as an 18-year-old coming out of high school would be.

And so, this is probably one of the most difficult issues that I have confronted in my many years, even as a former elementary and secondary school teacher—my first career for the first 10 years of my life, which I really enjoyed and miss. And if I ever get pushed out, I guess I might see if I could reapply and teach again.

But let me just say that, in your testimony, you said that you consulted with teachers, counselors and administrators who work with TRIO programs, and that these individuals reported that it was rare that they found for-profit programs to be the best for their students. They counseled, because they could identify less expensive, publicly supported alternatives in the same area that would not require the student to assume as high a loan burden, and that admissions counselors were not fully forthcoming.

You said a concern repeatedly raised by TRIO counselors was the difficulties many low-income individuals had distinguishing between the value of a particular program and the value of college. I understand that to be the benefit of the TRIO programs, and you are certainly providing the needed service to your students.

Now, your testimony highlights the information and guidance needed for low-income and first-generation college students that called the Department of Education to action to issue the proposed gainful employment rule.

While I am supportive of the effort to provide greater protection for such students, my concern remains that the department's rule as proposed will limit access to a wide range of proprietary programs, not only the bad actors. And so, the issue as I see it is not to attack one particular sector, but to equip students with the guidance and support needed to make informed decisions.

Can you speak to the guidance and support that TRIO programs provide for students? And in your discussing roadblocks to students' choices in higher education, can you share the roadblocks that would be cemented if the proposed cuts to the TRIO program were implemented?

Mr. MITCHEM. Surely. Thank you for the question.

The way our Talent Search and EOC programs operate—they are situated, typically, right within the communities where you have high concentrations of low-income and first-generation students. And they are open access, open door. People reach out.

In addition to that, they also populate the high schools and middle schools in providing advice and counseling and information to

the students. And in the evenings they work with the parents, and then on Sundays, providing them information about financial aid, and also, trying always to match students to the appropriate college or experience.

In other words, making judgments about the students' capabilities or potentials, and trying to align those with the appropriate institution.

So, it is a very intensive, holistic approach that they use to intervene with the students. And they do various ingenious things, for example, to get the parents involved, which is always a complaint. People say, "we cannot get the low-income parents involved."

Well, they have potluck dinners and other things to try to attract parents to get them involved. They go to churches and try to meet low-income adults where they are, where they are comfortable, and so forth.

And they always try to employ individuals who are, in quotes, "culturally competent;" that is, able to deal and understand and negotiate the cultures of the groups that they are working with. So, there is, yes, a very systematic outreach effort to deal with that.

Now, you asked me a question with respect to proposed cuts in H.R. 1. I assume that is where you are going.

At this point, it would be a big blow. But we cannot talk in terms of specifics. I mean, how the department would allocate the cuts is unclear. For example——

Chairman KLINE. I hate to interrupt, but the gentleman's time has expired, and we have many members who want to engage in this dialogue.

I understand that Dr. Heck wants to be recognized for just a moment. You want to enter something in the record. Is that correct?

Mr. HECK. Yes. Thank you, Mr. Chair.

I appreciate the panel being here. I apologize for having missed the testimony due to a competing meeting, but I have read your statements.

I thank you, Mr. Chair.

And I ask for unanimous consent to enter testimony from both Mr. Van Heffner of the Nevada Hotel and Lodging Association, and Mr. John Hinchliffe, the past chairman of the Nevada Restaurant Association, into the record.

[The information follows:]

Prepared Statement of Van Heffner, President and Chief Executive Officer, Nevada Hotel and Lodging Association

For the record, my name is Van Heffner. I am President and CEO of the Nevada Hotel and Lodging Association (NHLA). The NHLA is the unifying voice of Nevada's multi-billion dollar hospitality industry. Serving Nevada since 1979, this trade association represents more nearly 300 hotel casinos statewide with approximately 150,000 rooms and over 200,000 employees.

Nevada's hospitality industry is heavily dependent on a knowledgeable and well-trained workforce. Southern Nevada's tourism and hospitality industry have been well served by graduates of the institutions that will be harmed by the Department of Education's proposed "Gainful Employment" regulation. These institutions have provided students the education that has given them the essential skills and talents that have supported Nevada's economy.

Private sector post-secondary schools like the Art Institute of Las Vegas provide career training for the jobs they need to succeed in today's economy. This institution provides a broad range of education options that provide a skilled workforce to the hospitality industry in Nevada. In Las Vegas, the entertainment capital of the

world, the Art Institute of Las Vegas and the Culinary Institute of Las Vegas have graduated over 1,000 students in past 8-years. And many employers are eager to express the important role the Art Institute plays for their business.

Nevada has the dubious distinction of having the highest unemployment rate in the nation at over 14.2% according to the Bureau of Labor Statistics rankings and the U.S. Department of Education's proposed rule would prevent hundreds of Nevadans as well as future students from acquiring the job skills they need to work in and support our critical tourism industry to help reduce this troubling statistic. Unfortunately, the proposed "Gainful Employment" rule is discriminatory. Our industry is particularly concerned about the bias this proposed rule holds against students who must borrow money to attend college.

The Gainful Employment rule proposed by the Department of Education would render many of these career-oriented degree programs ineligible for Title IV financial aid if students fail to meet a debt service-to-income ratio test.

This rule is arbitrary and unfair to those who want to pursue careers with lower starting salaries in the culinary arts for example. Essentially, these students would be ineligible to qualify for the same federal funding as classmates who opt for careers that may initially pay better starting salaries. Because this rule discriminates against those who must borrow to attend college, access to post-secondary education may move out of reach for many low-income and minority students.

Not all students are meant to attend traditional four-year colleges and universities. Fortunately, for-profit institutions provide these students with an alternative to traditional schools in the form of a high quality education. The Gainful Employment rule is unacceptable and I believe the Department of Education has overstepped its statutory authority with this ruling and should rescind it. Matters of education policy should be administered by Congress, on the advice or counsel of the Education Department.

The Nevada Hotel and Lodging Association was encouraged to see the passage of an amendment co-sponsored by Representatives Kline, Foxx, Hastings and McCarthy to defund this detrimental rule. Even more encouraging than the bipartisan support this amendment gained, all three House members of the Nevada Congressional delegation voted in support of the measure—illustrating just how important career colleges are to Nevada.

Without proprietary schools, Nevada's hospitality industry cannot fill its jobs with qualified graduates. The Art Institute of Las Vegas and the Culinary Institute of Las Vegas work hard to educate students so that they are career-ready upon graduation. However, if the "Gainful Employment" rule is implemented, it will make creating new jobs for these qualified individuals and decreasing Nevada's unemployment rate next to impossible.

Thank you for the opportunity to address you on this important issue to the industry that I represent.

Prepared Statement of John Hinchliffe, Past Chairman, Nevada Restaurant Association

As past Chairman of the Nevada Restaurant Association, I know firsthand the importance of quality chefs and the importance of the culinary arts programs that prepare them for their careers. Southern Nevada is the now the home of many famous world known chefs and restaurants and our industry in "Las Vegas" is the envy of many cities and regions.

The Nevada Restaurant Association represents, educates and promotes a rapidly growing industry that is comprised of some 5,000 restaurant and foodservice outlets employing over a hundred thousand people in this state. We have nearly 300 member companies represent more than 1,000 restaurant establishments. Our Association provides it members with many services. Among those have been the advancement of the culinary arts profession.

Our industry depends on a well-trained and skilled workforce—heavily relying on students who graduate from culinary arts programs, such as the Las Vegas Art Institute. Through this program, Las Vegas has been able to maintain and further support and develop its renowned culinary reputation. More importantly, however, the Institute has answered the call of many aspiring students who desire to develop their skills and profession in the art of culinary services and restaurant management.

Unfortunately we fear that proposed regulations from the Department of Education will create barriers for students with a passion for the culinary arts. We have been very vocal on our opposition to the department's "Gainful Employment" rule as we believe it unfairly targets career colleges, especially those with culinary arts

programs. As proposed, the rule would punish the learning institutions, the industry's they support and the very students it purports to serve.

Students in our state should be able to choose which programs and degrees they want to pursue. The government should not be limiting critical funding for students who wish to attend career colleges. We fear the Gainful Employment rule will hurt the exact population of students we need to be helping the most: those from low-income and minority communities. A significant source of our skilled workforce has come from career-oriented colleges; we've found that these schools provide education and training in a specific career path for students who are not a fit for, or who do not want to attend a traditional four-year college. If a student in Nevada wants to go to the Art Institute of Las Vegas, they should have that opportunity.

In collaboration with the Institute that serves our industry, we recently filed comments during the Notice of Proposed Rulemaking Process with the Department and corresponded with Nevada's Congressional members making the following points:

• The rule should use the higher of the Bureau of Labor Statistics or actual earnings for debt to income tests—it is the most accurate income data;

• The rule should use a 15 year repayment schedule—it best approximates an average real life educational repayment period;

• The rule should be phased in to commence no sooner than 2015 so as to not adversely affect students and schools;

• The rule should exclude graduate programs.

We understand the Departments objective through this rule is to protect students, among other things. However, the rule as promulgated will have in our opinion, many negative consequences to the very institutions that support career development, job growth, industry economic enhancements and most important personal individual fulfillment.

Mr. HECK. I have serious concerns with this new gainful employment regulation. The state of Nevada has the highest unemployment rate in the nation. And because of the State's heavy reliance on the tourism industry, which has taken a significant hit during this recession, there is a definite need, now more than ever, for Nevada to diversify its industry.

I have many private colleges, such as the ones under discussion today, in my district, which are critical to this process of diversifying our economy. One is the Art Institute of Las Vegas, which works closely with both those entities I previously mentioned, in making a ready and willing workforce for our community.

It is schools like the Art Institute of Las Vegas, which provides extensive training programs and hospitality in the culinary arts, do not have the flexibility in modifying existing programs and creating new ones to rapidly meet industry's needs. Nevada's ability to experience economic recovery and get people back to work will be hindered considerably.

Additionally, I am a strong believer in student choice and student access to educational and training programs that fit their individual needs. These schools provide the flexibility necessary for non-traditional students to fulfill their educational goals.

This new gainful employment regulation severely limits this, especially in a time when emphasis on an educated and skilled workforce is critical to advancing our country as a whole. I fully expect to be engaged in examining this gainful employment regulation further.

I would like to thank Chairman Kline for holding this hearing today, and for his consideration in allowing me to provide my testimony. And I yield back.

Chairman KLINE. I thank the gentleman.

Without objection, the two statements will be entered in the record.

Mr. Grijalva? According to my list here, Mr. Grijalva, you are recognized for 5 minutes.

Mr. GRIJALVA. Thank you, Mr. Chairman. And I am going to follow your encouragement and give a short speech. [Laughter.]

I wanted to—you know, having all this discussion, all this talk here about government needing to tighten its belt, we have to ensure that all our programs are effective, and the taxpayer money is being used very efficiently and prudently.

So, it is amazing to me in this hearing that many of the same people that are saying that also do not seem to care about the efficiency of the taxpayer's money in this particular instance.

And I have not in this hearing heard anything about the gainful employment regulation, so let me maybe ask some questions about that.

Ms. Herrmann, does Globe University have a program where more than two-thirds of its students are not paying down their loans?

Ms. HERRMANN. Congressman, no, we do not.

Mr. GRIJALVA. And that is my point. Then, the restriction under the rule would not apply to you, because your programs are meeting the criteria and are doing the job they are supposed to do.

Ms. HERRMANN. As I understand the rule, it is two-part. And the other part is the debt-to-earning ratio that would be problematic.

Mr. GRIJALVA. It is either/or, is my understanding. And so, in support of the—and you mentioned your support for the Kline amendment. And that amendment would have blocked disclosure of placement, graduation, debt levels for all career education programs.

How does this square with your testimony where you mention that transparency is critical, that all students should have information available to them regarding the total cost of education? And how does that square with that comment in support of that amendment?

Ms. HERRMANN. Congressman, we believe that we do need to be transparent. Students need to have the right information to make an informed choice about where to go to school.

But giving them information about the results and about efficiencies and effectiveness, I can tell you that is something that is core to our educational business.

I see that there are problems with the rule, as I mentioned, even with the either/or. As you speak to, are they not paying their loans down, there are problems there, as well.

And there are government-sponsored programs out there, including forbearance and deferral, that are put in place for students, or interest-bearing-only payments, that students will take advantage of when they graduate college. I did.

Mr. GRIJALVA. And the rule speaks to programs, not schools. So, if there was a dysfunctional program that is not passing that two-thirds, either/or, that program could continue in that school. It just would not get any federal support in terms of student loans and Pell Grants.

Ms. HERRMANN. Which, Congressman, would mean that students would not be able to choose to go to that specific program. And

there are many fields where entry level pay is not indicative of what their future earnings is going to be.

So, if a student starts as a medical assistant, the salaries can be rather low. But placement is high, and there are good job opportunities for them. And they will continue to grow and be promoted.

Mr. GRIJALVA. But your university passes all the criteria that are in the rule at this point. I am just making that point.

Mr. JENNINGS [continuing]. And thank you—you said that for-profits, in your experience, have so many placement staff that they are able to respond, able to provide the industry and where you work with the appropriate referrals in terms of students prepared for those employment opportunities. And I think that is the way it should be, and I applaud that.

But that is not the uniform rule. We have one publicly traded for-profit, Ashford University, that has 78,000 students and one career placement person.

Any comment on that in terms of the efficiency of that program being able to track their students and put them in the right place?

Mr. JENNINGS. I am certainly not aware of—I certainly have not encountered any of the career colleges that have a department of career—a career counselor, or a career placement services that is that disproportionate.

I know in our industry, we have several career colleges in the area that I turn to when I need to increase my staff. They do have a dedicated—the important part is that they have a dedicated career placement services department. Whereas the public schools, it is usually a collateral responsibility of a staff member who has other responsibilities.

Mr. GRIJALVA. You know, all the solutions up to this point, Mr. Chairman, have been about reporting requirements. And that idea reminds me of products liabilities issues, where we should not allow a toaster on the market that has a 66 percent chance of exploding in someone's face.

And so, I think the gainful employment rule is about regulating, making sure the taxpayer's money is being used efficiently. And those colleges—for-profit, proprietary colleges that are doing the exemplary work that Globe University is doing—should have the access to continue to serve their students.

Those 5 percent bad apples and programs need to be dealt with. We cannot just ignore that and ignore the mounting debt that is on those students, and the mounting cost to the taxpayers.

And I yield back, sir.

Chairman KLINE. The gentleman's time has expired.

Dr. Roe, you are recognized.

Mr. ROE. Thank you.

Ms. Barreto, for you.

Ms. BARRETO. Thank you.

Mr. ROE. And I introduce myself to say that I overdosed on education—24 years in school without kindergarten.

And so, and I served on the foundation board of two state universities, one as chairman of the foundation board for a state. So, I have never been to a private college or a for-profit college.

But let me point out a couple of things during March Madness. If you will go back and look at the graduation rates of many, many,

many major universities, their football teams graduate 10, 12, 15 percent of their students. Their basketball teams I have seen have graduated—I have seen major universities, one that won a national championship that, during that coach's tenure, graduated zero African-American students. It was abysmal.

And you see this, but nobody complained until it was made public. And finally, NCAA, because of money—I am on my high horse here about them—began to notice these atrocities in our public schools, and did something about it. Nobody said a word, as long as their team was winning.

So, I simply point that out, a little bit of frustration I have had with university presidents at public universities, and so forth, about how they manage those things as long as the alumni were happy with the winning record.

So, the for-profit colleges where I have seen in our local area, have done exactly what Mr. Jennings said, have noticed a niche in the market.

Business has said, look, we need this type of employee. They rapidly do that, and then are able to put those employees in. One I remember is a ball bearing plant that they were able to do this in our local area.

So, Mr. Jennings, would you comment on that advantage that those colleges have?

Mr. JENNINGS. Well, sir, I have seen—I am trying to address your question here. As far as adjusting the programs as necessary, is that more of what you are asking?

Mr. ROE. Yes, a business comes to town and says, we need this type of program for our particular job needs. A for-profit was able to adjust that very quickly——

Mr. JENNINGS. Sure.

Mr. ROE [continuing]. And not have to go through all these hoops to get it done.

Mr. JENNINGS. Yes, you know, they are able to expand.

ITT, for instance, in our area has three separate campuses in the Phoenix metropolitan area. DeVry has two. One thing that they are able to do is expand their laboratory and classroom area, so if they needed to increase classroom sizes.

They can truly finish a 2-year degree in 2 years. I could not. I went the community college route, finished an associate's degree in electronics. And it took me probably 4 years part-time.

And that was because it was a traditional 16-week semester, then limited classes during the summer, and the typical class scramble that you are left with at a public school.

So, the private schools definitely are much more flexible. The public schools—and this is going through two different community colleges and Arizona State University—say, "Here are the classes. Here is the number of seats that we have. Hope you make it."

The private schools expand. If they see a need, if they see students that are being away, they create more classrooms. They create more laboratory space.

So, sir, I hope that is answering your question. And if we open a new Intel plant, a new aerospace plant in our area, they recognize that need and they increase their space.

Mr. ROE. Let me also get on this gainful employment.

When you have private schools now, private universities that are $40,000 or $50,000 a year, and let us say you spend $250,000, in Tennessee, and you start teaching school, is that gainful employment? Because there is no way you could ever pay back a quarter of a million dollar loan teaching school in the State of Tennessee.

And I am not saying that is a good thing. I am just saying that is the reality.

I do not know what that even means. It means if you get a job, compared with what you did, as Ms. Herrmann was talking about—I have seen it in medical practice for years, that somebody would come in as a clinical assistant and end up as a registered nurse. I have seen that over and over again.

So, I think the other point I want to make is about debt. And I think that is for all students—I mean, not just for-profit universities, but for all colleges. Now, it is just overwhelming.

I had dinner this week at a restaurant here, and I will not say where it was, but I paid more for dinner than I did a quarter of college years ago. That is how unaffordable it was then, and how unaffordable now.

We had a student in my office in Kingsport, Tennessee, not long ago from a public university with a $72,000 debt. And she did not know how she was going to pay that back.

So, it is not just the for-profits. It all costs so much. And then, can you get a job commensurate with what you had educated yourself for to pay those loans off?

So, I do not think it is just in the for-profit market. It is all students that have this problem.

Ms. Herrmann, I have one final thing I wanted to ask you right quickly. I Googled all of you all up right here while I was sitting here, and read about your universities while I was sitting here.

But can you shed any light on the programs you have had that have adjusted quickly at your university?

My time is up. I am sorry. I yield back.

Chairman KLINE. Thank you. The gentleman's time has expired, and we can get that response for the record, if the gentleman likes.

Mr. Bishop, you are recognized.

Mr. BISHOP. Thank you, Mr. Chairman. Thank you very much for holding this hearing.

Let me start by commending Ms. Barreto on your success, and to tell you that I had the good fortune to spend several hours at Monroe College at the invitation of President Jerome. And I left there very impressed.

And you are the epitome, or the walking example, of what happens there. And so, commendations to you——

Ms. BARRETO. Thank you.

Mr. BISHOP [continuing]. And to Monroe.

I have to say, I am troubled by what we are doing here. This is the fourth hearing that this committee has held, or subcommittees have held, on the issue of regulation of higher education.

And yet, we have not spent a second dealing with what I consider to be the single greatest problem confronting higher education today, particularly its students, and that is the impending devastation of the student financial aid programs as proposed by the Republicans in H.R. 1.

Republicans have passed a bill that would cut the Pell Grant maximum to $4,705 for next year, and to cut it to $4,015 by 2014. It would eliminate the SEOG program, and it would—if we do not act by 2014, we will also no longer have a Perkins Loan program.

Now, the subtitle of this hearing is, "Roadblocks to Student Choice." I am a former financial aid administrator. I think that, if we were to eliminate or devastate the student financial aid program to the extent that is currently being proposed, that, too, would constitute a significant roadblock to student choice.

Now, Ms. Herrmann, I just heard you indicate in response to Mr. Grijalva's question that students would not be able to select certain programs at your school if they did not have access to student financial aid. I infer from that, that student financial aid programs are absolutely essential to the ability of your students to both enroll and to continue their enrollment.

Am I correct in that?

Ms. HERRMANN. You are correct.

Mr. BISHOP. Okay. So, what would be the impact?

Fast forward to 2014. What would be the impact of a Pell Grant maximum of $4,015, no SEOG and no Perkins? What would be the impact for your students? And more broadly, what would be the impact for your enrollment?

Ms. HERRMANN. Well, it is hard to predict the future. I will go to a past experience where we were in a situation in Minnesota where there was a tremendous debt that needed to be rectified. And so, there was a look at the state grant and its availability to students, and the size of it.

And does that change? And does it change for a specific sector? Or does it change for a specific group of students?

And we understand that cuts have to happen when the economy is not giving us what we need. So, in order to go back and grow that economy, we have to figure out how to make cuts in the meantime. And we have always felt, as long as those cuts are fair and across all sectors, that it is something that, basically, we all have to do.

We have to tighten our belts. We are sitting in a bad economy. We have to figure out how to change that.

So, will it be difficult for students to take less grant dollars and have to make that up in loan dollars? Absolutely.

But investing in education, how students will do that for themselves, is the one way that helps them improve their situation, gets them to work and helps us improve the economy.

Mr. BISHOP. Would your institution freeze tuition if the gap between total student cost and available aid continues to grow?

Ms. HERRMANN. I am certain that that would be something that would be considered.

Mr. BISHOP. Would the institution be willing to put back into institutionally funded student aid some portion of the profit that the institution makes?

Ms. HERRMANN. It is actually not a decision that I would be part of.

Mr. BISHOP. I understand that.

The issue here is, if we are truly interested in supporting student aspiration, it seems to me we have taken our eye off the ball.

The single greatest determinant of a student's ability to go to school is whether or not they can pay.

And would anyone else care to comment on this issue?

Ms. Barreto, did you receive financial aid when you went to Monroe?

Ms. BARRETO. I did. And I also want to note that I started at the MCC, so I used TAP and Pell when I was there. And that is what helped me, you know——

Mr. BISHOP. Would you have been able to afford Borough of Manhattan——

Ms. BARRETO. No, I would not have been, you know, at a college, because I did not have any money saved, and that was the resource that I had available to me. So if I wouldn't have had that, I would not have been able to attend college.

Mr. BISHOP. Okay. Mr. Mitchem, you work with needy students all the time.

Mr. MITCHEM. Yes. The financial aid cuts are going to be devastating. Already, unmet need is quite high.

And this would drive it up, indeed, if the Pell Grant maximum is reduced. And so, thus, it would force more low-income and first-generation students out of college. It is just quite simple.

You have to provide financial aid. You have to provide supportive services, indeed, if you want to graduate first-generation and low-income students. That is my experience.

Mr. BISHOP. Okay. Thank you. Thank you, Mr. Chairman.

Chairman KLINE. I thank the gentleman. I apologize for the interruption.

Mr. Barletta, you are recognized.

Mr. BARLETTA. Thank you, Mr. Chairman.

Ms. Herrmann, I think a great feature of the proprietary school sector is its unique ability to adapt to the changing needs of the local economy. As a former mayor, I could attest to the importance of that versatility.

Can you please provide some examples of how you have worked with local community and business leaders to add, change, or reconstruct some of the programs, your programs, to ensure they are meeting the needs of your community in Woodbury?

Ms. HERRMANN. Absolutely. I can speak specifically in Woodbury, or I am happy to speak beyond those boundaries.

We have found that students go to school where it is convenient and accessible to them. When we look at a campus growing beyond a certain size, or we see a need from a community that is outside of a radius where students would drive to, we work towards looking to that community, seeing if there is a true need to build a new campus.

We would work them directly in determining what type of industry was there, what type of job opportunities were there. And we would develop programs and put programs in those schools specific to that new community.

I can tell you, as Mr. Jennings talked about, we use PAC committees that come into our campuses twice a year. They review our curriculum. They review our equipment, the things that we are doing to ensure that we are meeting their needs.

We also will close programs. If we know that there is no longer a need in a specific community for that program, or we will look to see if we have campuses that are close in proximity, and there is not enough of an employment market surrounding those two campuses, we may not choose to offer all of our programs there.

For instance, we have campuses in Green Bay and Appleton, Wisconsin, close proximity, a smaller employment market. So, we look very closely at what programs we would offer.

We limited enrollment in our veterinary technology program to ensure that we are—you know, we are very careful on the front end to make sure we can meet our commitments on the back end. And that is getting our students jobs.

Mr. BARLETTA. Thank you.

Mr. Jennings, could you discuss what you see as the top three most harmful aspects of the gainful employment regulation?

Mr. JENNINGS. Well, my concern is, I ran down a couple of numbers—if I could just speak frankly—I ran down a couple of numbers of my team. Thirteen of my 19 direct reports are from career colleges. I am looking to expand in the future about 5 percent.

We have a big contract coming in about 2 years. Well, we have landed the contract. Now we are in the design phase. And when we get to the production phase, we are going to expand about 30 percent.

As I understand the gainful employment, and as we have discussed here, we are certainly going to lose—financial aid is going to be a loss. Students are no longer going to have the opportunity to attend these colleges.

I turn to these schools to find employees. These employees just are not going to be available to me when I need them. When we expand, when we go to execute these programs for our customers, for our government, there simply just—we might not find the qualified people that we need.

That is my concern. That is my biggest concern.

Beyond that, I really—that truly is my primary concern.

Mr. BARLETTA. Yes, and I agree with you. These schools play a major role for many people in our communities finding employment and staying in that community.

One of the challenges of many communities is keeping people there and helping them find employment, because most people want to stay home where they live and find work there.

Mr. JENNINGS. Yes, sir.

Mr. BARLETTA. And it is also a fact that, if we are trying to attract businesses to a community, they are looking for a workforce to be able to feed off of. So, these schools play a major role in economic development, as well.

Mr. JENNINGS. They do. They do. The local public schools in our area, I have attempted to recruit from them before. And it was a difficult process, and I was unsuccessful. It was the community college I actually graduated from some years back, some 10 years back.

They will certainly have to change the way they do business, if the technical schools start graduating fewer people. They will definitely have to do things differently.

Mr. BARLETTA. Thank you. I yield back the balance of my time.

Chairman KLINE. I thank the gentleman.

Mrs. McCarthy, you are recognized.

Mrs. MCCARTHY. Thank you, Mr. Chairman, and thank you for holding this hearing.

And may I wish everybody a happy St. Patrick's Day.

The reason you see everybody running is that there is actually a Speaker's lunch at 12 o'clock with Speaker Boehner, the President, and the Vice President. So, we are rushing, to say the least.

You know, listening to the debate and, you know, hearing both sides—and I think that we all agree that we are trying to do whatever we can to make sure the bad apples—that we get rid of them. If they are not doing the right thing by students, we do not want them in the system, nor do we want them part of educating those children that have a chance, probably, of failing and defaulting.

But reading the testimony and then hearing Ms. Herrmann's testimony, as far as I am concerned, she hits on the central points of what this hearing is supposed to be about. You know, as she states, the goal of the gainful employment regulation is unclear and the logic supporting it is quite fuzzy, to be very honest with you.

If we are concerned about education quality, then we should be looking at those issues directly. We should be evaluating the schools based on the quality of their education. We should be looking at the faculty, their qualifications.

And we should look at other outside metrics, measures. We should be looking at accreditation standards and performance measures.

You know, in my State of New York, we treat institutions, whether a career college or a university or community college, equally. If you do not do well, you are kicked out. That is the bottom line.

So, it seems strange to use such indirect measures as debt loan and repayment rates to get at school quality. And I think that is what we should be looking at.

If we really are concerned about debt loans, then we should be looking at some of the well-respected universities in this country that have annual tuition rates in excess of $500,000. And I also would like to know what is their graduation rate or likelihood of their students getting a job.

A lot of students right now, especially during this economy, are graduating students, and they are not getting jobs either. And we should be looking at that equally.

It is equally strange to look at repayment rates or default rates when attempting to judge the effectiveness of the educational program. That is what this committee is about—quality education.

So, does it make any sense to punish a school, or schools, who has changed nothing about their program, but because of outside factors beyond their control, now have lower loan repayment rates?

So, Ms. Herrmann, I am going to ask you again. I know you have been asked, but I want you to go a little bit more.

Can you explain a little bit more about some alternative ways that possibly this committee and the Department of Education could look at to improve the quality without burdening schools, or denying student choice?

Ms. HERRMANN. Thank you, Congresswoman.

There are very good processes in place right now. We have the regulatory triad. We have the state, we have the accrediting bodies, and we have the federal government. And there are regulations in place now.

Some of the examples that have been brought about in the past 6 to 12 months really are cases where current regulations have not been enforced. And if those regulations that are already there are enforced, I do not think we run into these stories about these bad actors.

But as far as quality indices, you know, there are things that I know our national accreditor looks for. And those are things such as the retention rate of students. If they are coming, are the staying?

They also look to the placement rate. And it is very prescriptive. It is not just that a student gets a job. They need to be placed in a field, a related field, in order for them to be counted as placed.

They will look to our loan default rates. They also, when they come in to do visits, they are looking at the faculty credentialing.

And as you mentioned, it is not different whether you are a career college or you are a traditional school. Depending on the subject matter that that faculty member is teaching, the credentialing requirements are the same.

And so, I believe that the regulations in place can help us get through this period where we feel like there are some bad actors that need to go away.

But if there are additional things that we look to for measuring quality, then let us look at student outcome. Are they getting jobs? To me, gainful employment is a pretty simple term. Do they get a job when they finish?

The salary is not about the quality of the education. It is about, really, the field that the student goes into. And for the most part, I hope that students are going to college to fulfill their dreams and follow their dreams, versus for the paycheck that they are going to get.

Mrs. MCCARTHY. Thank you.

And I think that brings me to Ms. Barreto. You went back to Monroe College several times?

Ms. BARRETO. Correct.

Mrs. MCCARTHY. Do you think the college had anything to do with your default rate?

Ms. BARRETO. No, it was life, you know, my circumstances. I was a single mom. I had a little baby girl.

And when I started, had to pay back, I could not, because it was surviving, you know. My job was not paying that much, and I had to make choices. Survival or, you know, down the line I was going to pay it.

My intention was always to pay it. But life, you know, played a huge role in that.

Mrs. MCCARTHY. Thank you very much.

I yield back my time.

Chairman KLINE. I thank the gentlelady.

Mrs. Biggert, you are recognized.

Mrs. BIGGERT. Thank you, Mr. Chairman.

Mr. Jennings, you have mentioned continuing education in training of many of your company's employees, which I assume leads to higher salaries over time.

Can you comment on the entry level salaries of individuals you hire, and how a debt-to-income determination of programs' effectiveness might affect the availability of high-quality graduates?

Mr. JENNINGS. I can certainly speak to entry level salaries. Debt-to-income I probably will not be able to speak to. I am not sure what debt these graduates are coming to me with.

Typically, I hire, as you saw in my statement, that a graduate of a 2-year program, zero to 2 years' experience. And that is an entry level technician for my department.

They come to us at just a little over $40,000 a year, is their annual salary.

So, you know, that ratio, of course, obviously, would depend on the amount of debt they have accrued to get to that point.

And your question about continuing education, if I could speak to that a little bit. Once we hire them at the associate's level, at an entry level technician position, we do encourage them to continue on through a bachelor's program, whether it be a technical bachelor's or whether it be a management or non-technical bachelor's.

The local career colleges having their evening classes, having weekend classes, are very accommodating for these students to continue on.

If I could tell you a little of my story. I went the community college route and then transferred over to Arizona State University. It took me 8.5 years to finish a bachelor's degree, going the public school route while working full-time.

These students are actually able to go from an associate's to a bachelor's within 2 years. That was impossible to do—that is impossible to do through the public schools.

Mrs. BIGGERT. Okay. Thank you.

If I could move on and, Ms. Barreto, let me just commend you for your accomplishments. And you have a great story, and thank you for being here.

Ms. BARRETO. Thank you.

Mrs. BIGGERT. Then, Ms. Herrmann, in your written testimony you indicate that the debt-to-income is a poor way of determining whether or not an institution is offering value to its students.

Can you describe some of the fields graduates enter in which their income may be initially low, yet likely to result in a successful, long-term career?

Ms. HERRMANN. I would be happy to. Thank you.

I would say, virtually any profession where students are starting entry level, the pay is going to be fairly low. It is indicative of someone coming in with no experience. And your salary, you know, is commensurate with your experience and, of course, your training and your academic background.

Some specific ones that I know as we looked at those ratios that come to mind, registered nursing. A 4-year degree in registered nursing is an expensive program. And the salaries that nurses start with are typically around $40,000 in the State of Minnesota.

But I know people that, in the field just 2 and 3 years later, look at close to doubling that salary.

So, there are great opportunities. Students just do not realize those—or anybody going into an entry level position—are not seeing those types of earnings when they start a job.

Mrs. BIGGERT. Then you also note that the private sector is better suited to the constant adaptation needed to ensure that our workforce is best aligned with the labor demands to capitalize on emerging economic opportunities.

If this regulation restricts or eliminates roughly 20 percent of proprietary school programs, how do you see the future alignment of our nation's workforce with the employer demand developing, which we hope it develops soon?

Ms. HERRMANN. It is deeply troubling to me. We know that right now what we need to do is produce more and better skilled workers, not less. And so, if we look at 20 percent, or even greater numbers, depending on which study you might be looking at, that is a great hit to our economy and to our workforce.

It is critical that proprietary schools and the programs that we offer can still function and be adaptable and nimble to industry, so that we are able to continue to help build the workforce.

Mrs. BIGGERT. Thank you.

Then also, Ms. Herrmann, the department has predicated gainful employment rules on the assumption that schools are responsible for students taking on too much debt. Yet you note that your institutions cannot reduce the amount of loans that a student receives, which may be more than they need.

If the idea of student loans is to pay for education, what are the other expenses for students using these excess funds?

Ms. HERRMANN. I appreciate you bringing that to light, because no matter what our tuition is set at, students always have the availability of the loans that they are eligible for. And we do not have any way of preventing them from taking out those loans.

Expenses that students find important to them while they are in school, that will always be up to them. Sometimes it is absolutely necessary. It is transportation to get them to school.

Other times it is, you know, if I can get this big check, I might get a nicer car than I would have had before.

So again, while we can counsel and advise, we have no ability to prevent students from taking out those loans.

Mrs. BIGGERT. Thank you.

I yield back.

Chairman KLINE. Thank you.

Mr. Andrews?

Mr. ANDREWS. Thank you, Mr. Chairman.

I thank the witnesses.

I think the issue here is not whether we protect students and taxpayers against inferior programs; it is how. And I wanted to ask the panelists a question.

Let us assume we have two schools. School A has a graduation rate of 90 percent in a duly accredited program—in a program, not just the school, but a program—and a placement rate of 80 percent. So, in other words, of the students who attend a program at school

A, 90 percent of them graduate, 80 percent of them are placed in the job for which they were trained.

School B graduates, from the same program, 70 percent of its graduates and places 60 percent of those graduates in the field for which they were trained.

Ms. Barreto, which school do you think is better, school A or school B?

Ms. BARRETO. Well, honestly, I would have to know more about it, not just straight numbers. There are a lot of things that go into it. I would have to learn about what type of students they have and what circumstances. Just like——

Mr. ANDREWS. Good point.

Ms. BARRETO [continuing]. What I expressed, you know.

Mr. ANDREWS. But let us assume all other things like that were being equal, do you think A or B is better?

Ms. BARRETO. By straight numbers, I would say A, because you are looking——

Mr. ANDREWS. Well, I understand.

Ms. BARRETO [continuing]. You are looking just at numbers. You are not looking at any other——

Mr. ANDREWS. That is right——

Ms. BARRETO [continuing]. But that.

Mr. ANDREWS. Controlling for everything else, Mr. Jennings, what do you think, school A or school B?

Mr. JENNINGS. All things being equal, A certainly would be better.

Mr. ANDREWS. Dr. Mitchem?

Mr. MITCHEM. I would agree with Ms. Barreto. School A, if you are just going to stick to the metrics.

Mr. ANDREWS. Right.

And Ms. Herrmann?

Ms. HERRMANN. Of course, school A.

Mr. ANDREWS. Okay, here is my concern about the gainful employment rule. If school A charges a tuition that generates a debt service-to-income ratio of 9 percent, and school B charges a tuition that generates a debt service-to-income ratio of 7 percent, school A is kicked out of the program, and school B stays.

Does anybody here think that is a good idea?

I don't either.

The question I think that we confront, then—and I commend, frankly, the Secretary of Education, the administration for, in good faith, grappling with this question—is, what would be a better measure?

And I would like people's opinion about a measurement that would look at job placement and graduation rates as the guiding factors in this.

Dr. Mitchem, do you think that is a good idea, if we could develop a metric that would look at job placement and graduation, that that would be a good way to measure inferiority versus superiority in these programs?

Mr. MITCHEM. Job placement and graduation rate.

Mr. ANDREWS. Right.

Mr. MITCHEM. That was your question.

In theory, I think it would be, yes.

Mr. ANDREWS. What practical impediments do you think might get in the way of that theory? That is not a rhetorical question, because we are grappling with that very question right now.

How would we measure placement and graduation in a way you think would be fair and accurate?

Mr. MITCHEM. It would be complex and difficult. It would be above my pay grade, frankly.

Mr. ANDREWS. The gainful employment rule is kind of complex and difficult, too. The chairman and Mr. Miller and I, and others, have been following this issue for an awful lot of years. It takes about 15 minutes to explain gainful employment to somebody who is involved in this for a long time.

I agree with you. It is a difficult measure. But do you think it is a better measure than debt to income?

Mr. MITCHEM. It is a difficult judgment that I am not prepared to make.

Mr. ANDREWS. What do you think, Ms. Barreto? Do you think it is a better way of measuring the quality of the school?

Ms. BARRETO. Honestly, it is difficult. It is difficult to reply to, because you are just switching the scenarios you are, you know, checking on now.

Mr. ANDREWS. When you chose the school that you went to, why did you choose Monroe?

Ms. BARRETO. Well, I am not your traditional student. You know, I was a little bit older than everyone else.

Mr. ANDREWS. You do not look very old to us, by the way. [Laughter.]

Ms. BARRETO. Yes, I am. But I chose that school, because what I needed at the time was available to me at the school.

For example, they mentioned that they had three semesters in 1 year. And that fit in my—I was, like, great, you know, I can graduate——

Mr. ANDREWS. Was your ultimate goal to get the best job that you could?

Ms. BARRETO. At the time, I knew I needed a degree to get a great job.

Mr. ANDREWS. Right.

Ms. BARRETO. You know, that was always instilled in me.

Mr. ANDREWS. And would you say a good school is one that helps you get that great job, as opposed to one that does not?

Ms. BARRETO. Correct, yes.

Mr. ANDREWS. That is what I think we are driving at here. And it is a difficult issue to grapple with.

But I think the grappling with gainful employment, frankly, is taking us in the wrong direction. And I think my example demonstrates that, and we should continue to work together as we have to find a better answer.

I yield back.

Chairman KLINE. I thank the gentleman.

Mr. Walberg?

Mr. WALBERG. Thank you, Mr. Chairman.

It is always a tough act to follow Mr. Andrews. I am tempted to just suspend my questioning. But I am not going to do that, be-

cause we are grappling with that problem, and I think it is worthwhile to continue to grapple.

And Ms. Barreto, I identify to some degree with you, coming from a South Side Chicago home, being a first-generation college student myself, with the added burden that my twin brother wanted to go at the same time, from a family that was limited significantly in income. And the two of us had to find our own way, to provide our own education through the process. And I applaud you for doing what was necessary to complete.

I assume from what you have said already that you feel the institution that you attended—all the institutions you attended, but specifically thinking on this issue—that it supplied a very adequate education for you to continue your achievement.

However, if enacted, the gainful employment regulation that we are considering, thinking of your situation and others that would be considering education for their own selves in the future with similar concerns, how would this regulation impinge upon them, or help them, either way, in getting the education that you received?

Ms. BARRETO. I am sorry. Can you just rephrase the question?

Mr. WALBERG. How would you feel the new gainful employment regulation would affect the student who is currently looking to achieve the same kind of career successes that you have enjoyed?

Ms. BARRETO. Well, you know, for other students coming, you know, going to school, I just see that they would benefit from being in a school that gives them that opportunity, that gives them, you know, the training, the knowledge, so that when they get out and graduate, be at the top of the pile of the resumes, because you are competitive. And you have learned through that school everything you need to be competitive, you know, in the field.

So, I think it is just the knowledge that is given. That is how I believe they would benefit, you know.

Mr. WALBERG. But the gainful regulation, the gainful employment regulation that is being proposed, would it keep them from having that opportunity, in your viewpoint?

Ms. BARRETO. True. But I think, even with the restrictions that we are facing now, I think students like me, you know, you reach tough circumstances, whether it is funding getting cut, your not being able to attend a school, or anything like that.

I am an example. It has taken me a long time to finish school. And, you know, thinking back, if I wouldn't have those opportunities and grants, something—I would have been resourceful and used something else.

Maybe it would have taken me longer to go to school. And I would have been here, you know, 10 years down the road. But it is just, you know, using—being resourceful, you know.

Mr. WALBERG. And making your own choices and——

Ms. BARRETO. Exactly, just——

Mr. WALBERG [continuing]. Moving forward.

Ms. BARRETO [continuing]. Being more resourceful.

And being first generation, I knew, you know, just using every avenue possible to reach your opportunity.

Mr. WALBERG. Thank you. Thank you.

Ms. Herrmann, in a recent hearing in this committee, we have heard many examples of the burdens placed upon institutions, re-

quiring them to spend vast amounts of time reporting information to the federal government.

What kinds of reporting requirements would this gainful employment regulation create? And would it detract from the productivity of your school?

Ms. HERRMANN. Congressman, I think any time that we are required to report and we are looking at a paper process versus a people process, it takes us away from our day job.

That being said, there already are significant reporting requirements that are put on our schools, and particularly those schools that are nationally accredited.

So, while it takes additional time to gather that data, it is important data—not just for us to show the outside world, but for us to focus on our internal operations to see how we might improve and make sure that we are continually working to improve student outcomes.

The burden in the gainful employment specifically is such that, first of all, we do not know what it is. It is looking back versus moving forward, so we would have to have information on students from 3 years prior. It requires us to have salary information that is not always readily available.

We always ask our graduates to self-report their earnings. But to get that earning report from the Social Security Administration would be very difficult. I think that those records are not very likely to be released. So, it is the matching of those.

The cross-matching of the specific programs to the CIP codes from the SOC, the crosswalk that occurs there, the programs do not always make sense.

For instance, we have a very strong paralegal program. And one of the careers that is associated with that, that we would have to be transparent and show a student that it is available to them, is a religious worker. Students graduating from my paralegal program do not have that opportunity.

So, there are so many convoluted pieces that go into it, that it will take a lot of time away from our day job, and that is working with students and helping them achieve, and making sure that we have quality in the classroom and quality outcomes.

Mr. WALBERG. Thank you.

Thank you, Mr. Chairman.

Chairman KLINE. I thank the gentleman.

Mr. Scott?

Mr. SCOTT. Thank you, Mr. Chairman.

Dr. Mitchem, what are some of the problems that young people have in accessing college, particularly those whose parents have not gone to college?

Mr. MITCHEM. The first problem they have is one of motivation and in understanding the importance and power of going to college.

The second issue is oftentimes their inability to overcome what I would call the consciousness of poverty; that is, that they are not always aware of the financial aid opportunities that are available from the federal, state, and even from institutions.

The other is confidence in themselves, that they lack that confidence oftentimes—which rests in terms of their—oftentimes in terms of low self-esteem.

So, it is a cocktail of variables that really work against their moving forward and making appropriate choices in the process.

Mr. SCOTT. And what can Council on Opportunity in Education programs do to overcome those problems?

Mr. MITCHEM. The programs that we represent? These programs do not deal with the financial aid issues. You are talking about the TRIO programs in this instance, I assume.

These programs do not deal with the financial, but rather, they deal with the cultural, social and academic barriers, which are absolutely essential that we have to grapple with, along with the financial aid, if, indeed, these students are going to achieve and graduate.

Mr. SCOTT. Once they get into college, are there things that can be done to increase the chance that they will actually complete college?

Mr. MITCHEM. What can be done to increase the chance of students completing college?

Mr. SCOTT. Right.

Mr. MITCHEM. I think to make sure that there is adequate financial aid, as well as adequate supportive services. I think, in the federal equation as we go all the way back to 1965, the federal policy has missed the importance of supportive services.

If you look at the record where you just provide financial aid, the attrition rates and completion rates are not what they want. And that is why I applaud the president's initiative now in trying to raise the completion rates for all Americans.

But I think we are going to have to do more than we have done historically with respect to supportive services.

Mr. SCOTT. And what kind of supportive services increase the chance that a student may complete——

Mr. MITCHEM. A, in making sure that there is greater preparation for individuals who aspire or can be motivated to go to college. Information so that, again, so they make the appropriate choices and make the right—so there is a right match between individual and institution.

And then, once individuals are in institutions, a panoply of academic, cultural and social services that address whatever educational deficiencies the students may bring with them. But also, deal with some of the psychosocial issues because these students are making a class transition.

And oftentimes, we do not understand or recognize that people are moving from a first-generation underclass into a middle-class, bourgeois experience. And we do not always make the necessary adjustments.

Individuals have to feel whole and welcome in an environment. They cannot feel alienated and succeed. They are motivated if, indeed, they feel included.

And so, thus, these supportive services become quite important indeed, and coupled with the financial aid, which provide the floor, the underpinning, so they can move forward.

Mr. SCOTT. Thank you, Mr. Chairman. I yield back.

Chairman KLINE. I thank the gentleman.

It looks like all members have had an opportunity to engage in the discussion.

I want to thank the witnesses for great testimony, great dialogue answering the questions, and recognize Mr. Miller for any closing remarks?

No closing remarks.

In that case, I will just say again, thank you. And we are going to continue to grapple with this.

As Mr. Andrews said, we have got a lot of confusing numbers. We have got graduation rates that—the numbers do not even work, because you have got to be a first-time, full-time student for the numbers to count.

And a lot for us to do here. Your participation today is going to be very helpful. Thank you very much.

And with that, we are adjourned.

[Whereupon, at 12:18 p.m., the committee was adjourned.]

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