STRENGTHENING ACCOUNTABILITY IN HIGHER EDUCATION TO BETTER SERVE STUDENTS AND TAXPAYERS

HEARING

BEFORE THE

SUBCOMMITTEE ON HIGHER EDUCATION AND WORKFORCE INVESTMENT

OF THE

COMMITTEE ON EDUCATION AND LABOR

U.S. HOUSE OF REPRESENTATIVES

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C O N T E N T S

STRENGTHENING ACCOUNTABILITY IN HIGHER EDUCATION TO BETTER SERVE STUDENTS AND TAXPAYERS

Wednesday, April 3, 2019
House of Representatives,
Committee on Education and Labor,
Subcommittee on Higher Education and Workforce Investment,
Washington, DC.

The subcommittee met, pursuant to notice, at 9:20 a.m., in room 2175, Rayburn House Office Building. Hon. Susan A. Davis [chairwoman of the committee] presiding.

Present: Representatives Davis, Courtney, Takano, Jayapal, Harder, Levin, Omar, Lee, Trahan, Castro, Sablan, Bonamici, Adams, Norcross, Smucker, Guthrie, Grothman, Stefanik, Banks, Walker, Comer, Meuser, and Timmons.

Also present: Representatives Scott and Foxx.

Staff present: Katie Berger, Professional Staff; Nekea Brown, Deputy Clerk; Ilana Brunner, General Counsel—Health and Labor; Jacque Chevalier Mosely, Director of Education Policy; Christian Haines, General Counsel—Education; Ariel Jona, Staff Assistant; Jaria Martin, Staff Assistant; Max Moore, Office Aide; Merrick Nelson, Digital Manager; Veronique Pluviose, Staff Director; Katherine Valle, Senior Education Policy Advisor; Banyon Vassar, Deputy Director of Information Technology; Claire Viall, Professional Staff; Marty Boughton, Minority Press Secretary; Courtney Butcher, Minority Coalitions and Members Services Coordinator; Bridget Handy, Minority Legislative Assistant; Blake Johnson, Minority Staff Assistant; Amy Raaf Jones, Minority Director of Education and Human Resources Policy; Hannah Matesic, Minority Director of Operations; Kelley McNabb, Minority Communications Director; Alex Ricci, Minority Professional Staff Member; and Mandy Schaumburg, Minority Chief Counsel and Deputy Director of Education Policy.

Chairwoman DAVIS. Good morning. The Subcommittee on Higher Education and Workforce Investment will come to order.

Today we are here to discuss the need to have stronger college accountability, which we all know is critical to ensuring students are accessing a quality higher education.

Our higher education system maintains its integrity through three unique entitles, the Federal Government, states, and accreditors. And together these entitled form the accountability triad, charged with protecting students and ensuring that they receive a quality education.

The accountability triad is intended to provide robust oversight of colleges and universities. But the recent wave of for-profit college closures raises some serious questions about its effectiveness, and unfortunately, students and taxpayers are paying the price.

While some say there are "bad actors" in every sector, history clearly demonstrates that predatory behavior has only been rampant in the for-profit sector. For-profit colleges have, by definition, a fiduciary duty to its stakeholders to maximize profits, often at the expense of students.

We can just tell by looking at the data. And if you can all see the screen, or several screens around—please look at those—as you can see, the data clearly show that for-profit colleges have wreaked havoc on students and taxpayers.

Students in for-profit colleges borrow more often, they take out larger loans, and default at higher rates than students in similar programs at public and non-profit colleges.

Even with these abysmal outcomes, students are still attending these schools and we must ask ourselves why. Is it because they don't have all the information in front of them? Well, perhaps that is true. These companies spend a lot of money aggressively marketing to and targeting students, particularly students of color, low-income students, and veterans. So perhaps having better information would help students make a more informed decision. However, improving consumer information is in no way a substitute for accountability. Regardless of how much information is available to students, most students are inherently constrained by geography, by place.

Over the last 4 years, we have seen several large for-profit colleges, college companies collapse, leaving tens of thousands of students with no degree and high debt loads. And although we have seen some small, non-profit schools close, the closure impacts fewer students and are often related to enrollment declines, not predatory actions.

So to maintain the integrity of our higher education system, we must examine and strengthen each entity of the triad, not as independent members but as interdependent members actively coordinating to achieve the goal of ensuring students receive a quality education.

Accreditors, traditionally the guardians of higher education quality, must be more effective at upfront gatekeeping and ongoing monitoring. And that means setting standards that vary by institutional mission, using data to hold schools accountable, and standardizing procedures.

So while I understand that an accreditor's role is to help institutions improve, accreditors are also charged with ensuring quality for students today. And if it takes 10 years before an institution collapses due to its practices, it means we are failing today's students.

States also play an important role in the accountability triad, but that role is not well defined. Some states have taken aggressive steps to conduct proactive oversight, while others have done little to protect students and taxpayers. So we must encourage states to enforce minimal standards related to consumer protections. Reviewing marketing practices and enrollment contracts when authorizing colleges are just a few areas where states could take a more active role.

And when the state finds concerning patterns, the state should, at the very least, bring those concerns to the attention of accreditors and the Department of Education.

The Federal Government, as one of the three entities in the triad, must also do more. The Department of Education must ensure that schools receiving access to Federal student aid are financially stable and are not defrauding students. And in cases where students are cheated, the Department must provide relief so that students can have a new start without the burden of debt for an education that unfortunately went nowhere.

Under this Administration, the Department has consistently failed to fulfill the Federal Government's critical role in keeping colleges accountable, particularly for for-profit colleges. Under Secretary DeVos, this Department has failed to implement rules—that are established to protect consumers from the worst performing schools. And it is then no surprise that three major college chains abruptly collapsed without warning to students.

Specifically, the Department has: neglected to intervene when schools are putting students and taxpayers at risk; reinstated the troubled Accrediting Council for Independent Colleges and Schools; and failed to oversee low-quality, career programs; decreased college transparency, making it harder for students to make informed decisions; and finally, failed to quickly provide relief to defrauded students despite being ordered to implement this protection by a Federal Court Judge.

So the Department has not only abandoned its critical role in college accountability but has actively worked to undermine the integrity of the triad through negotiated rulemaking. The Department is proposing to reduce its own footprint while providing accreditors with greater flexibility. And ultimately, these proposed changes would allow low-quality schools to flourish and leave accreditors with little to no responsibility for accrediting bad actors.

So as we together consider ways to modernize the Higher Education Act to meet the needs of our modern work force, we must strengthen accountability and ensure our current problems aren't exacerbated in the next reauthorization.

I look forward to working with my colleagues to find solutions that ensure all students have access to a quality postsecondary education that leads to a rewarding career.

I want to thank the witnesses for being with us today. I look forward to your testimony and the discussion that will follow.

I now yield to the ranking member, Mr. Smucker, for his opening statement.

[The statement of Chairwoman Davis follows:]

Prepared Statement of Hon. Susan A. Davis, Chairwoman, Subcommittee on Higher Education and Workforce Investment

Today, we are here to discuss the need to have stronger college accountability, which is critical to ensuring students are accessing a quality higher education.

Our higher education system maintains its integrity through three unique entities: the Federal Government, States, and accreditors. Together, these entities form the 'accountability triad' charged with protecting students and ensuring that they receive a quality education.

The accountability triad is intended to provide robust oversight of colleges and universities. But the recent wave of for-profit college closures raises serious questions about its effectiveness, and unfortunately, students and taxpayers are paying the price.

While some say there are "bad actors" in every sector, history clearly demonstrates that predatory behavior has only been rampant in the for-profit sector. For-profit colleges have, by definition, a fiduciary duty to its stakeholders to maximize profits, often at the expense of students.

We can tell just by looking at the data.

As you can see on the slide, the data clearly show that for-profit colleges have wreaked havoc on students and taxpayers. Students in for-profit colleges borrow more often, take out larger loans, and default at higher rates than students in similar programs at public and non-profit colleges.

Even with these abysmal outcomes, students are still attending these schools and we must ask ourselves why. Is it because students don't have all the information in front of them? Maybe.

Or maybe it's because these for-profit institutions make it easier for students to enroll due to their flexible schedules? Perhaps.

But the reality is that these companies spend a lot of money aggressively marketing to and targeting students, particularly students of color, low-income students, and veterans. And their budgets are much larger than the local community college that is also open access and charges students a lot less than the for-profit company.

So perhaps having better information would help students make a more informed decision. However, improving consumer information is in no way a substitute for accountability. Regardless of how much information is available to students, most students are inherently constrained by geography.

For-profit institutions tout their flexible schedules and online education. But the truth is that for-profit institutions often spend a big part of their budget on recruiting students

Over the last 4 years, we have seen several large for-profit college companies collapse, leaving tens of thousands of students with no degree and high debt loads. Although we have seen some small, non-profit schools close, the closure impacts fewer students and are often related to enrollment declines not predatory actions.

To maintain the integrity of our higher education system, we must examine and strengthen each entity of the triad not as independent members but as interdependent members actively coordinating to achieve the goal of ensuring students receive a quality education.

Accreditors—traditionally the guardians of higher education quality—must be more effective at upfront gatekeeping and ongoing monitoring. That means setting standards that vary by institutional mission, using data to hold schools accountable, and standardizing procedures.

While I understand that an accreditor's role is to help institutions improve, accreditors are also charged with ensuring quality for students today. And if it takes 10 years before an institution collapses due to its predatory practices, it means we are failing today's students.

States also play an important role in the accountability triad. But that role is not well defined. Some States have taken aggressive steps to conduct proactive oversight, while others have done little to protect students and taxpayers.

We must encourage States to enforce minimal standards related to consumer protections. Reviewing marketing practices and enrollment contracts when authorizing colleges are just a few areas where States could take a more active role.

And when the State finds concerning patterns, the State should, at the very least, bring those concerns to the attention of accreditors and the Department of Education.

The Federal Government, as one of the three entities in the triad, must also do more. The Department of Education must ensure that schools receiving access to Federal student aid are financially stable and are not defrauding students. And, in cases where students are cheated, the Department must provide relief so that students can have a new start without the burden of debt for an education that went nowhere.

Under this Administration, the Department has consistently failed to fulfill the Federal Government's critical role in keeping colleges accountable, particularly for-profit colleges.

Under Secretary DeVos, this Department has failed to implement rules established to protect consumers from the worst performing schools. It is then no surprise that three major college chains abruptly collapsed without warning to students. Specifically, this Department has:

* Neglected to intervene when schools are putting students and taxpayers at risk;
* ReinStated the troubled Accrediting Council for Independent Colleges and Schools or A-C-I-C-S;
* Failed to oversee low-quality, career programs;
* Decreased college transparency, making it harder for students to make informed decisions; and
* Failed to quickly provide relief to defrauded students despite being ordered to implement this protection by a Federal court judge.

The Department has not only abandoned its critical role in college accountability but has actively worked to undermine the integrity of the triad through negotiated rulemaking. The Department is proposing to reduce the its own footprint while providing accreditors with greater flexibility. Ultimately, these proposed changes would allow low-quality schools to flourish and leave accreditors with little to no responsibility for accrediting bad actors.

As we consider ways to modernize the Higher Education Act to meet the needs of our modern work force, we must strengthen accountability and ensure our current problems aren't exacerbated in the next reauthorization.

I look forward to working with all my colleagues to find solutions that ensure all students have access to a quality postsecondary education that leads to a rewarding career.

I want to thank the witnesses for being here with us today. I look forward to your testimony and the discussion that will follow.

I now yield to the Ranking Member, Mr. Smucker, for his opening Statement.

Mr. SMUCKER. Thank you, Madam Chair, for yielding.

A postsecondary education has long been one of the surest pathways to a good paying job and lifelong success. Attending college is a dream for so many Americans and we have made great strides in reducing barriers to making that dream a reality. It is something we should all celebrate. But, unfortunately, as student access has improved, program accountability and completion of college by students have struggled to keep up. We do have a completion problem, and students are paying the price.

Even though we pour billions of taxpayer dollars into postsecondary education, we have seen modest problems grow into significant challenges. Easy access to tax payer funded student loans has indeed driven up tuition and fees. Over the last 30 years the cost of attending a 4 year public education has increased 213 percent. Meanwhile, completion rates have lagged behind. Only 58 percent of full-time students at 4 year colleges graduate within 60 years—only 58 percent.

And today aggregate student debt stands at more than $1.4 trillion, surpassing both national auto loan and credit card debt.

The absence of downward pressure on rising costs, paired with the fact that postsecondary institutions don't share in the risk of students non completion has harmed students' chances of future success.

Studies show that college is a worthwhile investment for graduates, but for the students who don't complete their education, their prospects are actually worse than if they never attended college in the first place. College too often has become a risk. Many ask themselves, will enrollment put me on the path to success or strand me with thousands of dollars in debt and no degree to show for my efforts.

It is clear that the Federal, State, and accreditors' roles in postsecondary education must be reformed to protect taxpayers and promote student success.

Accreditation agencies, independent bodies made up of members from accredited colleges and universities, provide quality control in the higher education space. Accreditors are responsible for judging whether institutions are fulfilling their duties and providing students with a high quality education. Unfortunately, accreditors are often back on their feet having to focus on bureaucratic compliance more than on promoting innovation and academic integrity.

Committee Republicans believe the accreditation process should be reformed to foster institutional innovation and strong educational outcomes for students. Preserving the current accreditation framework is important. The Federal Government is not and should never be responsible for prescribing academic standards for institutions, but there is room to reform the system for greater accountability and quality.

The Higher Education Act should be reformed to provide prospective students and their families with better information. Higher education is an investment and students deserve access to metrics, like graduate rates, average debt per pupil, and employment outcomes by university and by field of study.

Choosing the right school and study area are decisions that will have a lasting impact on a student's life. We should empower students with the information they need to make a fully informed decision.

Today's postsecondary education system looks a bit like a tangled ball of yarn. From rising tuition, student debt, to lagging innovation and low graduation rates, every problem is interconnected. But if we strengthen our accountability in higher education and reform accreditation to focus on quality and results, we can begin to restore the balance of flexibility for institutions to innovate and accountability for students and taxpayers.

Thank you, Madam Chair.

[The statement of Mr. Smucker follows:]

Prepared Statement of Hon. Lloyd Smucker, Ranking Member, Subcommittee on Higher Education and Workforce Investment

Thank you for yielding.

A postsecondary education has long been one of the surest pathways to a good-paying job and lifelong success. Attending college is a dream for so many Americans and we've made great strides in reducing barriers to making that dream a reality. This is something we should celebrate but unfortunately as student access has improved, program accountability and completion of college have struggled to keep up.

We have a completion problem and students are paying the price.

Even though we've poured billions of taxpayer dollars into postsecondary education, we've seen modest problems grow into significant challenges. Easy access to taxpayer-funded student loans has driven up tuition and fees.

Over the last 30 years, the cost of attending a 4-year public institution has increased 213 percent.

Meanwhile, completion rates have lagged behind. Only 58 percent of full-time students at 4-year colleges graduate within 6 years, and today, aggregate student debt stands at more than $1.4 trillion, surpassing both national auto loan and credit card debt.

The absence of downward pressure on rising costs paired with the fact that postsecondary institutions don't share in the risk of students' noncompletion has harmed students' chances at future success. Studies show that college is a worthwhile investment for graduates; but for the students who don't complete their education, their prospects are worse than if they'd never attended college in the first place.

College has become a risk for many. Many students ask themselves: "Will enrollment put me on the path to success, or strand me with thousands of dollars in debt and no degree to show for my efforts?"

It's clear that the Federal, State, and accreditors roles in postsecondary education must be reformed to protect taxpayers and promote student success.

Accreditation agencies, independent bodies made up of members from accredited colleges and universities, provide quality control in the higher education space. Accreditors are responsible for judging whether institutions are fulfilling their duties and providing students with a high-quality education.

Unfortunately, accreditors are often on the back foot, having to focus on bureaucratic compliance more than on promoting innovation and academic integrity.

Committee Republicans believe the accreditation process should be reformed to foster institutional innovation and strong educational outcomes for students.

Preserving the current accreditation framework is important the Federal Government is not and never should be responsible for prescribing academic standards for institutions. But there is room to reform the system for greater accountability and quality.

The Higher Education Act should be reformed to provide prospective students and their families with better information. Higher education is an investment, and students deserve access to metrics like graduate rates, average debt per pupil, and employment outcomes by university and field of study.

Choosing the right school and study area are decisions that will have a lasting impact on a student's life. We should empower students with the information they need to make a fully informed decision.

Today's postsecondary education system looks a bit like a tangled ball of yarn. From rising tuition and student debt to lagging innovation and low graduation rates, every problem is interconnected.

But if we strengthen our accountability in higher education and reform accreditation to focus on quality and results, we can begin to restore the balance of flexibility for institutions to innovate and accountability for students and taxpayers.

Chairwoman DAVIS. Thank you, Mr. Smucker.

And, without objection, I just wanted to mention that all members who wish to insert their written statements into the record can do so by April 16.

I wanted to just correct the record here because I think we want to be very clear that—we need to clarify that grant aid and loans have been driven up, the price at college, but only at for-profit institutions. So we haven't seen that. Research has found time and time again that this is not true at public institutions. So we want to just make sure that we are clear. And we can go back and take a look at that record together if you would like. No problem.

Okay. And I now want to introduce our witnesses. Dr. Nicholas Hillman is an associate professor of education leadership and policy analysis at the School of Education of the University of Wisconsin-Madison. Dr. Hillman's research examines how Federal student aid and state performance based funding policies affect educational opportunity and outcomes. Dr. Hillman earned his doctorate in educational leadership and policy studies from Indiana University.

Welcome.

Ms. Melissa Emrey-Arras is the director of education, work force, and income security issues at the U.S. Government Accountability Office, that we know as GAO. Ms. Emrey-Arras has been with the GAO for nearly 2 decades and oversees GAO's work on higher education. Ms. Emrey-Arras received a master's degree in public policy from Harvard and holds a bachelor's degree from Swarthmore College.

Welcome, as well.

Mr. Noe Ortega is the commissioner of postsecondary and higher education and is deputy secretary for the Office of Postsecondary and Higher Education at the Pennsylvania Department of Education. In this role Mr. Ortega oversees higher education for the Commonwealth of Pennsylvania.

Mr. Ortega holds a master of science in education psychology from Texas A&M University-Corpus Christi, and a bachelor's degree from St. Edward's University.

Welcome.

And Dr. Barbara Brittingham is the president of the New England Commission of Higher Education. Her commission accredits 226 institutions of higher education, most of which are private, nonprofit in the 6 New England states.

Dr. Brittingham received her doctorate from Iowa State University.

We appreciate all of you being here today and look forward to your testimony.

I wanted to just remind the witnesses that we have read your written statements and they will appear in full in the hearing record. Pursuant to committee rule 7d and committee practice, each of you is asked to limit your oral presentation to a 5 minute summary of your written statement.

I also want to remind the witnesses that pursuant to Title 18 in the U.S. Code, Section 1001, it is illegal to knowingly and willfully falsify any statement, representation, writing document, or material fact presented to Congress or otherwise conceal or cover up a material fact.

Before you begin your testimony please remember to press the button on the microphone in front of you so that it will turn on and the members can all hear you. As you begin to speak the light in front of you will turn green and, after 4 minutes the light will turn yellow to signal that you have 1 minute remaining. When the light turns red your 5 minutes have expired and we ask that you please wrap up.

So after all that is said, we will certainly let the entire panel make their presentations before we move to member questions. And when answering a question, please remember to once again turn your microphone on.

I will first recognize Dr. Hillman.

STATEMENT OF PROFESSOR NICHOLAS HILLMAN, PH.D., ASSOCIATE PROFESSOR, UNIVERSITY OF WISCONSIN-MADISON

Mr. HILLMAN. Chairwoman Davis, Ranking Member Smucker, and Members of the committee, thank you for inviting me to this hearing on strengthening accountability in higher education. I am honored to participate and I look forward to continuing these conversations with the Committee and your staff.

Across our Nation's 4,300 degree-granting colleges and universities and the 19 million students that they serve, there is a wide range of educational missions, types of colleges, and students' needs. There is also a high degree of inequality in student access and outcomes that are driven by two main forces, unequal educational opportunities outside of college, and unequal resources among colleges.

So a challenge for any accountability system is to ensure that it does not reinforce the very inequalities that it seeks to resolve. So improving accountability should, in my opinion, focus on improving outcomes for all students, especially those who have been traditionally underserved and poorly served by colleges and universities.

The accountability triad plays a central role here in identifying the shared commitments among the Federal Government, States, and accreditation agencies.

Each member of the triad has a role to play. For example, accreditors conduct the in-depth peer review to ensure that colleges and academic programs meet minimal quality standards and that they have appropriate financial and human resources. Neither the states nor the Federal Government conduct these reviews. Instead, governmental agencies rely on accreditors' expertise as a form of professional accountability.

For quality assurance at the Federal level, accountability policies come in three main varieties. The first is consumer information. So via tools such as the college score card and the college navigator. The second is through regulatory action where through negotiator rulemaking the U.S. Department of Education implements program integrity rules, such as gainful employment. And the third is the legislative action that codifies accountability policies, such as the Cohort Default Rate, the Financial Responsibility Standards, the "90/10 rule" into the Higher Education Act itself.

In states, accountability comes in different forms, primarily around academic program review, state authorization, and performance management. State higher education executive agencies and governing boards ensure academic programs are not unnecessarily duplicated. They also determine which institutions are authorized to operate in their territorial state boundaries. States have taken many actions to incorporate performance management into their accountability systems, most notably performance-based funding, which has been found to have very mixed results in improving student outcomes.

And this is one of my research areas where the best evidence to date finds that performance-based funding states do not typically outperform other states and may even reinforce inequality in some cases.

When well-coordinated, each of these three members of the triad can leverage their shared commitments to create better educational environments for students. The triad's differential accountability system is designed to hold different institutions, programs, and sectors accountable for different outcomes. This is one of the system strengths and requires ongoing coordination and maintenance.

More can be done to hold the poorest performing institutions and their programs accountable that are fair, effective, and that promote better student outcomes.

So, I will conclude with a few examples. First, few accountability efforts adjust outcomes based on students' inputs. States are trying to address this by incorporating premiums and bonuses into their performance-based funding models when colleges serve targeted populations like low-income students, older students, or students of color, when they serve them well. And well-designed input adjustment can paint a fairer picture of the role that colleges play in promoting student success.

Second, accountability efforts tend to focus on consumer information and financial incentives that overlook capacity building as a way to promote improvement. Ensuring that colleges have adequate resources to improve outcomes may be an effective complement to the triad's suite of accountability policies.

And, finally, well designed accountability policies must link policy and practice. In my work at the University of Wisconsin-Madison we have developed an innovative research practice partnership with our financial aid office where my research team uses data and analysis to help improve the administration of financial aid programs to support students' success on campus. Our work connects policy and data with on the ground practices to better support students and to provide a feedback loop that is sometimes missing from accountability conversations.

To conclude, I believe public policy problems concerning unequal college completion rates, quality assurance, affordability, and burdensome student loan debt would be worse without the accountability triad's oversight. I also believe these problems can be solved, or at least improved, via better accountability that addresses the root problems, incorporates promising design features, focuses on students, and keeps an eye toward inequality.

I hope my testimony provides useful guidance for your committee and I commend you for your service in addressing these important accountability issues to promote better student outcomes.

Please know it is my honor and privilege to be a resource today and into the future.

Thank you.

[The statement of Mr. Hillman follows:]

Testimony before the House Committee on Education & Labor:
Strengthening Accountability in Higher Education to Better Serve Students and Taxpayers

Nicholas Hillman
Associate Professor
University of Wisconsin-Madison

Chairwoman Davis, Ranking Member Smucker, and Members of this Committee, thank you for inviting me to this hearing on strengthening accountability in higher education. I am honored to participate and I look forward to continuing these conversations with the Committee and your staff.

Across our nation's 4,300 degree-granting colleges and universities and the 19 million students they serve, there is a wide range of educational missions, types of colleges, and student needs. There is also a high degree of inequality in student access and outcomes driven by two main forces – unequal educational opportunities outside of college and unequal resources among colleges.

A challenge for any accountability system is to ensure it does not reinforce the very inequalities it seeks to resolve, so improving accountability should in my opinion focus on improving outcomes for all students – especially those who have been traditionally underserved or poorly served by colleges and universities.

The accountability triad plays a central role here by identifying shared commitments among the federal government, states, and accreditation agencies. Each member of the triad has a role to play. For example, accreditors conduct in-depth peer reviews to ensure colleges and their academic programs meet minimal quality standards and have appropriate financial and human resources. Neither the states nor federal government conduct these reviews – instead, governmental agencies rely on accreditors' expertise as a form of *professional accountability* for quality assurance.

At the federal level, accountability policies come in three main varieties. The first is *consumer information* via such tools as the College Scorecard and College Navigator. The second is through *regulatory action* where, through negotiated rulemaking, the U.S. Department of Education implements program integrity rules such as Gainful Employment. Third is *legislative action* that codifies accountability policies such as the Cohort Default Rate, Financial Responsibility standards, and the "90/10 rule" into the Higher Education Act itself.

In the states, accountability comes in different forms – primarily around *academic program review*, *state authorization*, and *performance management*. State higher education executive agencies and governing boards ensure academic programs are not unnecessarily duplicated. They also determine which institutions are authorized to operate in their state or territorial borders. States have taken many actions to incorporate performance management into their accountability systems, most notably performance-based funding which has been found to have very mixed results in improving outcomes. This is one of my research areas, where the best evidence to date finds performance-based funding states do not typically out-perform other states and may even reinforce inequality in some cases.

When well-coordinated, each of the three members can leverage their *shared commitments* to create better educational environments for students. The triad's differentiated accountability system is designed to hold different institutions, programs, and sectors accountable for different outcomes. This is one of the system's strengths and requires ongoing coordination and maintenance.

More can be done to hold the poorest performing institutions and programs accountable in ways that are fair, effective, and that promote better student outcomes. I will conclude with a few examples.

First, few accountability efforts adjust outcomes based on students' inputs. States are trying to address this by incorporating premiums and bonuses in performance-based funding models when colleges serve targeted populations well (e.g., low-income students, older students, students of color). Well-designed input-adjustment can paint a fairer picture of the role colleges play in promoting student success.

Second, accountability efforts tend to focus on consumer information and financial incentives and overlook "capacity building" as a way to promote improvement – ensuring colleges have adequate resources to improve outcomes may be an effective complement to the triad's suite of accountability policies.

Finally, well-designed accountability policies must link policy and practice. In my work at the University of Wisconsin-Madison, we have developed an innovative research-practice partnership with the financial aid office where my research team uses data and analysis to help improve the administration of aid programs to support student success on campus. Our work connects policy and data with on-the-ground practices to better support students, a feedback loop that is sometimes missing from accountability conversations.

To conclude, I believe public policy problems concerning unequal college completion rates, quality assurance, affordability, and burdensome student loan debts would be worse without the accountability triad's oversight. I also believe these problems can be solved or at least improved via better accountability that addresses root problems, incorporates promising design features, focuses on students, and keeps an eye toward inequality. I hope my testimony provides useful guidance for your Committee and I commend you for your service and for addressing these important accountability issues to promote better student outcomes. Please know it is my honor and privilege to be a resource today; I am happy to be a resource to you and your staff as these conversations continue. Thank you.

Chairwoman DAVIS. Thank you. And you stayed within your time well.

Ms. Emrey-Arras, please.

STATEMENT OF MELISSA EMREY-ARRAS, DIRECTOR, EDUCATION, WORKFORCE, AND INCOME SECURITY ISSUES, U.S. GOVERNMENT ACCOUNTABILITY OFFICE

Ms. EMREY-ARRAS. Chairwoman Davis, Ranking Member Smucker, and members of the subcommittee. I am pleased to be here today to discuss the Federal Government's role in ensuring accountability in higher education.

In Fiscal Year 2018 nearly 13 million students and their families received over $122 billion to help them pursue higher education through programs authorized under the Higher Education Act. Education administers these programs and is responsible, with the rest of the triad, for maintaining accountability and protecting the Federal investment in higher education.

Among Education's responsibilities are recognizing accreditors to oversee educational equality, determining which schools are financially responsible and can participate in Federal student aid programs, and ensuring that schools comply with laws and regulations. However, news reports about students attending low quality schools, an increasing number of schools closing due to financial difficulties, and the substantial amount of student loans in default have raised questions as to whether this existing accountability system is sufficient for protecting students and taxpayers.

My remarks today focus on our prior GAO work and Education's role in (1) recognizing accreditors, (2) overseeing the financial condition of schools, and (3) overseeing school student loan default rates.

To begin with Education's recognition of accreditors. Accreditors are independent agencies responsible for ensuring that schools provide a quality education and must be recognized by the Department. Accreditors must have their recognition renewed by Education at least every 5 years, and Education reviews, among other things, whether the accreditor applies its own standards when it accredits schools. The accreditors, in turn, can issue sanctions, including terminations and probations to schools that do not meet the accreditor's standards.

However, we previously found that schools with weaker student outcomes were on average no more likely to be sanctioned by accreditors than schools with stronger student outcomes. And Education does not make consistent use of sanction data that could help it identify insufficient accreditor oversight. In 2014 we recommended that Education use accreditor data in its recognition process to determine whether accreditors are consistently applying their standards to ensure schools provide a quality education. The Department agreed with the recommendation but has yet to implement it.

Now turning to financial accountability. Education uses a financial composite score to measure the financial health of schools and to enable it to increase its oversight of schools and help protect against the risk of school closures. School closures, although rare, can result in hundreds of millions of dollars in unrepaid Federal student loans and the displacement of thousands of students. However, the composite score has been an imprecise risk measure, predicting only half of the school closures we looked at. This is partly due to the fact that the composite score does not reflect changes in accounting practices, relies on outdated financial measures, and is vulnerable to manipulation.

Despite these limitations, Education has not updated the scores since it was created more than 20 years ago. In 2017 we recommended that Education update the score. Education has proposed some revisions, but changes have not yet been implemented and they do not fully address the problems with the composite score.

Now, turning to the issue of student loan defaults. According to Federal law, schools may lose their eligibility to receive Federal student aid if a significant percentage of their borrowers default on their loans within the first 3 years of repayment. However, we found that some schools manage these default rates by hiring consultants that encourage borrowers with past due payments to put their loans in forbearance, an option that allows borrowers to temporarily postpone payments and bring past due loans current. We found that this practice can increase borrowers loan costs. For example, a typical borrower with $30,000 in loans who spends the first 3 years of repayment in forbearance would pay over $6,700 in additional interest.

Pushing borrowers into forbearance also helps schools avoid accountability because borrowers are then more likely to default in the fourth year of repayment when schools are not held accountable for defaults. This practice shows the weakness of the Federal Cohort Default Rate to hold schools accountable.

In 2018 we suggested that Congress consider statutory changes to strengthen schools' accountability for student loan defaults. However, legislation has yet to be enacted.

We believe that fully implementing our recommendations will improve Federal accountability and help students.

Thank you.

[The statement of Ms. Emrey-Arras follows:]

United States Government Accountability Office

GAO

Testimony

Before the Subcommittee on Higher Education and Workforce Investment, Committee on Education and Labor, House of Representatives

For Release on Delivery
Expected at 9:00 a.m. EST
Wednesday, April 3, 2019

HIGHER EDUCATION

Opportunities to Strengthen Federal Accountability

Statement of Melissa Emrey-Arras, Director,
Education, Workforce, and Income Security

GAO-19-484T

Chairwoman Davis, Ranking Member Smucker, and Members of the Subcommittee:

I am pleased to be here today to discuss the federal government's role in ensuring accountability in higher education. In fiscal year 2018, nearly 13 million students and their families received over $122 billion in federal assistance to help them pursue higher education through programs authorized under Title IV of the Higher Education Act of 1965, as amended (Higher Education Act).[1] The Department of Education (Education) administers these programs, and is responsible with the rest of the "triad"—school accreditors and states—for maintaining accountability and protecting the federal investment in higher education. Among Education's responsibilities, which are specified in the Higher Education Act and related regulations, are recognizing accreditors determined to be reliable authorities on educational quality, determining which schools are financially responsible and can participate in federal student aid programs, and ensuring that participating schools comply with related laws, regulations, and policies. However, recent news reports about students attending low quality schools, an increasing number of schools closing due in part to financial difficulties, and the substantial amount of student loans in default have raised questions as to whether this existing accountability system is sufficient for protecting students and taxpayers.

Drawing on our prior work on ensuring accountability in the higher education system, my remarks today address Education's role in (1) recognizing accrediting agencies, (2) overseeing the financial condition of schools, and (3) overseeing schools' student loan default rates. My testimony is based on our prior reports on these topics issued between 2014 and 2018 and cited throughout this statement. We used multiple methodologies to develop the findings, conclusions, and recommendations for these reports. A more detailed discussion of the objectives, scope, and methodologies, including our assessment of data reliability, is available in each report.

The work upon which this statement is based was conducted in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain

[1] Pub. L. No. 89-329, 79 Stat. 1219, 1232, codified as amended at 20 U.S.C. §§ 1070-1099d.

sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Background

Education's Oversight of Accreditation

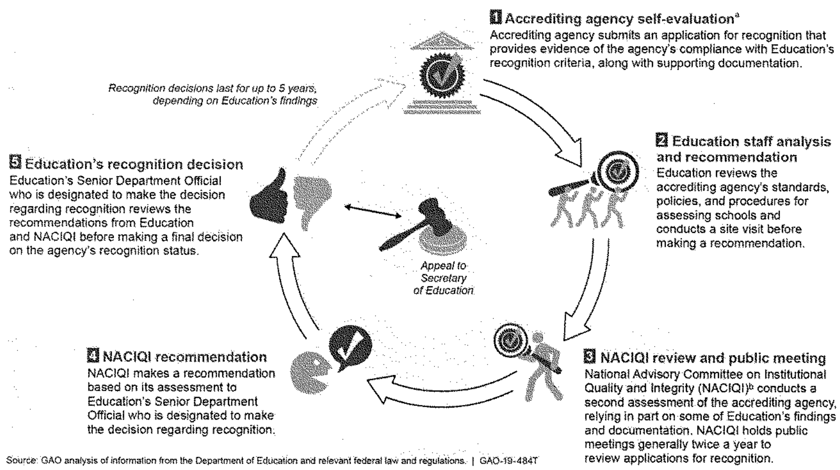
The primary purpose of accreditation is to help ensure that schools provide a quality education to students. Accrediting agencies, also known as accreditors, are generally nongovernmental, nonprofit entities that work with Education and states as part of the "triad" that oversees postsecondary schools participating in federal student aid programs. The Higher Education Act and Education's regulations require accreditors to meet certain criteria and have certain operating procedures in place to be "recognized" by Education as reliable authorities on assessing academic quality (see fig. 1).[2] Accreditors must have their recognition renewed by Education at least every 5 years.[3] To recognize an accrediting agency, Education officials and the National Advisory Committee on Institutional Quality and Integrity (NACIQI), which advises the Secretary of Education on accreditation issues, review among other things whether the accreditor applies its own standards, policies, and procedures when they accredit schools.[4]

[2] 20 U.S.C. § 1099b(a), (c); 34 C.F.R. pt. 602. Education is required to publish a list of accrediting agencies that the Secretary recognizes as reliable authorities on the quality of education or training provided by the schools they accredit. 20 U.S.C. § 1001(c).

[3] See 20 U.S.C. § 1099b(d).

[4] NACIQI advises the Secretary of Education on matters related to postsecondary accreditation and the eligibility and certification process for postsecondary schools to participate in federal student aid programs. NACIQI is comprised of 18 members. The Secretary of Education appoints six members, and the leaders of both the House of Representatives and the Senate each appoint six members. NACIQI members are appointed on the basis of, among other things, their technical qualifications, professional standing, and demonstrated knowledge in the fields of accreditation and administration in higher education. 20 U.S.C. § 1011c.

Figure 1: Education's Process for Recognizing Higher Education Accrediting Agencies



Source: GAO analysis of information from the Department of Education and relevant federal law and regulations. | GAO-19-484T

[a] Recognition Process: 34 C.F.R. Part 602, Subpart C.

[b] NACIQI advises the Secretary of Education on matters related to postsecondary accreditation and the eligibility and certification process for postsecondary schools to participate in federal student aid programs. The House of Representatives, the Senate, and Education each appoint six of NACIQI's 18 members. NACIQI members are appointed on the basis of, among other things, their technical qualifications, professional standing, and demonstrated knowledge in the fields of accreditation and administration in higher education. 20 U.S.C. § 1011c.

While Education is required to determine whether accrediting agencies have standards for schools in certain areas, such as student achievement and curricula, before recognizing them, the accrediting agencies are responsible for evaluating member schools to determine if they meet the accreditors' standards. The specific standards that accreditors develop in these areas can differ, and accreditors may also establish additional standards in areas not required by law.[5] When schools do not meet

[5] 20 U.S.C. § 1099b(g).

accreditor standards, accrediting agencies may impose sanctions, such as placing a school on probation or terminating the school's accreditation.

Education's Oversight of College Finances

Education conducts annual reviews of the financial condition of all schools participating in federal student aid programs to determine if they are financially responsible, based on criteria and processes established in federal law and regulations.[6] The specific financial responsibility standards that apply to each school depend on the school's ownership type, and the bulk of Education's financial oversight efforts focus on private nonprofit and for-profit schools.[7]

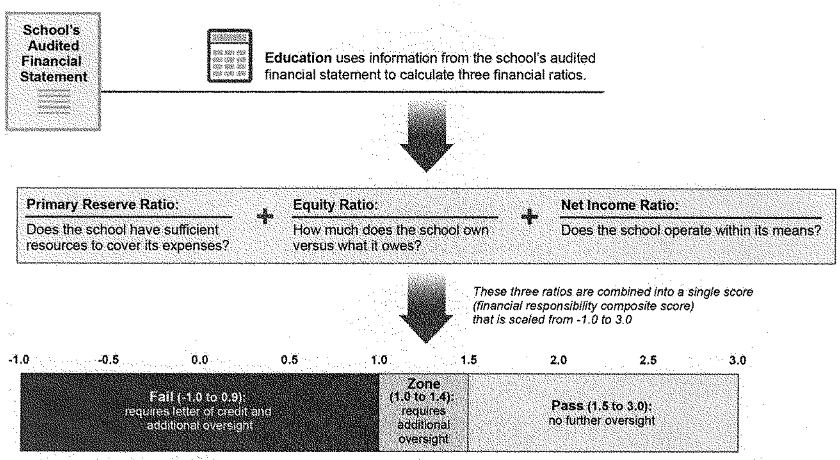
One key financial responsibility standard that Education uses to assess nonprofit and for-profit schools is a financial composite score that is calculated for each school based on items drawn from the school's audited financial statements. The composite score—a metric for evaluating a school's financial condition—uses a formula based on three financial ratios.[8] A passing score is 1.5 to 3.0; a "zone" score is from 1.0 to 1.4, and a failing score is from -1.0 to 0.9. (See fig. 2)

[6] See 20 U.S.C. § 1099c(c); 34 C.F.R. §§ 668.15, 668.171 – 668.175, and apps. A-B.

[7] We previously reported that public schools are not required to meet some of the financial responsibility standards that apply to nonprofit and for-profit schools if they demonstrate that their liabilities are backed by the full faith and credit of a state or other government entity, but that public schools must still submit financial statements to Education and meet other standards.

[8] Education uses slightly different formulas when calculating these ratios for nonprofit and for-profit schools. See 34 C.F.R. § 668.172 and appendices A - B.

Figure 2: Summary of Education's Annual Calculation of a Financial Responsibility Composite Score for Schools Participating in Federal Student Aid Programs



Source: GAO analysis of Department of Education information. | GAO-19-484T

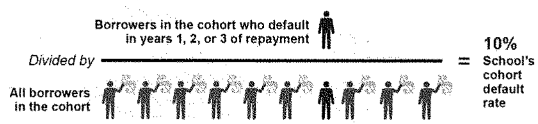
Notes: Education uses slightly different formulas when calculating these ratios for nonprofit and for-profit schools. See 34 C.F.R. § 668.172 and appendices A - B. Education does not typically calculate a composite score for public schools.

Schools that receive a zone or failing composite score, or do not meet one or more of the other financial responsibility standards, may continue to participate in federal student aid programs if they agree to additional oversight. Education may place these schools under heightened cash monitoring (increasing schools' reporting requirements and postponing the timing for receiving federal student aid payments), or require schools to post a letter of credit (a financial commitment from a bank to protect Education against potential liabilities should the school close), or a combination of the two.

Education's Oversight of School Default Rates

Education may rescind a school's ability to participate in federal student aid programs if a significant percentage of its borrowers—generally, 30 percent or more of borrowers for 3 consecutive years or more than 40 percent in 1 year—default on their federal student loans within the first 3 years of repayment. This calculation is called the cohort default rate. To compute a school's cohort default rate, Education divides the number of student loan borrowers in a cohort—those entering repayment in the same fiscal year—who have defaulted on their loans in the initial 3 years of repayment by the total number of a school's student loan borrowers in that cohort (see fig. 3).[9] The cohort default rate does not hold schools accountable for borrowers who default after the initial 3 years. Borrowers in deferment and forbearance—options that allow borrowers to temporarily postpone monthly payments— are considered to be "in repayment" and current on their loans for the purpose of calculating a school's cohort default rate, even though borrowers in these loan statuses are not expected to make any monthly payments.[10]

Figure 3: Example of Calculation of School Cohort Default Rate for Federal Student Loans



Source: GAO analysis of Department of Education information. | GAO-19-484T

Note: For the cohort default rate calculation, a cohort includes borrowers who enter repayment in the same fiscal year. For example, the 2015 cohort includes borrowers who enter repayment in fiscal year 2015 (October 1, 2014 to September 30, 2015).

[9] Repayment generally refers to the period in which borrowers are responsible for repaying their loan(s). Repayment typically begins after a 6-month grace period after a student graduates, drops below half-time enrollment, or leaves school. Cohort default rates are based on the number of borrowers who enter repayment in a given fiscal year; a borrower with multiple loans entering repayment in the same fiscal year from the same school will be included in the formula only once.

[10] Under deferment, the interest generally does not accrue on subsidized loans, but it continues to accrue on unsubsidized loans. Eligible borrowers can also postpone or reduce loan payments through either a general or mandatory forbearance; however, interest on the loan continues to accrue in each type. Most borrowers choose general forbearance, which, unlike most types of mandatory forbearance and deferment, can be issued by their loan servicer over the phone with no supporting documentation.

Education Does Not Use Available Data to Identify Weaknesses in Accreditor Oversight of Schools' Academic Quality

We have previously reported on a number of challenges with the accreditation system's oversight of academic quality. Although Education is prohibited from specifying the specific content of accreditor standards, the agency is responsible for assessing whether accreditors are effectively overseeing schools' academic quality as part of their criteria for recognizing accreditors. Our 2014 analysis found that schools with weaker student outcomes were, on average, no more likely to be sanctioned by accreditors than schools with stronger student outcomes, and that the proportion of their member schools that accreditors sanctioned varied.[11] For example, our analysis of Education's sanction data from October 2009 through March 2014 found that two accreditors sanctioned less than 2 percent of their member schools during this time frame, compared to 41 percent sanctioned by another accreditor. Our 2017 report also discussed challenges with the accreditation system's oversight of academic quality.[12] For example, some experts and literature stated that accreditors may be hesitant to terminate schools' accreditation when they identify issues because such action would adversely affect schools' eligibility for federal student aid programs.

Despite inconsistencies in accreditors' use of sanctions, our 2014 report found that Education did not systematically examine data on accreditor sanctions that could have helped it identify insufficient accreditor oversight and thereby reduce potential risk to students and federal funds. Accreditors provide Education with records of terminations and probations.[13] However, Education officials told us that they had not used this sanction information for oversight of accreditors because Education's regulations did not have specific criteria that require them to do so. While Education is not required to use sanction data or analyze accreditor sanctions as part of the accreditor recognition process, we found that it could be useful for Education to consider these data when evaluating whether accreditors meet prescribed criteria, such as whether they consistently apply and enforce standards. Federal internal control standards call for federal agencies to track data to help them make

[11] GAO, *Higher Education: Education Should Strengthen Oversight of Schools and Accreditors*, GAO-15-59 (Washington, D.C.: Dec. 22, 2014).

[12] GAO, *Higher Education: Expert Views of U.S. Accreditation*, GAO-18-5 (Washington, D.C.: Dec. 22, 2017).

[13] Accreditors are required to notify Education of all terminations and probations that they issue. 20 U.S.C. § 1099b(a)(7).

decisions, as well as conduct ongoing, consistent monitoring to identify weaknesses.[14] Since accreditors are gatekeepers for tens of billions of dollars in federal student aid from Education, as well as the key oversight bodies for ensuring academic quality at schools, we found that failure on the part of Education to spot weaknesses in accreditors' processes could result in poor quality schools gaining access to federal funds.

To strengthen Education's oversight of accreditors, we recommended in 2014 that Education draw upon accreditor data to determine whether accreditors are consistently applying and enforcing their standards to ensure that the education offered by schools is of sufficient quality.[15] For example, Education could systematically use available information related to the frequency of accreditor sanctions or could do additional analyses, such as comparing accreditor sanction data with Education's information on student outcomes, to inform its recognition reviews. Education agreed with this recommendation and initially started to track the number of accreditor sanctions issued by each accrediting agency. However, Education has since questioned the usefulness of this information and has not yet used this sanction data to inform its discussions of accreditor recognition and oversight. We continue to believe that implementing the recommendation could help inform Education's reviews of accreditors and ultimately reduce potential risk to students and federal funds. For example, analyses of accreditor sanction data could help reveal patterns in individual accreditor behavior and the extent to which they are consistently enforcing standards. This recommendation remains open and we will continue to monitor Education's efforts in this area.

[14]GAO, *Standards for Internal Control in the Federal Government*, GAO-14-704G (Washington, D.C.: Sep. 10, 2014).

[15]GAO-15-59

Limitations in Education's Financial Oversight Metric Hinder Its Ability to Identify At-Risk Schools

Holding schools accountable for their financial condition can help protect taxpayers and students against the risk of school closure, but the limitations of Education's financial composite score hamper its effectiveness at identifying at-risk schools. Although a relatively small number of schools close each year, these closures can affect tens of thousands of students and result in hundreds of millions of dollars in financial losses for the federal government and taxpayers from unrepaid student loans. However, we reported in 2017 that Education's composite score has been an imprecise predictor of school closures.[16] Half the colleges that closed in school years 2010-11 through 2015-16 received passing financial composite scores on their last assessment before they closed.[17] For example, 58 of the 96 schools that closed in school year 2015-16 had recently received passing scores. Closures can be difficult to predict in part because each school faces its own unique challenges, both financial and nonfinancial, that can eventually push it into financial trouble. Education's composite score is not designed to account for nonfinancial risks; however, it is a primary means of securing financial protections in the form of a letter of credit from schools at risk of closure.

The composite score's inconsistent performance in identifying at-risk schools is due in part to limitations of the underlying formula and the fact that it has remained unchanged for more than 20 years. The composite score is based on common financial ratios that Education selected in 1997 after consulting with an accounting firm, school officials, and other experts. However, the composite score formula has not been updated since then and several experts and school officials we interviewed identified three key weaknesses:

- **Accounting changes:** The composite score has not kept pace with changes since 1997 in accounting practices and standards, creating ambiguity and making it more difficult to apply the formula in a uniform manner. Accounting practices and standards are periodically updated, for example, to improve the comparability and usefulness of financial reporting. When these updates diverge from the components and

[16] GAO, *Higher Education: Education Should Address Oversight and Communication Gaps in Its Monitoring of the Financial Condition of Schools*, GAO-17-555 (Washington D.C.: Aug. 21, 2017).

[17] In addition, some schools with failing composite scores may not be at immediate risk of closure. For example, almost 80 percent of the schools that failed the composite score in school year 2010-11 were still operating more than five years later (as of June 2016).

definitions in Education's composite score, certain components of the composite score are no longer directly linked to items on schools' audited financial statements. These accounting changes can also cause large shifts in schools' composite scores. For example, administrators at one school we talked to said changes to state laws have affected how some schools categorize their endowment holdings in financial audits, and that this had the effect of reducing the school's composite score from passing to not passing. However, Education has not updated the composite score formula to ensure the score is a reliable measure of financial health.

- **Outdated financial measures:** The composite score does not incorporate new financial metrics that would provide a broader indication of schools' financial health. For more than 20 years, the composite score formula has remained unchanged as the field of financial analysis has continued to evolve with new measures becoming important as economic conditions change. For example, liquidity (i.e., access to cash) has become an important financial measure since the 2007-09 economic downturn, when some schools had trouble meeting payroll and fulfilling contractual obligations. More sophisticated methodologies used by credit rating agencies have sometimes resulted in assessments of a school's financial condition that are strikingly different from the school's composite score. For example, in 2016, two credit rating agencies assigned non-investment grade (i.e., junk bond) ratings to 30 schools that received passing composite scores from Education.
- **Vulnerability to manipulation:** We previously reported that the composite score can be manipulated by some schools that take on long-term debt (e.g., loans with terms in excess of 12 months) because these debts can increase a school's composite score and help it avoid requirements to post a letter of credit. Long-term debt usually represents a long-term investment in a school's campus and buildings, and the composite score formula treats this type of debt in a positive manner.[18] An accountant for multiple schools told us that some schools have taken advantage of this provision and taken on a million dollars in debt in order to obtain a passing composite score. Corinthian Colleges, which closed in 2015, also exploited this

[18] Education included long-term debt in the formula for the primary reserve ratio (which measures whether a school has sufficient resources to cover its expenses) to address concerns that schools would be discouraged from making investments in capital improvements if these funds were not counted in the ratio, according to Education guidance. See Dear Colleague Letter GEN-01-02.

vulnerability to boost its composite score and avoid having to post a letter of credit that could have been used by Education to cover some of the hundreds of millions in student loan discharges resulting from the school's closure, according to company documents and Education documents and officials.

These three weaknesses with the financial composite score hamper Education's ability to effectively fulfill its statutory responsibility to determine whether schools participating in federal student aid programs are financially responsible. Identifying and responding to risks is a key component of federal internal control standards, but Education's financial composite score formula has remained unchanged for over 20 years despite significant changes in the financial landscape of higher education.[19]

To address these limitations, we recommended in our 2017 report that Education update the composite score formula to better measure schools' financial conditions and capture financial risks. Education generally disagreed with this recommendation and stated that the issues identified in our report did not necessarily mean that the composite score was an unreliable measure of schools' financial strength. Since our report was issued, new regulations have gone into effect specifying that certain financially risky events, such as those related to litigation and certain accreditor actions, will generally trigger a recalculation of a school's composite score.[20] In addition, Education has also published proposed regulations that would update some of the definitions of terms used to calculate a school's composite score to conform with changes in accounting standards and also make an adjustment to how the formula treats long-term debt, which according to Education would be intended to make the formula less susceptible to manipulation.[21] However, Education has not finalized these regulations and has not released a timeline for when it plans to do so, nor has it indicated that it has any broader plans to update the composite score, as we recommended. Since the existing composite score calculation remains unchanged, we are leaving this

[19] GAO-14-704G.

[20] This recalculation is generally based on the existing composite score formula. See 34 C.F.R. § 668.171.

[21] Student Assistance General Provisions, Federal Perkins Loan Program, Federal Family Education Loan Program, and William D. Ford Federal Direct Loan Program, 83 Fed. Reg. 37,242 (July 31, 2018).

recommendation open and will continue to monitor Education's efforts in this area.

Education's Ability to Hold Schools Accountable for Loan Default is Limited by Schools' Ability to Distort Their Cohort Default Rates

The cohort default rate, which is specified in federal law,[22] is a key measure for holding schools accountable for borrower outcomes and for protecting borrowers and the federal government from the costs associated with default. However, in 2018 we reported that this rate has limitations as an accountability tool.[23] Some schools managed their 3-year cohort default rate by hiring consultants that encouraged borrowers with past-due payments to put their loans in forbearance, an option that allows borrowers to temporarily postpone payments and bring past-due loans current. At five of the nine default management consultants we selected (that served about 800 schools), we identified examples when forbearance was encouraged over other potentially more beneficial options for helping borrowers avoid default, such as repayment plans that base monthly payment amounts on income. Four of these consultants also provided inaccurate or incomplete information to borrowers about their repayment options in some instances.

Although Education officials and student loan experts said that forbearance is intended to be a short-term option, our analysis of Education data found that 20 percent of borrowers who began repaying their loans in 2013 had loans in forbearance for 18 months or more during the 3-year cohort default rate period. Spending this much time in forbearance reduces the potential for borrowers to default within the 3-year period, thus helping improve a school's cohort default rate. However, postponing loan payments through forbearance can increase borrowers' loan costs in the long term. For example, a typical borrower with $30,000 in loans who spends the first 3 years of repayment in forbearance would pay an additional $6,742 in interest, a 17 percent increase, over the life of the loan. In addition, borrowers in forbearance for 18 months or longer defaulted more often in the fourth year of repayment, when schools are not accountable for defaults, than they did during the 3-year period. While forbearance can help borrowers avoid default in the short term, this finding suggests that forbearance may have delayed—not prevented—default, potentially resulting in increased costs to the federal government.

[22] See 20 U.S.C. § 1085(m)(1)(A).

[23] GAO, *Federal Student Loans: Actions Needed to Improve Oversight of Schools' Default Rates*, GAO-18-163 (Washington D.C.: April 26, 2018).

Reducing the number of borrowers in long-term forbearance and directing them toward other options for avoiding default, such as repayment plans that base monthly payment amounts on income, could help reduce the number of borrowers that later default and may eventually save the federal government money. Specifically, for William D. Ford Federal Direct Loans issued in fiscal year 2018, Education estimates that it will not recover over 20 percent of defaulted loans. These unrecovered defaulted loan amounts total an estimated $4 billion, according to our analysis of Education's budget data.[24]

Schools are seldom held accountable for their students' defaults, in part because of the high rate of borrowers in long-term forbearance. To examine the impact of long-term forbearance on schools' 3-year default rates, we recalculated schools' cohort default rates by excluding borrowers who were in forbearance for 18 months or more and who did not default during the 3-year period. We found that over 260 additional schools—receiving a combined $2.7 billion in Direct Loans and Pell Grants in academic year 2016-2017—would potentially have had a default rate high enough to put them at risk of losing access to federal student aid programs.[25]

The reduced effectiveness of cohort default rates as a tool for holding schools accountable creates risks to the federal government and taxpayers, who are responsible for the costs associated with high rates of default. Since the way the cohort default rate is calculated is specified in federal law, any changes to its calculation would require legislation to be enacted amending the law. Our 2018 report suggested that Congress consider strengthening schools' accountability for student loan defaults, for example, by revising the cohort default rate calculation or using other accountability measures to complement or replace the cohort default rate. In the 115th Congress, proposals were introduced to revise, supplement, or replace the cohort default rate, though none of the legislation was enacted. This matter for congressional consideration remains open. We continue to believe that strengthening the accountability measure for loan

[24] The estimate accounts for collection costs and uses a net present value basis to account for the effect of time on the dollar value of missed payments due to default and subsequent default collections. The total estimate of defaulted dollars not recovered does not include Direct PLUS or Consolidation loans, which are other types of federal student loans offered by Education.

[25] Pell Grants are awarded to undergraduate students with financial need to help finance their postsecondary education.

defaults could further protect borrowers and the billions of dollars of federal student aid the government distributes each year.

In conclusion, the large federal investment in higher education makes it essential that the federal government maintain a robust system of accountability to protect students and taxpayers. My statement has highlighted three actions Education and Congress could take to strengthen the existing accountability tools for educational quality, financial sustainability, and student loan defaults. Students deserve to go to schools that provide a quality education and are financially stable. Taxpayers deserve an accountability system that protects federal student aid funds from going to schools that are financially irresponsible or push borrowers into forbearance for long periods in order to reduce the school's cohort default rate. We believe that fully implementing the two recommendations and matter for congressional consideration discussed in this testimony would improve federal accountability, help students, and potentially lead to financial savings for taxpayers.

Chairwoman Davis, Ranking Member Smucker, and Members of the Subcommittee, this completes my prepared statement. I would be pleased to respond to any questions that you may have at this time.

GAO Contact and Staff Acknowledgments

If you or your staff have any questions about this testimony, please contact Melissa Emrey-Arras, Director of Education, Workforce, and Income Security, at (617) 788-0534 or emreyarrasm@gao.gov. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this statement. GAO staff who made key contributions to this testimony include Debra Prescott (Assistant Director), Will Colvin (Analyst-in-Charge), and Brian Schwartz. In addition, key support was provided by Susan Aschoff, James Bennett, Deborah Bland, Marcia Carlsen, Alex Galuten, Sheila McCoy, Jessica Rider, and Walter Vance.

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Chairwoman DAVIS. Thank you very much. Right on the button. Mr. ORTEGA.

STATEMENT OF NOE ORTEGA, DEPUTY SECRETARY, OFFICE OF POSTSECONDARY AND HIGHER EDUCATION, PA DEPARTMENT OF EDUCATION

Mr. ORTEGA. Chairwoman Davis, Ranking Member Smucker, and members of the committee, thank you for the opportunity to provide remarks to the committee today on the importance of strengthening accountability for the system of higher education.

In some ways the centrality of higher education to the wellbeing of our Nation has resulted in greater public interest in the outcomes of higher education. When you consider new entrants coming into the field every day, the commitment of states to create postsecondary attainment goals has created, and public investment as well, has generated a great deal of interest in the public in higher education. Ultimately, accountability represents a renewal of trust in the belief that institutional performance and the value of postsecondary credentials are worthy of the tax investments.

Let me talk a little bit about the role of the state in accountability as it works now. States provide authorization for all credential granting institutions. And the process for providing authorization varies from state to state. In fact, I could probably characterize it as pretty disparate in terms of both the processes of doing it and the criteria being used.

The process may be as simple as successful submittal of an application or it could involve a little more rigorous review among some of the applicants to the state.

In Pennsylvania the authorization process is exclusively done by the State Education Agency. We collect the applications, we review it, provide a visit, and then prior to—providing a final determination we do put the applications out for public comment, and eventually the Secretary of Education will sign off on authorization.

Once an institution is authorized the next step is clearly the maintenance and renewal for state authorization for an institution, which also varies from state to state. In some cases, many cases, the variation in this is problematic in terms of being able to ensure the quality of an institution.

While state authorization is necessary to operate in states, I want to be clear to point out that state authorization does not serve as a confirmation of educational quality of an institution. This is something that is reserved for the accreditation process, which is run by accreditors. While the processes somewhat work together in that state authorization and degree granting, credentialing granting authority is provided before an institution can seek to get approval. This is essentially how the relationship of the state works with the other members of the triad, right.

So, in short, states authorize, accreditors provide education quality, and, ultimately, the Federal Government is responsible for overseeing the maintenance of the financial aid program.

I want to talk a little bit about a concept that I have been terming as “accreditation bloat.” Essentially it suggests that over time, as more concerns have emerged in the system of higher education, many of these concerns have sort of been addressing these concerns has sort of become a role that we bestowed on accreditors over time. Things like thinking about student loan debt, thinking about quality and outcomes, and even more recently, thinking about the impact on students with closure, have become some of the things that have in some ways been put on the accreditors today.

For this reason, I feel like it is important that we rethink the roles of each of the members of the triad. More specifically, the role that the state can play in enhancing and sharing some of the accountability expectations around assuring quality for institutions of higher education. We must be intentional about creating these roles and we must understand the benefits of being able to engage the state, particularly in some of the upfront determinations that need to be made in order to help institutions navigate and maintain quality assurance.

So how do we accomplish this? I think there are already a number of things that we can begin to build on. As I mentioned before, states are putting together accountability state attainment goals that are useful. Many of them are even going as far as implementing strategies for how to hold these institutions accountable for increasing postsecondary attainment, particularly as it relates to high quality educational opportunities for a number of students.

There is also the opportunity to build on some of the—levers available to states as well, levers around financial aid that is provided by various states. You can have additional criteria that states can begin to use to hold institutions accountable for some of the state investment that they are receiving.

There are a number of levers that are already in place that can be utilized for states, but most importantly, states are positioned uniquely to understand the context, especially the political, economic, and social context of institutions that can be useful to make determinations of the long-term quality assurance of the institutions.

New stakeholders are entering the field all the time. While state investment has been declining, I think it is important to begin to leverage some of the resources that are currently available.

While there may be an infrastructure in place currently that was created several years ago, that doesn't necessarily apply to a number of things. I think that there are some things that we can begin to do to create standards uniform across the states on this accreditation process.

Thank you for the opportunity to provide comments. I look forward to answering your questions.

[The statement of Mr. Ortega follows:]

U.S. House of Representatives
Committee on Education and Labor

Testimony Provided to the
Subcommittee on Higher Education and Workforce Investment
Strengthening Accountability in Higher Education to Better Serve Students and Taxpayers

Noe Ortega
Deputy Secretary and Commissioner of Postsecondary and Higher Education
Pennsylvania Department of Education

April 3, 2019

The views expressed in this testimony are those of the author alone and do not necessarily represent those of the Pennsylvania Department of Education.

Biography

Noe Ortega currently serves as the Deputy Secretary and Commissioner for the Office of Postsecondary and Higher Education (OPHE) at the Pennsylvania Department of Education (PDE). Prior to joining PDE, Noe spent eight years at the University of Michigan (U-M), where he held several academic and administrative roles. During his tenure at U-M, Noe worked as the Assistant Director and Senior Research Associate at the National Center for Institutional Diversity and as the Managing Director for the National Forum on Higher Education for the Public Good—both of which are research centers committed to advancing educational access for all students and the public good mission of higher education. While most of Noe's research has focused on postsecondary access and success for all students, his most recent publications examine how public investment in higher education shape decision-making at colleges and universities. Noe spent nearly a decade working in the areas of financial aid and enrollment management at both public and private universities in Texas, and he also served as a P-16 Specialist for the Texas Higher Education Coordinating Board. Noe's work in education stems beyond the U.S., having also spent eight years as director of a language institute in Japan where he trained teachers in the area of early childhood language acquisition.

Full Written Testimony

Chairwoman Davis, Ranking Member Smucker, and Members of the Committee:

Thank you for the invitation to offer my remarks to the Committee today. I have been asked to speak to you about the importance of strengthening accountability in the American system of higher education to better serve our students and taxpayers. Given my role as the Deputy Secretary and Commissioner for the Office of Postsecondary and Higher Education in Pennsylvania, I will focus my remarks on the role of the state in helping to achieve this goal.

Let me first preface my remarks by offering up the following premise, any discussion about accountability and quality assurance in the U.S. system of higher education is a conversation about 50 vastly different policy contexts, over 7,000 postsecondary institutions, and countless programs of study, each of which is accountable to a variety of stakeholders. The acknowledgment of this assumption is not meant to suggest that the complexity and magnitude of this challenge should serve as a deterrent for working toward the goal of providing high-quality postsecondary opportunities for all students, but instead it is an attempt to place emphasis on the following fact: it will take a concerted effort, among numerous stakeholders and various regulating bodies, to effectively strengthen the accountability of this great system of higher education and ensure the highest quality of postsecondary opportunities for all members of society.

Perspectives on Accountability

There are a growing number of perspectives to account for in a discussion about accountability in higher education, and all are relevant. In the case of students and their families—whose tuition dollars now represent a growing share of the revenues at colleges and universities—accountability translates into concerns about job prospects after graduation. From the perspective of policy makers at all levels of government, accountability manifest itself in strategies of consumer protection and the availability of affordable postsecondary pathways for all students. When conversations about accountability emerge from the business community, they are often framed around a need to ensure that all graduates have the skills needed to be effective in their selected career paths. At the Federal level, accountability translates into better oversight of new and existing providers and the returns associated with the billions of dollars invested in federal student financial aid programs. In the case of states, accountability is defined by the equitable provision of high quality postsecondary opportunities for all students. And for the public at large, accountability represents a renewal of trust in the belief that institutional performance and the value of postsecondary credentials are worthy of their tax investments.

Simply stated, a discussion about higher education accountability in the 21st Century is a conversation about issues and concerns central to the fiscal, social, and economic well being of the nation and all its members.

The Changing Higher Education Landscape

To a certain extent, the centrality of higher education to the well being of our nation has resulted in a greater public interest to holding institutions accountable for their performance and outcomes. It was only a few decades ago when discussions about quality and accountability in higher education would only garner the attention of key administrative officials, faculty, staff, and other stakeholders closely associated with the academic and administrative inner workings of the institution. This is no longer the case. The outcomes associated with postsecondary institutions are much more publicly contested today, than ever before. The emergence of new forms of delivery for higher education and the entry of new providers into the field have broadened the reach and bandwidth of postsecondary institutions. Additionally, the work of a growing number of states to aggressively adopt postsecondary attainment goals and implement strategies such as dual enrollment opportunities have elevated the importance of postsecondary pathways for all its residents and cultivated a greater interest among more students and their families.

Equally significant is the decision by states to couple strategies of economic development with goals of postsecondary attainment, which have made the outcomes of our colleges and universities much more prominent in policy discussions. When you further consider the shift in funding from one that has historically relied on state and federal investments for the primary functions of the institution, to one that is increasingly reliant on revenue from tuition and fees for its daily operations, it becomes evidently clear as to why there is a growing interest in postsecondary outcomes and a push toward greater accountability by members of the general public.

While the context today differs significantly in terms of access to public information and the number of individuals being served by our institutions of higher learning, this country's reliance on its system of higher of education for innovation and economic development is not a new phenomenon. There is a well-documented history of federal and state investments in the expansion and maintenance of colleges and universities in the United States. Whether these investments were driven by our growing agricultural or industrial needs, an all out push to improve our system of national defense, or simply as a means for ensuring the provision of postsecondary opportunities for more students through the establishment of a federal financial aid program—these investments have paved the way for a unique interdependence that continues to exist today between postsecondary institutions, the federal government, and the states.

This interdependence has also given way to a unique aspect in the design of our system of higher education, the blend of governmental and non-governmental agencies that provide oversight to the system which is often referred to as the "triad." The term triad denotes the joint oversight process between states, accreditors, and the federal government, but also connotes the symbiotic relationship between the various agencies whose roles have emerged and adapted to an ever-changing higher education landscape. Roles that I contend must continue to be reassessed if we seek to ensure that our postsecondary institutions remain accountable to the goal of providing all students with high quality postsecondary degrees or credentials.

The Role of the State

Let me now shift my focus to the role of the state in the higher education governing process and provide some background on the processes for oversight in the state. First and foremost, states provide authorization for degree granting institutions and for profit institutions that seek to operate within its borders. The process of authorizing institutions differs from state to state. In some states you have either a single board or commission that handle the authorization of an institution, while other states engage multiple agencies in the state approval process. Additionally, the criterion used for authorization also varies by state and may range from a process that simply requires the successful submittal of an application for authorization to a more rigorous review of programs and institutional finances.

For instance, the state authorization process in Pennsylvania for degree granting institutions is one that is handled exclusively by the state education agency. The agency collects the application, reviews it for accuracy, and conducts a visit to the institution. Prior to any determinations being made, the application is published in a public bulletin to allow for additional comment, and ultimately the Secretary of Education signs of on the authorization. In the case of authorizing a for-profit institution to operate in the state, this process also differs by state. In Pennsylvania, the state education agency appoints members to a Board who are charged with the task of reviewing all applicants that seek to operate in the state. The applicants seeking authorization are also invited to appear before the board to defend their application, and ultimately the state appointed Board votes to approve, defer, or deny the application.

Once and institution is approved and authorized to operate in a state, then the process of maintenance and renewal of the approval begins, a process that also varies between states. In Pennsylvania, degree-granting institutions remain authorized indefinitely unless there are grounds for revocation. The process for revoking state authorization from an institution is outlined in statute and is generally based on evidence of failure to meet certain standards at the institution. It should also be noted that institutions being considered for revocation are entitled to a hearing. The maintenance process of approvals also differs by institutional category and type, as is the case for out-of-state providers (i.e., institution in other states providing online education to students living in Pennsylvania) and for-profit institutions that operate in Pennsylvania where maintenance and renewal of state approvals occurs more frequently and periodically.

Determining Standards of Quality

While state authorization is necessary for an institution to operate within a state, it does not serve as a confirmation of educational quality for an institution—determinations about quality are made exclusively by accreditors and this determination is contingent on the outcomes of an accreditation process. While the two processes are distinct, one does serves as a pre-requisite for the other: state authorization and degree granting authority are pre-requisites for accreditation in most states. An additional point of distinction between the two processes is that accreditation serves as a path toward eligibility to participate in the federal student financial aid program, for which the maintenance and oversight of these programs rests exclusively in the hands of the federal government, the third and final member of the triad.

Accreditation Bloat

Once a postsecondary institution is accredited by one of the accrediting bodies, the process for continued assurance of institutional quality is often deferred to the accrediting bodies by the states. This approach is in large part a result of the prescribed roles and functions that have been outlined for each member of the triad in the Higher Education Act. Throughout the years, conversations about revisiting the roles of the various members of the triad have periodically emerged in certain policy discussions, but much of what has transpired in the form of strategies from these discussions have been recommendations for reforms to the accreditation process and strengthened requirements to participation in federal financial aid programs.

Today, like many of my predecessors that came before this Committee in the past, I will seize this moment to elevate a discussion about the pressing need to rethink our approach to strengthening accountability in the American system of higher education to better serve our students. The higher education landscape that we are operating in today differs significantly from the environment that existed when the structures for oversight were put in place. Concerns about quality assurance and accountability are no longer limited to assessments exclusively about academic quality, financial viability, or soundness of corporate structures. New issues have emerged that give rise to concerns about student loan debt; institutional performance; equitable outcomes for students; charges of waste, fraud, and abuse; and mounting concerns surrounding closure of institutions within the for profit sector. These are just a few of the concerns dominating the discourse about quality and accountability in higher education.

As a result of these concerns, we are witnessing a phenomenon that can best be described as "accreditation bloat," the broadening of the behaviors, outcomes, policies, and practices that must be assessed and monitored by accreditors. Accreditation bloat places a tremendous amount of responsibility on accreditors for holding the entire system accountable to the growing list of issues and concerns prominent in the national discourse about postsecondary outcomes and institutional performance. I contend that we reverse this trend, and instead find ways to encourage the various members of the triad to lend a hand in efforts aimed at holding our system accountable to the assurance of quality in higher education.

Enhancing the Role of the State

To date, most discussions about quality assurance and accountability in our system of higher education have remained relatively silent about the role of the state in the accountability movement. This is concerning given that states maintain several advantages that are not always afforded to accreditors or the federal government. For instance, a state is uniquely positioned to make sense of the social, political, and economic nuances that are often at play in the state context. States also have access to historical narratives and artifacts that provide additional insight into the culture and mission of the postsecondary institutions operating within its borders. These historical antecedents may prove helpful in making determinations about the long-term prospects and potential success of an institution.

My argument for enhancing the role of the state in the shared responsibility for accountability in higher education is not meant to be a criticism of the accreditation process or of the other governing bodies that make up the regulatory triad. My assertion is simply fueled by an understanding that the higher education landscape is changing, expectations from the growing number of constituencies are increasing, and the number of new providers and structures for delivery of higher learning are multiplying. These and other changes that are beginning to stress the system suggest that we need to reimagine our roles as members the triad, and engage in a more concerted effort to identify new approaches to strengthening accountability and ensuring a continued adherence to quality by the system of higher education.

Building Momentum and Leveraging State Levers

Let me also point out that any move toward enhancing the state's role in the shared responsibility for accountability is not without precedent. There are key areas of momentum in states where capacity has already begun to emerge and strategies for leveraging new opportunities for strengthening accountability exist.

A number of states have launched efforts in key areas that will position them to take on a greater share of the responsibility to hold institutions accountable to certain outcomes. One area where significant movement has occurred is in the development and implementation of certain consumer protections that address concerns that have emerged from the recent closures by for profit institutions. These efforts include the development of policy guidelines that require for-profit institutions, or other struggling institutions operating within its borders, to submit teach out and a tuition recovery plans to the state. These plans outline the steps that institutions will take in the event of a closure. In the case of Pennsylvania, the state is also working with members of the general assembly and the states attorney general office to plan for the development of a central records collection system that can be utilized to archive the records of students affected by closures. These, along with other consumer protection efforts embarked on by states, build a foundation for a process that can be shared between the various agencies of the triad that could essentially assist with the monitoring of activities by institutions that are experiencing signs of volatility.

The past several decades have also seen a rise in activities by states aimed at setting postsecondary attainment goals. Several states have elected to couple these goals with workforce improvement strategies that are central to the economic development plans for the state. Some states have even taken the added step of identifying key strategies and metrics that hold institutions accountable for the performance of specific student subgroups in meeting the state's postsecondary attainment goal. These metrics are sometimes tied to specific career pathways in the state; particularly careers pathways that seek address some of the shortage areas in the state or pathways that align to some of the emerging professional fields. Additional emphasis by states on diversity goals has also resulted in efforts to hold institutions accountable for addressing some of the inequities that continue to persist in the American system of higher education. The move to build capacity around these and other efforts have given rise to a wave of new players at the state level who have a vested interest in improving the quality and outcome of the institutions operating in the state. Some of the individuals that make up these emerging groups of stakeholders include members of the business community, school districts, the general assembly, and a growing number of state attorneys general.

In addition to some of the capacity building efforts embarked on by states, there are also a number opportunities within states to leverage the state's investments in higher education and leverage these resources as means for holding institutions accountable to certain goals and outcomes. Although state support for higher education has experienced some volatility and decline over the past several decades, institutions continue to remain dependent on state resources for their daily operations. By and large the resources made available to institutions from the state are usually distributed through the appropriation process; however, other resources are made available by the state through grant programs or other forms of state financial aid. What is unique about these programs is that the dollars extend well beyond the traditional public sector of institutions and the dollars are also placed in the hand students who attend independent colleges and for profit institutions. This not only extends the state's reach with the funds, but also presents it with another strategy for leveraging additional expectations and requirements on institutions and holds them accountable to the continued provision of high quality degrees and credentials to all students.

Creating the Condition for Success

While its clear that some states have made tremendous strides toward taking on more of shared responsibility for accountability in higher education, many of the process and standards employed by states to authorize institutions to operate within its borders continue to remain disparate and loosely defined. The push toward a more concerted effort by the various regulating bodies of the triad to strengthening accountability in higher education will require states to be more intentional about adopting a baseline of common standards that can be used to create a shared understanding about the meaning of state authorization, and ultimately lend more legitimacy to the state authorization process. The continued insistence by states to rely exclusively on accreditors for the assurance of quality among postsecondary institutions have consequentially prevented states from making substantive changes to their authorization processes.

The federal government is well positioned to nudge the states in the direction of developing a more coordinated approach to state authorization and identify some baseline standards across all states. Engaging states in comprehensive planning process with agencies within the state, as well as the various governing agencies of the triad, is certainly a step in the right direction. The federal government is also well positioned to build on some of the lessons and best practices that emerged from some of the recent state comprehensive planning efforts it has put in place. This includes such efforts as the state's Every Student Succeeds Act (ESSA) plan, the Workforce Innovation and Opportunity Act (WIOA) planning activities, and the ongoing efforts currently underway around Perkins state planning. Regardless of the strategy leveraged for this process, it is imperative that considerable emphasis also be given to efforts aimed at identifying ways in which the various governing agencies of the triad can work collectively to share resources and information that can result in alert systems to help monitor some of the volatile activities by institutions that tend to result in closures.

CONCLUSION

The American system of higher education is one that continues to be held in high regard by individuals around the world. Its unique organizational structures, cultures, norms, are a result of the continuous need by the system to adapt to industry shifts, socio-political events, demographic changes, and the growing demands placed on it by the constituencies it serves. Our institutions of higher learning continue to be relied upon for innovation, social change, and as catalysts for economic vitality. The contributions made by these institutions to society and the benefits they offer to individuals who attend them, are just a few of the reasons why the system of higher education is such a central part of American life.

Once again we find ourselves amid another paradigm shift in our system of higher education. The need to once again improve the system and reimagine its governing structures presents us with an opportunity to put the conditions in place that will once again allow the American system of higher education to flourish and continue to thrive well into the future.

Chairwoman Davis, Ranking Member Smucker, and Members of the Committee, thank you again for the opportunity to address the committee today and I look forward to answering your questions.

Chairwoman DAVIS. Thank you very much.
Dr. Brittingham?

STATEMENT OF BARBARA E. BRITTINGHAM, PH.D., PRESIDENT, NEW ENGLAND COMMISSION OF HIGHER EDUCATION

Ms. BRITTINGHAM. Yes, thank you. Chairwoman Davis, Ranking Member Smucker, members of the committee, thank you for the opportunity to testify today.

I am president of the New England Commission of Higher Education, one of seven regional accrediting agencies in the U.S. Our Commission is keenly aware of its responsibility to the public to ensure taxpayer dollars are going to support students at institutions that provide them with a solid education and degrees that have value.

Collectively, regional accreditors serve as a gatekeeper for Federal financial aid to approximately 3,000 public, independent, and for-profit colleges and universities. Other institutional accreditors are known as national accreditors. They accredit about 4,800 faith based and career related institutions. Also, the Department of Education recognizes 40 programmatic accreditors in areas such as medicine, law, and dance. All recognized accreditors serve as the gatekeepers for Federal financial aid for students or other Federal funding.

Together with the states and the Department, accreditors are members of the triad. We work regularly with the Federal Government and individual states, we meet twice a year with our state higher education executive officers to increase communication and coordination. States can send observers on a comprehensive evaluation visits and we also work with Federal financial aid staff regarding institutional closure and program confirmation.

Before an institution becomes accredited it must be found eligible and become a candidate, which involves a self study against our standards, validated by a team of peer evaluators trained by our agency. Within 5 years the institution must repeat that process to become accredited.

Accreditation decisions are made by our Commission, a group of 27 volunteers, including institutional members, presidents, academic officers, finance officers, and trustees, and members of the public. By Federal regulation, at least one of every seven members is a public member.

Our relationship with each institution is ongoing. Every institution has a comprehensive evaluation every 10 years and a significant interim report at the midpoint. To monitor institutions between these points the Commission uses a variety of special purpose—reviews and visits to assist in the institutional improvement and to ensure quality of the institution. Annually every institution submits a report, including information on enrollment, finances, and student debt. This information can determine whether the institution requires additional monitoring, which happened about 15 times last year.

When the Commission has reason to believe that an institution is no longer meeting one or more of the nine standards it will ask the institution to show cause why it should not be placed on probation or have its accreditation withdrawn. Probation and withdrawal decisions can be appealed on procedural grounds, and there is a provision for new evidence which can lead the Commission to reconsider its decision.

When the Commission does when appropriate withdraw accreditation, our job is not to shut down every institution that encounters a problem. Our role is to monitor and assist institutions, ensure they are making necessary changes in a timely fashion, while at the same time being prepared to withdraw accreditation if the institution can no longer provide a solid education to its students.

When an institution has its accreditation withdrawn or decides to close, we work with them to make sure they have signed teach-out agreements with other institutions, so students continue their education with minimal disruption.

Regional accreditation focuses on student outcomes, retention and graduation rates, loan default, and repayment rates, and whether students are achieving the learning goals of their programs. Licensure passage rates, going onto the higher degree, and employment rates are also important.

Institutions also look at outcomes central to their mission. For public institutions the percent of graduates who are employed in the state, for an arts institution, the percent of students who make their living from their art, for a faith-based institution, the percent of its graduates who report attending church regularly. As with K–12 education, there is no single measure of success and no bright line that can assure quality.

With respect to reauthorization, we have been following the congressional efforts, including the PROSPER Act and Aim Higher, and hope you are able to achieve your goal of bipartisan agreement this year.

In so doing, we urge you to continue to maintain the centrality of peer review. The 30,000 volunteers who participate in accreditation each year provide a level of expertise and reasonable cost structure that could not be otherwise duplicated in any other system.

We hope that the reauthorized HEA regional accreditation can continue to fulfill its dual responsibilities of quality assurance for the public and quality improvement for institutions. We also believe in allowing for more flexibility and innovations so institutions can focus on outcomes that matter most.

Finally, we hope that the reauthorization includes provision for accreditors to innovate and experiment to ensure it remains a robust and responsive member of the triad dealing with issues and challenges that may not yet be before us.

I look forward to our conversation.

Thank you.

[The statement of Ms. Brittingham follows:]

Testimony of Barbara Brittingham, President
New England Commission of Higher Education
to the House Committee on Education and Labor
Subcommittee on Higher Education and Workforce Investment

Strengthening Accountability in Higher Education to
Better Serve Students and Taxpayers
April 3, 2019
Washington D.C.

Chairwoman Davis, Ranking Member Smucker, Members of the Committee, thank you for the opportunity to testify this morning on issues related to accreditation in our nation's higher education system.

I speak this morning from the perspective of serving as President of New England Commission of Higher Education (NECHE) for the past 11 years. NECHE is one of seven regional accreditation agencies in the nation. Our region covers six states and our Commission accredits over 200 institutions, which award nearly $7 billion of federal financial aid every year. Because New England was settled early in our country's history and before any significant development of public higher education, compared with other regions we have more independent colleges and universities and fewer – currently only three – for-profit institutions. Our Commission is keenly aware of its responsibility to the public: to ensure taxpayer dollars are going to support students at institutions that provide them with a solid education and degrees that have value.

Taken together, regional accreditors serve as gatekeepers for federal financial aid to approximately 3,000 public, independent, and for-profit colleges and universities. These diverse institutions include research universities, state colleges, liberal arts colleges, faith-based institutions, medical schools, and institutions oriented toward business, arts, law, and health. Other institutional accreditors are known as National Accreditors, which combined, accredit roughly 1,200 institutions, about 500 faith-based and 4,300 career-related institutions, most of which are for-profit. In addition, the U.S. Department of Education (Department) recognizes 40 programmatic accreditors in areas such as medicine, nursing, law, and dance. All of the accreditors recognized by the Department serve as gatekeepers to federal financial aid for students or other federal funding.

For institutions to be eligible to participate in federal student aid programs they must be authorized by the States in which they operate. States ensure compliance with their own requirements particularly with respect to consumer protections. Institutions must also be approved by the Department, which focuses primarily on compliance with federal rules and regulations related to student aid. Finally, they must be accredited by an agency recognized by the Secretary of Education. As an accreditor, our role is to oversee and ensure the quality of education at each of the institutions we accredit. This framework is often referred to as the "triad."

Although we each have separate roles, we work with the federal government and individual states on a nearly daily basis. In addition, twice a year, we e convene a meeting of state officials known as SHEEO's – State Higher Education Executive Officers – from across the region to increase broader communication and coordination. We also work with federal financial aid staff regarding institutional closure, program confirmation, and currently with respect to a request to accredit a state system of higher education. The Higher Learning Commission, the largest regional accreditor, is working with states on Coordinated Visits and Large-Scale Teach-Outs.

Before any institution becomes accredited, it must first be found eligible. The next step is to apply for candidacy, which involves a self-study showing how and how well the institution meets each of our nine standards which include those required under the Higher Education Act, including success with respect to student achievement, curricula, faculty, fiscal and administrative capacity among others.

The self-study is validated by a team of peer evaluators selected from a pool of roughly 1,800 volunteers and trained by our agency.

Within five years, the institution must repeat that process to become accredited. Overall, it takes new institutions six to seven years to become accredited, though, per the Higher Education Act, if they are non-profit, they can participate in federal financial aid when they become candidates. In New England, given the demographic decline of 18-year-olds, we have more institutions merging and closing than we have new institutions. We currently have two candidates, one offering a Master of Fine Arts degree in media arts, the other offering a bachelor's degree to students not otherwise well served, including individuals in and recently out of prison. Over the past few years, five institutions in New England have talked to us about becoming accredited but have decided either that it was not a good fit or that they were not yet ready.

Decisions regarding eligibility, candidacy, and accreditation are made by our Commission, a group of 27 individuals including institutional members (e.g., presidents, academic officers, finance officers, experts in distance education, trustees) and members of the pubic. By regulation, at least one of every 7 members must be from the public; we have had employers, lawyers, foundation heads, and finance experts as public members. The Commission also is responsible for the decisions about monitoring institutions and for the adoption of the standards which are regularly updated, taking into account input from member institutions, states, and interested others.

Our relationship with each institution does not end once they are accredited. Every institution has a comprehensive evaluation every ten years and a significant interim report at the mid-point. To monitor institutions between these points, the Commission has a variety of special reports and visits it employs to both assure the quality of the institution and assist in institutional improvement. We also have a process for public complaints and public comments about institutions.

Further, each year, we require every institution to submit a report which includes information on enrollment, finances, and student debt. Information from the report can help determine whether the institution requires additional monitoring on those topics or is planning a change that will require Commission review and approval. Last year, for example, approximately 15 institutions were identified for additional monitoring through the annual report.

When the Commission has reason to believe that an institution is no longer meeting one of our nine standards (which are consistent with those standards required under HEA), it will ask the institution to show cause why it should not be placed on probation or have its accreditation withdrawn. If the institution is indeed found not to be in compliance with one or more standards, it will be placed on probation for no longer than two years if it has realistic plans to come into compliance. Absent those plans, the Commission will act to withdraw accreditation. These decisions can be appealed on procedural grounds. During that process, there is also a provision for new evidence, which, if found to be material and significant, can lead the Commission to reconsider its decision.

In times of economic and demographic stability, the show cause action for probation or withdrawal of accreditation may happen once or twice a year. This year, as touched by this process, four institutions are closing and one remains on probation.

While the Commission does when appropriate withdraw accreditation – and thus ending the institution's ability to participate in student federal aid programs – our job is not to shut down every institution that encounters a problem. Our role is to monitor and assist institutions, ensure they are making any necessary changes in a timely fashion, which at the same time being prepared to withdraw accreditation if the institution can no longer provide a solid education to its students.

When an institution has its accreditation withdrawn or decides on its own to close, we work with them to make sure that they have signed teach-out agreements with other institutions so that students can continue their education with minimal disruption. The teach-out institutions agree to admit the students as transfer students, to provide a smooth path with respect to transfer credits, and in many cases to ensure that students pay no more at the teach-out institution as they did at their original institution. We also confirm that there will be permanent storage of student records. While never an ideal situation, I'm pleased that we have been largely very successful in helping with these transitions and I'm happy to speak at more length about specific examples where these teach-outs have occurred.

In every region, accreditation focuses on student outcomes. Our eighth standard is *Educational Effectiveness*. Here, institutions, teams, and the Commission look at retention and graduation rates, loan default and repayment rates, and whether students are achieving the learning goals of their programs. Licensure passage rates, going on to the higher degree, and employment rates are also important. Institutions also look at particular outcomes central to their mission. Public institutions often look at the percent of graduates who are employed in their state. An arts institution reports what percent of students make their living from their art. A research university looks at how many students are awarded national and international fellowships. A faith-based institution looks at the percent of its graduates who report attending church regularly. Our standard on *Integrity, Transparency, and Public Disclosure* includes the requirement for institutions to make available information that will help prospective students and their families decide if the institution is a good fit for the student's aspirations.

As with K-12 education, there is no single measure of success, there is no bright line that can assure quality. In higher education, accreditation provides a process to identify, collect, and analyze a rich array of quantitative and qualitative data and put it into the framework of mission, student body, and local context. Our Commission uses a set of Data First forms that both require consistent information from all institutions and make provision for institution-specific metrics related to mission. WSCUC, WASC Senior College and University Commission, the regional accreditor for four-year institutions in California and Hawaii, has produced a Graduation Rate Dashboard, a measure of absolute creation rate and credit redemption to complement IPDEDS; it incorporates trend and comparison information to help institutions understand outcomes in the context of their own past performance and of other institutions' results. ACCJC, the Accrediting Commission for Community and Junior Colleges, the regional accreditor for two-year institutions in California and Hawaii, asks institutions to report annual three-year trends in areas such as certificates and degrees awarded, transfer rates to four-year institutions, licensure passage rates, and employment rates for career/technical graduates. Institutions are asked to compare their aspirational goals with actual numbers and comment on significant findings.

With respect to the reauthorization of HEA, I, along with my regional colleagues, have been closely following Congressional efforts, including reviewing the separate proposals put forth by Democrats and Republicans last year.

In both of these bills, the PROSPER Act and the AIM Higher Act, there are provisions in both we find appropriate. In particular, we appreciate the provisions to maintain the centrality of peer review. The 30,000 volunteers who participate in accreditation each year provide a level of expertise and a reasonable cost structure that could not be duplicated in any other system.

We hope that under a re-authorized Higher Education Act, regional accreditation can continue to fulfill its dual responsibilities of quality assurance for the public and quality improvement for institutions.

We believe in allowing for more flexibility and innovation in the HEA so that institutions can focus on outcomes that matter most to their students, workforce partners, and communities. These are challenging times in higher education, and we hope that the re-authorization includes provision for accreditors to innovate and experiment to ensure it remains a robust and responsive member of the triad, dealing with issues and challenges that may not yet be before us.

Chairwoman DAVIS. Thank you very much, Dr. Brittingham, and all of you for your testimony.

And we are going to turn to our question and answer session now where all members have a chance to really engage in these issues. And, as I was saying to our witnesses earlier, kind of a dry subject and yet, you know, we know how critical, how important it is, and all of us—you know, we don't live in that world, and so trying to really understand the complexity, where the problems lie and where we can really have an effect.

So I wanted to begin that under the 5 minute rule of course. I will start, followed by the ranking member.

And I will recognize myself for 5 minutes.

Mr. Ortega, I am going turn to you first. It is my understanding, and I think you have mentioned this in your testimony as well, that state approval can vary by sector. We understand that. But also, some states make public institutions meet a higher bar than for-profit colleges. Why is that?

Mr. ORTEGA. So one thing to keep in mind is when you move toward—oh, I think I—no problem—one thing to keep in mind is when we think about the state authorization process, particularly when it relates to the traditional sector of higher education, versus the for-profit emerging sector, one of them has been around for a longer time. So you have been able to sort of develop processes that are tied to a number of things that create legitimacy at the institution.

Within the for-profit sector you have got new processes that are emerging all the time, new lessons that we are learning with regard to behaviors and practices at the institutions. And so one of them is not as fully developed.

If you think about it that way, I think the process is more rigorous as it stands now, but it is becoming in some places, you are developing some standards for how you could be more effective. But I would say the process is different. In some ways it is inhibited by the prescribed roles of how we work with regards to quality assurance and accountability. But I would be remiss if I didn't say that in some cases states have sort of punted on quality assurance and determinations of quality and accountability for institutions, to folks like the accreditors. And I think that is something that needs to be improved.

Chairwoman DAVIS. Yes, and looked at. Thank you. I appreciate that. I mean given that they actually do engage more, have more oversight over public and nonprofit institutions, the Federal Government then, perhaps—and I guess in our discussion—needs to step in with additional oversight of the for-profit institutions, because otherwise, as you said, it is not happening, or it is not happening soon enough.

I wanted to ask unanimous consent right now to just enter into the record a letter from the Century Foundation explaining the need to have different accountability standards for institutions seeking to profit off of our students. And, if there is no objection, I will submit that for the record.

So ordered.

So despite the need for increased oversight of for-profit institutions, the Department, under this Administration, has actually stepped away from implementing regulations such as gainful employment and ensuring that risky institutions provide sufficient financial surety to protect taxpayers.

Given the void that has been left by the Department of Oversight, State attorneys general in some cases have actually stepped in to fill this role.

So if I could turn to you again, Mr. Ortega, just, you know, can you tell us about how your state AG supports oversight and enforcement in the higher ed space.

Mr. ORTEGA. Sure. Consumer protections have become extremely important at the state level. Credit recovery is one of the areas that has grown increasingly important in our state. This is making sure that the credits that students have earned are in some way protected and held on to. You would be surprised how many of those documents over time have just gone missing in some cases.

And so moving in that direction is something that we have been thinking about significantly. Tuition recovery is another effort in Pennsylvania that we have been looking at closely, working with members of the general assembly, the State Attorney General, other folks who are vested in making sure that students are protected, and whatever behaviors are happening out in the system, they don't put the students and their families at risk.

Chairwoman DAVIS. And the authorizers working hand in hand with State AGs, is that something as well? I mean that is where that need has to come in.

Mr. ORTEGA. In many cases that is where it—because of the pressure coming into the Attorney General as folks raise more lawsuits—but I think truly it is emanating from a number of areas, including really good partnerships that currently exist between states and new emerging players, especially as they are trying to get better organized to ensure the quality of the entire system of higher education. You have folks who are stepping up thinking that these are things that should be prioritized.

Chairwoman DAVIS. And what about working with accreditors as well? The state role in that? You had mentioned that they can't be the sole arbiters of quality, but—my time is going to run out in about 2 seconds. I want to just have a few issues that you could address there.

What do you think the minimum standards that we should be requiring states to adopt and what about the collaboration, can it be improved?

Mr. ORTEGA. Sure, sure. And the state higher education association for executive officers has done a really good job in bridging those conversations. I think more players have to come into the table in those discussions. I think there is an understanding of sharing that responsibility of accountability and I think we are beginning to see more movement in that area.

If I may, I think the Federal Government does play a significant role in nudging that along further.

Chairwoman DAVIS. And why doesn't it happen more?

Mr. ORTEGA. It is a good question. I am not exactly sure. I think it is just the newness, maybe sometimes the aversion to taking on a little bit of risk, but I see some movement that maybe—

Chairwoman DAVIS. Thank you. Thank you. We can perhaps get at a little bit more of that as we go on.

And I want to now recognize the ranking member for his questions.

Mr. SMUCKER. Thank you. I would like to thank all the witnesses for their testimony.

Secretary Ortega, good to have you here. Always a pleasure to have an expert from Pennsylvania to highlight the great system of higher education that we have in the state—

Mr. ORTEGA. I appreciate it—

Mr. SMUCKER. So I appreciate the strides that we are making in the state to hold institutions accountable and to set students up for success. So thank you—

Mr. ORTEGA. You are welcome—

Mr. SMUCKER. I do have a question. Postsecondary education is changing—

Mr. ORTEGA. Sure—

Mr. SMUCKER. People are learning throughout their entire lifetime. So I would like to have you discuss how we think about that, the lifelong nature of postsecondary education, and also how Pennsylvania is relying on our institution of higher education to promote career readiness and success.

Mr. ORTEGA. Sure, sure. And so I think it is important, and we have seen this movement across a number of states, for folks to buy into the fact that the economic vitality, the social vitality, all the outcomes associated with postsecondary educational attainment are really important in terms of ensuring that folks are productive citizens in the state. So Pennsylvania has really doubled down on its investments in education in general, including post-secondary education, which is a really, really great thing to hear from me as the Deputy Secretary in Higher Education.

It is important that we also understand that in terms of being able to both attract new folks, especially business and industry, to come into the state, lots of the frameworks around how this could be done is focused on emphasizing the importance of postsecondary education. So in many ways that has happened. It has moved even further along. I think that in Pennsylvania they have demonstrated, as have other states, the importance of sort of cradle to the grave strategies. Putting postsecondary or career pathways in place early on to make sure that more folks go into some sort of postsecondary opportunity. All these efforts in some way elevate the importance of making sure that when folks do enter the postsecondary pathway of their choice, that they enter something that is emphasizing high quality and rigor in the postsecondary opportunities to make sure that folks who exit have the skills needed to do well in particular areas, but also continue to promote sort of the wellbeing and vitality of the postsecondary structure—

Mr. SMUCKER. Thank you—

Mr. ORTEGA. Thank you—

Mr. SMUCKER. Dr. Brittingham, I believe that innovation, for instance, competency-based education, can be a factor in driving down the cost of college for today's students.

Do you believe that the Federal Government constricts your ability to allow your member institutions to test new methods of delivering education? Do you think we constrict that?

Ms. BRITTINGHAM. I think it is important to have some safeguards there, but I think speaking for New England at least, our institutions are continuously innovating and we look forward to that. The largest institution in New England, Southern New Hampshire University, has a very large online program and a significant direct assessment competency-based program that is a very important and fascinating innovation that came along. Our commission met together with the president of Southern New Hampshire to learn about what they were doing. They prepared an excellent substantive change in term of our report for approval of that. And Southern New Hampshire recently had its comprehensive evaluation, and the team and the commission were impressed with the success there.

Mr. SMUCKER. Is there anything we should be considering as we are looking at reauthorization to allow more innovation by institutions?

Ms. BRITTINGHAM. I think that is a great question. And part of the problem is that often times I think we try to solve the problems that are in front of us and it is hard to anticipate what is going to be coming down the line. So I am hoping that the Higher Education Act has room for institutions and accreditors to experiment, again, with some safeguards there to make sure that those experiments are looked at. I think often the experimental programs at the Department are good efforts, but there hasn't always been an effort to go back and look and see what have we learned there, what has worked, what hasn't worked. So I think we need it on both ends.

Mr. SMUCKER. Thank you. I will try one more question.

Ms. Emrey-Arras, I am concerned about the extent to which the current financial composite score fails to capture an institution's true fiscal capacity, but I am equally concerned about mandating a fix within the HEA.

What can Congress or the Department do to update the financial composite score measurement to account for future accounting practices while still protecting taxpayer funds?

Ms. EMREY-ARRAS. We also believe that the Department needs some discretion in how to set the composite scores. So we were purposely not prescriptive when we recommended that they update the scores. So we didn't say you need to do A, B, C, D, E, F, G, we said you just need to make sure that you update it so it can more accurately reflect the financial health of schools. So we would leave that to the Department.

Mr. SMUCKER. Thank you.

Chairwoman DAVIS. Thank you very much.

And we are pleased that both the chairman of Ed & Labor and the ranking member are both here to ask questions. I am going to start with Mr. Scott and then we will turn to the ranking member.

Mr. SCOTT. Thank you, Madam Chair.

Dr. Brittingham, who in the triad should review the costs of education? Some of the schools are charging tuitions that I think by any measure are unreasonably high.

Ms. BRITTINGHAM. I think we all have some responsibility in that regard. And I think part of what we need to look at is the published cost and the actual cost that students pay and see the extent to which our colleges and universities are able to enroll students along the economic spectrum and have costs that leave them with debt that is manageable after they graduate.

Mr. SCOTT. Is that something the accreditors are looking at?

Ms. BRITTINGHAM. I will speak for New England, we do not look directly at costs, but we do look—we look every year at loan default, and this past year we have also started looking at loan repayment rates. And we have set cut scores for institutions to submit reports if their loan repayment rates are below a certain level. So it is something that we have been doing. We have looked at loan default rates for 6 or 7 years and ask institutions to report on what they are doing to lower the loan default rate.

Mr. SCOTT. Thank you. And can you say a word about the—importance of using the credit hour as a measure for student aid and also how that would affect someone taking remedial courses?

Ms. BRITTINGHAM. Yes, thank you. I think the credit hour is, it is certainly an imperfect measure, but it is the only currency we have right now. We know that three credits should represent more learning than one credit, and we know that a course offered at the 400 level should be more advanced than a course offered at the 100 level. I think someone else would probably be better than I am to talk about credits and remedial, but I know a lot of our institutions are looking at having experiences that happen alongside credit bearing courses so that students don't get stuck in remedial courses where they get discouraged and use up their Federal financial aid too quickly.

Mr. SCOTT. Thank you.

Ms. Emrey-Arras, you mentioned Cohort Default Rate reform. What does that look like?

Ms. EMREY-ARRAS. We would recommend that the Congress consider a legislative fix to the metric. We think that the metric is currently being gamed by schools and the consultants that they hire, and that it needs to change.

Mr. SCOTT. Change to what?

Ms. EMREY-ARRAS. Change to something that doesn't allow schools and their consultants to put borrowers into long-term forbearance, which means that they are racking up interest while not making any payments and then defaulting often in the fourth year after schools are no longer held accountable.

Mr. SCOTT. Do you mean that if they are in forbearance that wouldn't count as the 3-years?

Ms. EMREY-ARRAS. There are a variety of ways of fixing it, but I think one proposal is to think about not allowing schools to exempt these students during that time period.

Mr. SCOTT. Thank you.

Professor Hillman, on distant learning, why is it important to have regular and substantive interaction with instructors and what would happen if you got rid of those regulations?

Mr. HILLMAN. For distance education, the work that I am familiar with consistently shows—let me preface it by saying the research takes a while to produce and the innovation in this space happens a lot more quickly than the research, so we have sort of a lag there. But the research I am familiar with, that is the higher standards that I would say, consistently finds that distance education works well for students who are really well prepared, like Georgia Tech students who are doing master's degrees in computer science. There is a study showing it works well for them, and you would think that is probably right, that is the student who it works well for.

The other end of the spectrum, commuter students and students of color, generally tend to struggle when it is just an online presence of a course. And so when there is the face to face contact, there is a little bump there. I think there is a lot of research still to go to really disentangle all of this.

But I would say though, to answer the—so what here is—is that it is incredibly important to have that contact with the faculty member, a professor. To have faculty members and students interacting and learning together is critical.

Mr. SCOTT. And if you got rid of that regulation, what do you think would happen?

Mr. HILLMAN. Well, I could speculate, but I don't see a lot of upside. I think it would probably disproportionately have negative effects on a lot of our most marginalized students in the first place.

Mr. SCOTT. Thank you.

I yield back.

Chairwoman DAVIS. Thank you.

Now I turn to Ms. Stefanik.

Ms. STEFANIK. Thank you, Chairwoman Davis.

Mr. Ortega, as we know, the student bodies on our campuses have changed dramatically over the last decade. The traditional first time, full-time student is now the minority on campus.

Increasingly in my district, we are seeing students come back to college or career and technical training to retool and change their careers in response to the changing needs of their families and also in response to the jobs available in their local economy. One of the reasons this is happening is because our regional economies are becoming more diverse and specialized. Many states, including New York, where I am from, are looking to increase job placement in key areas of growth and need.

You discussed in your testimony how states are looking to hold institutions accountable for the performance of specific student subgroups in meeting the state's postsecondary education or career goals. What do some of these efforts look like in practice, and how are states taking into account the unique mission and capacity of each institution and the local community?

Mr. ORTEGA. Sure. And so I think that is one of the situations where states are positioned advantageously with regard to being able to make those determinations. In Pennsylvania, specifically, it begins by the way that we go about making meaning of the data that is presented to us. So making sure that when something is put up front in terms of a postsecondary educational attainment goal, what does that mean for all the subgroups involved, new and emerging, some of them, many of them that we have yet to even move to discover, what does that mean for each one of those groups in relation to the overarching goal. Which is something that we are seeing move at a number of different states.

With regard to the system, we are really taking a step back to say what was the system's original mission and who was it set up to serve. So the whole idea that you have some institutions that serve a particular group of students, in some cases, I am going to use the example the University of Pennsylvania and the students who enroll there, but we all have a comprehensive state system that is supposed to serve a lot of the underserved communities and making sure that mission continues to be elevated and not conflated with sort of aspirational tendencies that we have to make sure that we treat the system all as one.

And so those are some of the things that are happening. Also, understanding that when we talk about postsecondary attainment that it should be inclusive of all the pathways that are available for students at the moment when they need them.

And these are the ways that we have begun to sort of reframe the narrative, so—that way it captures a wider group of folks who have aspirations for postsecondary success as well.

Ms. STEFANIK. Thank you very much.

I yield back.

Chairwoman DAVIS. Thank you.

Mr. COURTNEY.

Mr. COURTNEY. Thank you, Madam Chairwoman, for holding this hearing and, again, one of the important steps toward getting a new higher education reauthorization.

The issue regarding transparency and accountability for for-profit institutions in particular, again, is critical for one population—that I think a lot of us have heard about your work on the personnel subcommittee and the House Armed Services Committee, my friend, Mr. Takano, chairs the veterans committee—is the veterans population. Holly Petraeus, the wife of four-star General David Petraeus, testified before the Consumer Financial Protection Bureau back in 2012, where she said that for-profit institutions "see service members as nothing more than dollar signs in uniform." This morning we have a letter from the Veterans Education Success and Student Veterans of America, which again I would ask to be submitted to the record, again saying how important some of the issues that we are talking about this morning in terms of a new higher education bill is critical to veterans so that their post-9/11 GI Bill benefits are not going to be squandered. I ask that it be entered into the record.

Chairwoman DAVIS. Without objection.

Mr. COURTNEY. As well as two letters, comments that were submitted to the Department of Education and the Department of Veterans Affairs back in 2017 regarding the weakening of the Borrower Defense Rule in the Gainful Employment Standards, again, signed by over 30 veteran services organizations, as well as a letter to the VA regarding the inspector general's report at the VA that showed that the lack of enforcement on deceptive advertising and recruiting by for-profit colleges would squander about $2.3 billion over the next 5 years.

And again I would ask that those be submitted for the record.

Chairwoman DAVIS. Without objection.

Mr. COURTNEY. So, obviously, an issue that we struggled with back in 2008, the last time the higher ed bill was authorized, was the 90–10 rule, which again basically says that at least 10 percent of the revenue going into for-profits has to be non Title IV moneys, Stafford loans, Pell Grant loans. However, the GI Bill benefits were not treated as government funds under that 90–10 rule, which is again one of the reasons why I think Mrs. Petraeus, you know, noted that the GI Bill is like a magnet for for-profit institutions because that counts toward the 10 percent in the 90–10 rule.

I just would ask the witnesses to go down the desk here, just about whether it is time to treat those government funds in the post 9/11 GI Bill as in fact part of the government funding that the 90–10 rule was intended so that there would be actually real private dollars and market-based investment in the for-profit institutions.

And I would start with you, Professor Hillman.

Mr. HILLMAN. It makes me think of two things in response. One would be the origins of this discussion. It happened in the 1940's with the GI Bill originally and how colleges would take advantage of students then and there were then lessons learned through time that got incorporated into the Higher Education Act. So this history is repeating in many ways.

But I think though the second point is that the 90–10 rule as I understand it ensures that colleges have a diverse array of revenue streams, and I think this differential accountability is really important because, for example, the state public universities have the full backing of the state, and so to have a diverse revenue stream especially important in this particular sector.

Ms. EMREY-ARRAS. Although we haven't done work specific to this issue that you raise, I would point out that we have done work looking at the experience of veterans using their GI Bill benefits. And we did a representative sample a number of years ago that found that many of them felt pressured, harassed, by school recruiters and felt that they were given misleading information.

Mr. ORTEGA. More closely that we can tie funding to ensuring that we have consumer protections in place to protect vulnerable populations to me is a very important step to take in any of the recommendations that we put forward. I do feel that in large part it is necessary for institutions who are operating in the states to look for ways to be able to recruit and offset costs for students. And so I feel like more and more, as more players enter the field, the more we have to think about putting things in place, a protection. And if that means coupling things in policy, then I think it is something that we should certainly consider.

Ms. EMREY-ARRAS. This is not something that our commission has dealt with directly, but I will say that the ability of any institution or enterprise to attract people who will pay some of their own money to attend I think is an important indicator of quality.

Mr. COURTNEY. Great. Well, thank you. Again, this was a struggle in '08 and your testimony this morning I think will help us make sure that we really have to rebalance that formula so that it achieves the goal that, again, that Professor Hillman described back in the origins of the GI Bill.

I yield back.

Chairwoman DAVIS. Thank you.

Mr. TIMMONS.

Mr. TIMMONS. Thank you, Ms. Chairwoman, and thank you to the distinguished panel for taking the time to come before the committee.

First question is for Dr. Hillman. Your testimony notes the shocking number of borrowers who default within the first 5 years of entering repayment. And one correlation of high default rates is low graduation rates.

How much emphasis should each member of the triad put on considering college completion rates in order to improve accountability to students and taxpayers?

Mr. HILLMAN. That is a great question. I mean college completion is central to not just the ability to repay a loan, but also for students to take full advantage of their full education and thrive. So I think completion certainly plays an important role here.

I think to me, from the research perspective, I really want to disentangle the sort of causes of default. Like we don't know enough about sort of the mechanisms that cause a student to default in the first place. In the '80's there is some research saying that default was a preexisting condition that institutions weren't responsible whatsoever, that students were just going to default anyway. And I think that the consensus now is that is not the case, that there are mechanisms along the way that can help students know how to manage their debts better, but also be well prepared for a career that can also pay off.

So all of those are entangled. I think part of it is financial literacy, part of it is resources of campuses to be able to deliver high quality education, and part of it is the local context of labor markets. Labor market discriminations that sometimes are outside the control of institutions. So it is tricky.

Mr. TIMMONS. Thank you, thank you.

Mr. Ortega, it is my understanding that Pennsylvania is currently implementing performance-based funding for new dollars invested into the system. What outcomes are you measuring and what was the reason the general assembly moved to this funding model? And how are institutions reacting to the new policy? And what will the ultimate impact be on students?

Mr. ORTEGA. Sure. So as I move into the answer, I just want to preface it by saying that there has been some changeover in the state system from time to time with regard to leadership, which I think influences some of the direction that this takes.

But in terms of what outcomes are being looked at more closely, in exchange for flexibility for institutions to be able to implement enrollment strategies, there is a need to make sure that in doing so, particularly when they are making changes around tuition, et cetera, that they are held accountable for student success goals. And in some ways this is a way to privilege and make sure that institutions think about this more effectively.

If I can sort of circle back to the question that you asked to Dr. Hillman before, it seems that as we go through the different phases of postsecondary access, we are in a phase now that is sort of responding to an increase of influx of new students coming into the system. And so in some ways we are now moving to better understanding the completion agenda. This is not to suggest that it was not something that was handled before, but this is becoming extremely important and something that most institutions need to move more toward prioritizing. In some ways the diminished pool of students available to go into postsecondary education, high default rates, rising tuition costs, means that folks who come in and express some motivation and interest need to be pushed to completion.

So the performance funding really privileged that aspect of it, including how institutions are tying strategies on how they are spending their money to the mission that has been stated for the system at large.

So those are two examples of some of the things that come out of this.

Mr. TIMMONS. Thank you.

And my last question is for Dr. Brittingham. One of the complaints Members of Congress often hear from their institutions is that accreditation takes a lot of time and is unnecessarily costly. How do you respond to that?

Ms. BRITTINGHAM. I think a lot of what accreditation asks institutions to do is to compile and analyze things that they should be doing along the way. So I think some of the cost studies that I have seen, it is not clear that they represent the actual cost of preparing for accreditation as they do also representing the cost of things that feed into accreditation. And I will use the institutional research office as an example. That is something that every institution should have good capacity for.

I think also the volunteer structure of accreditation keeps the overall cost much lower than it would be any other way. An inspection system, like is run in some other countries, where the people who do the actual visits and looking are paid civil servants, is inherently going to be much more expensive than a volunteer system of peer review.

Mr. TIMMONS. Sure. Thank you.

I yield back, Ms. Chairwoman.

Chairwoman DAVIS. Thank you.

Mr. TAKANO.

Mr. TAKANO. Thank you, Madam Chair.

In August 2017 the GAO released a report examining how the Department of Education assesses the financial health of for-profit and private nonprofit institutions in the wake of multiple abrupt closures of larger for-profit chains.

In 2015 Corinthian Colleges, Inc. abruptly shut down leaving about 16,000 students without many options to finish their degrees and with large amounts of debt. Many of those students, I would like to add, are still waiting for the loan relief that they are entitled to under the borrower defense rule, which this Administration was ordered to implement by a Federal Judge in October 2018. And yet we have seen virtually no progress.

Ms. Emrey-Arras, how did Corinthian Colleges, Inc. manipulate its composite score to avoid sanctions from the Department of Education?

Ms. EMREY-ARRAS. So what they did was they took out millions of dollars in short-term loans at the end of the fiscal year, in one case it was the last day of the fiscal year, and then repaid it shortly thereafter at the beginning of the next fiscal year. But the beauty of it was that they classified this as long-term debt on their materials to education and that enabled them to boost their composite score and therefore avoid having to get a bank to issue them a letter of credit, which would have given the Department money to help pay for some of the costs associated with those student loans.

Mr. TAKANO. Oh, my goodness. Could the Department of Education improve the composite score to avoid this type of manipulation? And, if so, how?

Ms. EMREY-ARRAS. Yes. We think that it can definitely do things to improve it. And I think dealing with a long-term debt issue is a significant way to do that. There are other issues with the score that are also faulty. I mean I think fundamentally this is an archaic composite score. It was created more than 20 years ago. Times have changed and the score has not kept up with, like bad actors, it has not kept up with changes in the financial industry, and the Department needs to update it.

Mr. TAKANO. So is the Department open to these changes?

Ms. EMREY-ARRAS. They have—they initially were not as open. Since we issued the recommendation, they have made some progress in trying to implement some changes, however they missed the regulatory deadline to create those changes and things are still as they were. There has been no fundamental shift in the score as of today.

Mr. TAKANO. I am disappointed to hear that.

Last year Representative Rosa DeLauro and I requested a GAO report investigating how institutions use consultants to manage the Cohort Default Rate, or CDR. The CDR is an important metric that ensures institutions do not have too many students defaulting on their student loans. And, as we know, student loan default has a disastrous consequence for a borrower, including damaging their credit, and in some cases leading to wage garnishment.

Ms. Emrey-Arras, what did your report find about these consultants encouraging borrowers to enter into forbearance?

Ms. EMREY-ARRAS. We found that for five of the nine consultants which served 800 schools, they were really focusing on pressuring the borrowers to pick forbearance over other options that could have been better for them, like income driven repayment. And some of them did that in ways where they provided incomplete information to borrowers.

So they might, for example, send an unsolicited letter to a borrower who is behind with only a forbearance application, nothing else. So it was clear that they were pushing one option. So it made it so that borrowers thought that they had only perhaps one choice to reconcile things.

Mr. TAKANO. Why would consultants do this?

Ms. EMREY-ARRAS. They had a financial incentive. They were—some of them were paid based on each account that they brought current, and doing a forbearance is very quick. They can do it in some cases in like 5 minutes over the phone, no documentation, no application.

Mr. TAKANO. This sounds incredibly, a terrible system that really takes advantage of students to profit for the sake of profit.

Why are some of the tactics these consultants use to encourage borrowers into forbearance?

Ms. EMREY-ARRAS. Well, in addition to, you know, putting forth only a forbearance application, we found in one situation that a consultant was out and out, lying to borrowers. The consultant was telling them that they would lose their access to food stamps if they defaulted on their Federal student loan, which is just—it is not true. So that was a concern of ours.

Mr. TAKANO. So, in 2017 the Dream Center purchased Argosy and a few other institutions from Education Management Corporation. This required approval from accreditors and the Department of Education.

Ms. Brittingham, why would accreditors approve this?

Ms. BRITTINGHAM. I can't speak to the specifics of that because that happened in a different region. So I really don't have a lot of information about that. I apologize.

Mr. TAKANO. Okay. I yield back, Madam Chair.

Chairwoman DAVIS. Thank you.

Mr. GUTHRIE.

Mr. GUTHRIE. Thank you very much, Madam Chair. Thank you all for being here. Sorry I am in another hearing as well, so going back and forth.

My first question is for Professor Hillman. Dr. Hillman, I want to ensure students and families make informed decisions about their education. Student loan debt has surged to more than $1.4 trillion, surpassing both auto loan and credit card. Unfortunately, many students enter into binding loan contracts without fully appreciating the gravity of the financial decision they are making and the consequences it will have on their futures.

Last week, working with Chairman Elijah Cummings, I introduced the Net Price Calculator Improvement Act. And I plan—reintroducing the Empowering Students Through Enhanced Financial Counseling Act.

So in your experience at the University of Wisconsin-Madison's financial aid office, which financial aid practices have been the most helpful for students in improving their financial decision-making?

Mr. HILLMAN. Great question. I think two things come immediately to mind. The first is simplicity, focusing on simplicity. And so one thing that we did at the University of Wisconsin-Madison was we developed what we call Bucky's tuition promise—Bucky is our mascot. Bucky's tuition promise to assure the students from Wisconsin whose family income is less than a threshold—$56,000 in this case—could be assured in a very simple way—you just have to meet that measure and get admitted—that you could have your tuition and fees covered by the University. And so that kind of commitment I think helps give students some degree of assurance that they need to know how much it is going to pay, at least on the tuition side of the house.

A lot of non-tuition expenses, room, board, a number of other factors here, that are hard to calculate and hard to know. So this information—so the point here is this better information is important to sort of get the full scope of what else it takes to stay enrolled in college and succeed.

But I would say though that the sort of complement to this, and the second point here, is that it is not enough to just provide that information, you have to also let people know about it, know how to navigate the system, and do so in a way that is extremely supportive and takes a proactive approach.

And so just putting information out there is a necessary but insufficient condition here.

Mr. GUTHRIE. Do you see students come in with like sticker shock? Not that you haven't explained or let them know what, but they show up and when they are ready to go, we didn't realize it was going to be this expensive. I mean, as they show up—I know they get all the information that you provide, how much you are going to—tuition, what the family is responsible for, those types of things, but then they show up and they still can seem to be kind of shocked, one, that it is a loan not a grant, after you have told—I mean after you have explained that. Do you see that? And how can we better explain that information?

Mr. HILLMAN. You know, I think this is a fundamental challenge of our sort of awkward economics of higher ed finance where you don't often times know what you pay until you are through the system, and the longer you stay in school you got to do these sort of exchanges every year. So there is some volatility here that matters. But at the same time I am not sure if I would say it was a shocker, just sort of, you know, sort of inconsistency with respect to how expensive it really is going to be.

I guess the point here is that across the spectrum, folks are going to be wrong when they guess how much it costs, because you can't always be precise. Your family situation changes, you have health emergencies, and whatever it might be, that could throw things off for you.

And so I think there is going to be a degree of volatility here that is sort of baked into the system.

Mr. GUTHRIE. Okay. Thanks.

And so this is for Mr. Ortega. Following along the same lines as Dr. Hillman, what is Pennsylvania doing to help counsel students about Federal and state based opportunities and obligations?

Mr. ORTEGA. Sure, sure. And so Pennsylvania is really investing in making sure that, first of all, students are really financially literate in terms of being able to understand what it means to borrow student loans, but also being able to distinguish early on the difference between need based aid that are grants, but also the difference between scholarships, making sure that they are equipped responsibly.

One of the interesting strategies is you move into support staff in the educator work force, who normally folks don't think about. Counselors are a perfect example of how you could really begin intervening early on to provide students with this sort of foundational knowledge when they move to decisions. But also they are now looking into trying to create mandatory requirements around courses that students take at the secondary level, or the way that it is infused into the first year experience at institutions.

And so they are really trying to make sure that information is up front.

We recently, like many states, passed what essentially is called a loan summary notification that is given to students every year informing them of the amount of debt that they have accumulated up until that point. Interested in figuring out when it goes in place how we can evaluate it to make sure it is achieving the outcomes. But the whole idea is how much how you can get to students, to them, that is not the technical language that you often receive when you go to borrow your first student loan. Something that is a lot simpler to understand.

So, like Dr. Hillman, simplification as well.

Mr. GUTHRIE. Okay. Thank you—

Mr. ORTEGA. You are welcome—

Mr. GUTHRIE. And I have used my time, so I yield back.

Chairwoman DAVIS. Thank you.

Mr. SABLAN.

Mr. SABLAN. Thank you, Madam Chair, for holding today's hearing. Good morning, everyone.

I come from a district where we have a 2-year college and they do offer 2, 4-year degrees in education, and business administration. But for the most part, many people in the work force already are taking online courses from—and I haven't yet figured out how many are affected by the recent closing of Argosy.

But, Dr. Hillman, thank you very much for your statement about the correlation of—where 29 states have data systems linking post-secondary education with K–12 in the work force—so making it difficult for states to identify problems and solutions for their educational needs. I am going to ask that question of our school system, if they have that.

But, Ms. Emrey-Arras, if I have that correct. Do I have that correct?—

Ms. EMREY-ARRAS. Yes—

Mr. SABLAN [continuing]. Let me ask you, because, you know, the use of consultants to game the system for many nonprofits, if that system, that game, is not available, how much worse do you think the problem is with for-profit colleges?

Ms. EMREY-ARRAS. Well, default rates have been traditionally higher for for-profits. I would like to say though that we did find that it wasn't just for profits that were hiring consultants. There were other sectors represented as well. And we think that the metric, the Cohort Default Rate, which is one of the government's fundamental ways of keeping the schools accountable and having them have skin in the game, is flawed, as demonstrated by our work. And we think it needs to change.

Mr. SABLAN. Yes. Because, you know, as you stated in your testimony, although a relatively small number of schools close each year, these closures can affect tens of thousands of students and result in hundreds of millions of dollars in financial losses for the Federal Government and taxpayers from unrepaid student loans.

So say the consultants, the game consultants reform in—is taken out of the—how much more in disclosures and in terms of—if you could answer that, I would appreciate it.

Ms. EMREY-ARRAS. I would say that there would be more accountability and more financial controls for the Federal Government if the financial composite score was updated as we recommended. Because right now, one of the key tools to help deal with closures is this bank letter of credit that schools need to provide when they fail their composite score. And so if the composite score is being manipulated and schools are avoiding posting those letters of credit, then Education doesn't have that sort of check to cash when a school goes under and, you know, then does not have like coverage for like potentially millions of dollars in student loan discharges—

Mr. SABLAN. Yes—

Ms. EMREY-ARRAS [continuing]. So I think one of the things that can be done is to really shore up that metric to make sure that the Department is able to accurately gauge the financial health of schools and then demand that schools who are failing the financial composite score post that letter of credit. And they have to post a minimum of 10 percent of their Federal student aid funds, but they can require more, depending on the circumstances. And that can be financially helpful for the Department to cover the cost of the closures.

Mr. SABLAN. Right. And I am actually—you know, I took note of your conversation with Mr. Takano in saying that it takes 5 minutes sometimes for a consultant to get a letter of forbearance or that an institution would go to a bank and get a short-term note, loan and represent that in their balance sheet as a long-term debt. I mean that accountant's license should be taken.

My time is up. I do have questions that I will submit for the record.

Thank you, everyone. Have a good morning.

Chairwoman DAVIS. Thank you.

Mr. GROTHMAN.

Mr. GROTHMAN. Yes, first of all a question for Mr. Hillman. You talked about that Bucky's promise and how you are making a promise depending upon the child's family income, correct? How do they compute that family income?

Mr. HILLMAN. I am sorry, I didn't catch the—

Mr. GROTHMAN. How do they compute the family income?

Mr. HILLMAN. This is based off of adjusted gross income from the—off the tax forms.

Mr. GROTHMAN. Okay. If a child's parents are living together at home then you combine the income of mom and dad and they both count towards the income?

Mr. HILLMAN. I could confirm, but so far as I understand, I think the answer is yes, but I can followup.

Mr. GROTHMAN. Okay. And if the parents aren't living together, do you combine the family income?

Mr. HILLMAN. That is a good question. Yes, I don't know those—I can followup for sure and answer.

Mr. GROTHMAN. Why don't you find out? I would like to know. I just want to make sure we are not penalizing parents for staying together. So can you get back to me on that?—

Mr. HILLMAN. Okay—

Okay. Now, Dr. Brittingham, as you know, dual enrollment classes are becoming a bigger bigger thing in Wisconsin and nationwide. And one of the problems we have over time is credentialism for people who are teaching these students, correct? Are you aware of that problem?

Ms. BRITTINGHAM. It's something that we look at, that is right.

Mr. GROTHMAN. Right. And dual enrollment is a tremendous thing. It allows people to get through college quicker, right? Kids who participate in dual enrollment classes have a tendency to do better, but there is a concern among both high schools and colleges affiliated with them, as you put more and more credentialism on some of these teachers, you begin to find a hard time finding the teachers to teach these classes.

And I wondered if you could comment on that, or whether there is anything you think we can do about this. I mean, in my opinion, sometimes credentialism is meaningless, right, and it is a shame that people are dissuaded or they find it impossible to participate in these dual enrollment classes because of credentialism. It might not show a teacher is better.

Do you have any comments on that or can you think of anything we can do about it?

Ms. BRITTINGHAM. I am not sure what the long-term solution is. It is something that our commission looks at. I think there are variations in dual enrollment. And I think one of the things that is greatly needed is some kind of empirical study that follows up on these students. We have got sporadic studies, but we really don't have a lot of information about where the students go, how many of the credits transfer, and can the dual enrollment be validated by the student's success in subsequent courses. So I think there is much more to do.

That said, I think that students do benefit by having well qualified teachers and faculty members. And I think distance education offers us an opportunity to make sure that anybody who is teaching a college level class is prepared to do that.

Mr. GROTHMAN. Will you agree that sometimes a master's degree does not make you at all a better teacher?

Ms. BRITTINGHAM. Yes, alas, I would agree with that.

Mr. GROTHMAN. Yes. So do you think there is some way we can find alternative means of accreditation to make sure these kids are able to get into dual enrollment classes?

Ms. BRITTINGHAM. Again, I think distance education offers us some great opportunities, both for students in high schools to take courses offered through distance education by the colleges in their community, and have teachers in the high schools work alongside them perhaps. It is a problem.

Mr. GROTHMAN. Okay. Do you think it can be solved to a certain extent by finding alternative credentialism for some of these teachers?

Ms. BRITTINGHAM. I am not sure what you mean by alternative credentials.

Mr. GROTHMAN. Well, maybe credentials—I mean alternative accreditation. You know, if you could find a teacher being accredited. Maybe right now you are requiring a masters degree, but finding some other way to say this is a good teacher even though they don't have a master's degree.

Ms. BRITTINGHAM. There may be. I am not aware of anybody doing that right now.

Mr. GROTHMAN. Do you think it would be a good thing to look into?

Ms. BRITTINGHAM. Sure.

Mr. GROTHMAN. Good. And I guess I will yield the remainder of my time. And I will look forward, Professor Hillman, to make sure that we are not discriminating against parents that stay together.

Chairwoman DAVIS. Okay. Thank you.

Our next speaker is Ms. Bonamici. And after that we are going to take a break and come back probably around 12?—after the speech in the joint meeting with the Senate this afternoon. So if you could just—we will try and contact you. Be sure and have your contact numbers, Okay? Thank you so much. If you are able to stay with us, we appreciate that.

Ms. Adams will be conducting the hearing at that time.

Thank you.

Ms. Bonamici?

Ms. BONAMICI. Thank you. Thank you to the Chair and the ranking member and to all of our witnesses.

I am glad we are discussing this important issue. I come to it with a consumer protection lens. I spent some time at the Federal Trade Commission and appreciate the role of consumer protection laws.

The triad we talked about today, I want to focus on the role of the accreditors. Last year I expressed concern to the Department of Education following their decision to fully reinstate Federal recognition of ACICS, the controversial accreditor that has now overseen several of the largest collapses, including Corinthians, ITT Tech, ECA, the Education Corporation of America, and just last week Virginia International University, where they found unqualified teachers, which they had also found in 2010 and 2014, rampant plagiarism, and patently deficient online classes.

So these unscrupulous and unsound institutions take advantage of too many people here in our country who are trying to get ahead. And my concern, they have been allowed to operate as accredited schools for too long. Some of them shuttered without providing sufficient guidance to students who want to continue their education. In some cases the teach-out plan was a link to a website to another predatory for-profit college.

So given the ability of ACICS to inflict so much harm on students I am concerned about the Department of Education's attempt to provide more flexibility to accreditors and even less Federal oversight through the negotiated rulemaking process.

Dr. Hillman, accreditors have consistently missed warning signs from for-profit colleges. I just mentioned a few, including financial issues, lawsuits, poor outcomes. Would you agree that accreditors need to take these warning signs more seriously during the process and our students equipped to judge the quality of institutions based on accreditation alone? What else should they be looking at?

Mr. HILLMAN. Yes. To respond to the question, and what else could they look at, I think there are examples of including those long-term loan repayment outcomes that also seem to be of interest to many accreditors.

Ms. BONAMICI. Thank you.

And also, Dr. Hillman, I noticed you recently published a book, "Accountability and Opportunity in Higher Education: the Civil Rights Dimension." I chair the civil rights and human services subcommittee here in the Education & Labor Committee. So can you talk a little bit about—I haven't had an opportunity to read your book—can you talk about what is the civil rights dimension and accountability and opportunity in higher education?

Mr. HILLMAN. This book was co-edited with Gary Orfield, the director of the civil rights project at UCLA. And we convened a number of authors to write about, from different angles, how civil rights might be strengthened or eroded by our accountability policies in higher education. And some of the examples that we illustrate throughout the book is when we have accountability measures that are poor measures of any sort of performance or any accountability that can sometimes disproportionately have negative effects for minority serving institutions and for students—serving low income students in some colleges.

Ms. BONAMICI. And to followup, what have you found in the research—again on for-profit colleges there are some students who might enter one of these institutions and then actually be worse off after attending. What have you found about that in your research?

Mr. HILLMAN. My review of the research is that there is good evidence that students who participate in certificate programs at for-profit colleges end up defaulting at extremely high rates, half I think are some of the estimates right now. But also that these effects last in many cases years and years and years into their life course.

Ms. BONAMICI. So they have the debt but they don't have the certificate or diploma.

I want to move to Dr. Brittingham. Did I say that correctly? Something in your written testimony caught my attention and I want to followup on it, because I found it a bit concerning. You said in arts institution reports what percent of students make their living from their art. As someone who is a strong supporter of arts education, I know that many people who study in the arts don't traditionally work in the arts, but they may use what they learned from studying in the arts, for example, to work for a tech company. Or around the corner there is today there's an exhibit about innovation in footwear design. If somebody goes to work for a footwear company or a tech company, does that mean they didn't get a good education at an art school?

Ms. BRITTINGHAM. No, not at all. But I think because the mission of the art school is to prepare students in art, it is one of the measures that they want to use.

Art schools also do other interesting things. For example, we have one that has a relationship with a coding boot camp, so that students who want to pursue their art on something that may not necessarily pay very well, can have another way to make a living to supplement that.

So we see a lot of creativity there.

Ms. BONAMICI. Terrific. Thank you.

And I see my time is about to expire. I yield back.

Thank you, Madam Chair.

Chairwoman DAVIS. Thank you very much. I want to thank all of you for your presentations. There is a lot there for us to work on and you have provided some very valuable suggestions about ways to make some fixes, and on the other hand, maybe restructure entirely to try and come up with something that is going to work better throughout. And particularly, I think, as you have heard, you know, the concern really is because of the numbers, because of the data, that we want to be sure that students who are attending for-profit colleges are getting their money's worth and the taxpayers are as well.

So, thank you so much.

As I said, after the joint session we will convene again and it should be, you know, in the neighborhood I think of around 12:15 pm, so.

Thank you very much.

[Recess]

Ms. ADAMS.

[Presiding] I want to welcome everyone back to our hearing on strengthening accountability in higher education. Thank you all very much for joining us again.

I want to now recognize Ranking Member Foxx.

Ms. FOXX. Thank you, Madam Chairman. And I want to thank our witnesses for being here today. This is an issue that we are all very much concerned about and it is an issue that is getting a lot of attention.

But I have to be honest, I have been very disappointed in what I have heard from my colleagues in what was supposed to be a bipartisan hearing. So I would like to take a step back from all this partisan dialog here and remind my colleagues why we are here and why we are holding this hearing—at least why I thought we are having this hearing.

I thought we were here for students. We want to make sure there is accountability in how institutions are serving students. It is too easy to group bunches of institutions together and say these schools aren't serving students. But in reality, we are talking about people's lives. Every student that isn't served well is a life that is losing time, losing potential, losing its impact. That is why we are here. These individuals are the reason we should be here. And to sit here and grind a tired old ax against certain types of institutions you don't like is just disgraceful. This should be a conversation about all students, all institutions, all taxpayer dollars.

We need to look at some stats. College X has a graduation rate of 44 percent and its graduates make an average of $34,600 after they graduate. College Y has a graduation rate of 10 percent and its graduates make an average of $28,700 after graduation. College Z has a graduation rate of 27 percent and its graduates make an average of $31,300 after graduation. In my examples, ECPI, a 2 year for-profit is College X. Hudson Community College is a 2 year public school and that is College Y. And Savannah State University is a 4 year public. And if my colleagues on the other side of the aisle want to talk about protecting taxpayer dollars, we should be talking about protecting all taxpayer dollars, which includes the approximately $50 billion a year public—public institutions across the country get from the hardworking taxpayers in their states in addition to the $76 billion taxpayer dollars at the Federal level. Approximately 20 million lives are at stake here. And for a majority of this population, if they fail, the chances are small that they will ever try again.

Therefore, it is really disappointing that my colleagues have spent the entire hearing talking about a sector that enrolls only approximately 10 percent of the total population.

I have said from the beginning of our process that postsecondary education systems are not serving students well. And that is what we need to be talking about in these hearings. And that is why we need comprehensive reform.

I thought there was bipartisan agreement around the idea of wholesale reform, but I am now seeing that really that isn't the case and that is a true shame.

Dr. Brittingham, I would like to ask you a question. Can you provide the committee with more information about how graduation, retention, loan default, and loan repayment rates will be used as part of your organization's review process? Why did your agency decide to undertake this effort and what successes have you seen from it so far? To what extent are other crediting bodies beginning to use the student outcome metrics in their respective processes?

Ms. BRITTINGHAM. Thank you. I think first of all, all of the regional accreditors use them but probably in somewhat different ways. Our commission has looked at financial information on loan defaults for probably 7 or 8 years now. We write institutions that meet a trigger that we have set that is far more conservative than the ones set by the Department and ask them to explain what they are doing to help lower the student default rate.

The last couple of years we have started looking at student repayment rates. You have heard before that student loan default rates can be "jiggered" shall we say, although I have no evidence that has happened at our institutions, but the loan repayment rate is cast in a more positive way because it means students are making at least minimum progress on repaying their loans.

I see I have run out of time. Okay. And the rest was on retention and graduation rates. A couple of years ago the regional accreditors together decided to look at institutions with low graduation rates. So we looked at 2 year institutions that had 3 year graduation rates at or below 15 percent and 4 year institutions that had 6 year graduation rates at or below 25 percent. We each did it a little bit differently, which lets the approaches converge. You can find the report on our website, which is C-RAC.org, C-RAC.org. In New England we wrote each of those institutions, there were 28 of them, and we asked them to each write a short report explaining were the data correct, what else did they know about student retention and graduate rates, what were they doing to help improve those rates, what did they know about how effective that was, and what else were they planning to do. I think those were all very informative. Almost all of them were community colleges and adult serving public institutions. We had some followup with a couple of them. We learned some things, including I would say the great importance of local institutional research capacity to help institutions understand where the students are having problems.

Ms. FOXX. Thank you. And thank you, Madam Chairman, for your indulgence.

Ms. ADAMS. Thank you very much.

Let me just respond real quickly. Due in part to these differences in structure and incentives, for-profit colleges and institutions have consistently worse outcomes. For example, only about a quarter of students enrolled at for-profit colleges complete a bachelor's degree within 6 years compared to 59 percent at public and 66 percent at nonprofits. Among students enrolled in 2 year programs, those attending for-profits are nearly 4 times as likely to default on their loans compared to their counterparts at community colleges.

Let me now recognize Representative Jayapal.

Ms. JAYAPAL. Thank you, Madam Chair.

Last month I met with students from a for-profit college in my district called the Art Institute of Seattle. After 73 years in operation, the school shut down just 2 weeks before the end of the quarter because Wall Street investors who had taken over its management had suddenly decided it was no longer profitable. And I heard heartbreaking stories from multiple students who didn't even know whether their credits would transfer. In most cases it sounded like they wouldn't transfer, including one who was just seven credits short of a degree and had actually transferred from another investor owned school that also shut down abruptly. All of them are getting zero support from this Administration as they face the difficult decision between attempting to transfer or applying for a loan discharge for, in some cases, tens of thousands of dollars. In this case, and unfortunately in so many others, Federal student aid dollars have benefited the rich and the powerful more than they have helped students.

So let me start, Dr. Hillman, with you. Nonprofit and public schools are required to spend all of their money towards education. Are for-profit schools different?

Mr. HILLMAN. Yes, for two reasons. The first is the economics of nonprofit organizations have a non distribution constraint, so all the money has to go to the mission, not the shareholders. That is one. I think the second is more of an empirical one. When colleges spend more money on students, on student support services, they see positive outcomes.

Ms. JAYAPAL. So in the case of for-profit entities, the interests of the shareholders are coming before the interests of the students. Would you agree with that?

Mr. HILLMAN. I don't think I would agree wholesale. I think that there is truth to that.

Ms. JAYAPAL. Great. Thank you. And when profits—in my view, that is what I see happening, and I accept your answer—when profits come before students my concern is that the result is lower completion rates, higher default rates, and higher costs for comparable public programs. So nationwide, just 9 percent of students attend a for-profit program, but the schools account for 34 percent of the students that default on student loans.

And what is more, data from the Federal Reserve Bank of New York's research and statistics group and the National Bureau of Economic Research suggests that on average students attending for-profit programs earn no more than if they had attended no school at all.

So given the very clear differences in cost outcomes and default rates between for-profit and public and nonprofit schools, does it make sense, Dr. Hillman, to have a one size fits all accountability system? Or does it make more sense for for-profits to undergo a higher level of scrutiny?

Mr. HILLMAN. I think an answer to that would be it is going to depend on policy goals, first of all. But I would say that differential accountability is a strength of the current system. I think that my understanding of a rationale for differential accountability is that in the public sector public colleges have the full faith and credit of their state. For example, they have oversight coming from other places and other governance agencies that are accountable to public and elected officials. And I don't see the same governance structure in the for-profit sector. And I say that reason alone would warrant differential accountability.

Ms. JAYAPAL. Thank you. I am particularly concerned about how the lack of accountability for for-profit colleges disproportionately affects people of color. So while black and Latino students make up 36 percent of all students enrolled in college, they actually make up more than half of undergraduates at for-profit colleges. So black and Latino students at for-profit colleges pay more than twice as much as they would to attend a public 2 year college and leave with $10,000 more debt on average.

Dr. Hillman, how does the overrepresentation of students of color at for-profit institutions contribute to racial inequality and the wealth gap?

Mr. HILLMAN. It certainly contributes. I think that those proportions that you just referenced are very important to keep in mind, both on the front end of the wealth inequality that requires particularly black families to borrow at higher rates than any other groups. And then it has downstream effects as well in terms of the fragility of the black middle class, as some of my colleagues, Fennaba Addo and Jason Houle, would say. So I would be happy to connect you with some folks who are doing really good research in this area.

Ms. JAYAPAL. That would be great.

And maybe in my last 40 seconds or so, if you could give me some sense of how we ensure that we are protecting all students that go to for-profit colleges that receive Federal aid, and particularly students of color, do you have suggestions for this committee around that?

Mr. HILLMAN. I do. And I am happy to continue the conversation. I think that two important ones I think are core here. One is thinking about the capacity and the sort of operations that happen at a college. I think that different processes have different outcomes for students. And so caring about that matters. But I also think that getting measurements right, accountability measures right is also going to matter here.

Ms. JAYAPAL. Thank you. I so appreciate that. And, Madam Chair, I think we should be looking at whether this predatory industry is deserving of Federal aid at all.

Thank you. I yield back.

Ms. ADAMS. Thank you. I went to recognize Representative Omar at this time.

Ms. OMAR. Thank you, Chairwoman.

So I just kind of wanted to follow with what my colleague sort of was reviving here. Dr. Hillman, you mentioned in your testimony that some colleges and universities conserve to reproduce and reinforce inequality. As my colleague alluded to, black students are three times more likely to complete a college degree program within 6 years at a public college compared to black students attending a nonprofit—for-profit college. Latino students 6 year graduation rates at public colleges are twice that of their peers at a for-profit college. Student debt outcomes for students attending these schools are worse as well. For-profit colleges account for more than one-third of all student loan defaults, which is 34 percent, even though students attending these schools make up only 9 percent of the total postsecondary enrollment.

So I wanted to know, do you not agree that the Department of Education has a duty to protect the students and taxpayers from bad actors in higher education and that we should be holding some of these for-profit colleges accountable for their student success?

Mr. HILLMAN. Yes. I think, to also qualify this, I think that even in the public and nonprofit sectors I would imagine they would say we would welcome accountability as well. So that context I hope is helpful.

Ms. OMAR. It is. And I am just wondering what kind of accountability measures do you think would be useful in holding some of these bad actors accountable?

Mr. HILLMAN. That is a great question. I think that is one that is certainly on the table and I would love to explore options. I feel like there must be some things that are working well now that could maybe be enforced and maybe there are ideas that are happening at the state level or in other places that could be incorporated into some of the Federal responses.

Ms. OMAR. Do you not agree that for-profit colleges disproportionately prey on low income students and students of color?

Mr. HILLMAN. I think there is good evidence that has happened. And, again, I don't think that wholesale I wouldn't say that is the case across the board, but I would say there is certainly evidence to support that and I think that is a priority for students of color in particular and for consumer protection in general.

Ms. OMAR. And do you not agree that Congress should ban all Federal funding to for-profit colleges or institutions where the governance and structure allows for a profit motive to affect institutional decisionmaking?

Mr. HILLMAN. That is a great question. I think, again, you have got the policy goals of your committee to prioritize, but I would say there is a case to be made.

Ms. OMAR. Students that enrolled in for-profit colleges that closed experienced falsified job placements statistics, low quality programs, and predatory lending practices. And so I would ask do you not agree that these students should be awarded full and immediate student debt relief?

Mr. HILLMAN. I think situations—it is going to be situational. But I think the spirit of that, yes, I would agree that is fair.

Ms. OMAR. I appreciate that. We heard at the last hearing on college affordability that college degrees continue to be a great investment for most students. However, there are distressing signs that some institutions and programs leave students with debt they can't repay. The Obama Administration sought to protect consumers from such programs with its gainful employment regulations, which was finalized in 2014. That regulation set debt to earnings threshold that institutions had to meet and required disclosures to ensure that prospective students know what they are getting for their money.

Although the rule is still in effect this Education Department is no longer implementing that rule because it served a working relationship with the Social Security Administration, the agency that provided the data after DeVos violated the Privacy Act last year.

What can you tell us about these programs that leave students with unmanageable debt?

Mr. HILLMAN. I think there are at least two ways to think about unmanageable debt. It is sometimes low levels of debt that really matter for students. And we might not think that $5,000 is a lot of debt, but it could be very unmanageable for families or individuals. And just on the opposite end, it could be loads of debt that also is unmanageable. I think that in both cases there are concerns about downstream effects of this financing model that we have chosen to use in our higher ed system of having to be based on loans and credit.

Ms. OMAR. Yes. So 98 percent of the failing programs were offered by for-profit colleges. And so when we are talking about predatory practices it is one that is concerning. And I hope that we will spend a little bit more time on this committee exploring that and figuring out how we hold these bad actors accountable and assure that students have access to the kind of education that they deserve.

Thank you and I yield back.

Ms. ADAMS. Thank you. Thank you very much.

I want to recognize Mrs. Lee now.

Ms. LEE. Thank you, Madam Chair, and thank all of the witnesses for being here.

As you know, we have this very pressing issue with for-profit colleges that aggressively target veterans and their GI benefits, as was explained here earlier today with the 90–10 rule loophole. And this issue hits particularly close to home for me and my district and my state of Nevada. In fact, when I first came to Congress I had the unique privilege of bringing Sergeant Isaac Salvadar as my guest to the State of the Union. Sergeant Salvadar had served in the Marine Corps, he was deployed to both Afghanistan and Iraq, and now he helps other veterans stay active as a coordinator for Merging Vets program.

But right after his military service he had returned to Vegas and enrolled in a for-profit college. When he was just three classes away from graduating the institution closed, causing him to lose those 2 years of GI benefits. Very devastating.

Dr. Hillman, I wanted to ask you, if we were to close this loophole, how would this impact institutions, but also how would it potentially help students, veterans like Isaac?

Mr. HILLMAN. So good question. And I am not sure I have a full answer and I would be happy to followup.

It seems though, my intuition would be that it would be beneficial in the long run for students to be at institutions that have a diversified revenue stream because I think that institutions might have incentives to serve students better when they have a wider range of revenue streams and people are accountable to.

Ms. LEE. Thank you. So help me understand this. If these for-profit institutions, they have a fiduciary responsibility to their shareholders, not necessarily to the public. They are overwhelmingly reliant on Federal funds. So why would we let them continue on with business as usual? And then do you think there is any drawback for students in closing this loophole?

Mr. HILLMAN. I would be happy to followup on that one as well. My instinct is to say that if the outcomes are desirable, and if they are getting good outcomes with that situation, then I would say maybe it would be less of a concern.

Ms. LEE. As, you know, we have this conversation today about strengthening accountability, I think it is imperative that we emphasize and highlight student outcomes and whether or not we are positioning our students for success. And along these lines, when we think of promoting students' best interest in terms of trying to reduce higher debt burdens and default rates, I believe we have to assess the personal profit incentive of some of these privately held for-profit institutions.

I mean, just as an example, the CEO of ITT Tech, now the defunct for-profit chain, earned nine times the salary of the president of Harvard University while relying on 100 percent of Federal aid programs for revenue. What are your recommendations or thoughts on requiring for-profit colleges to disclose salary incentives and other bonuses for leadership members at these companies?

Mr. HILLMAN. This is not something I have put much thought into. I don't feel totally prepared to respond to that.

Ms. LEE. Is there any other witness who would like to respond?

No? Okay. Dr. Brittingham, in the past 6 months colleges owned be ECA, Vatterott Colleges, and the Dream Center closed leaving over 140,000 students stranded. In most cases the creditors overseeing the institutions failed to secure teach-out agreements that would have provided these students options to transfer despite many of the warning signs.

During the midst of the Dream Center closure I was deeply concerned regarding the status of the Las Vegas Art Institute, which affects many students in my district. Specifically, in the case of the Institute, that if it did close, where would these students go to resume their course of study. Many of these students have families and the question I keep thinking about is whether they would be able to find local institutions. Some accreditors have sought teach-out plans which do not translate into anything meaningful for students without this agreement in place.

Can you tell us what the appropriate point for an accreditor to request colleges to submit teach-out agreements is?

Ms. BRITTINGHAM. I can tell you what we do. And I do want to take the opportunity to say that my colleagues and I are available to any members of the committee and their staff if it would be helpful for us to come in and talk with you when we are in Washington.

We were not directly involved in the Dream Center. We had one previous institution that was owned by EDMC and they decided to close it and taught it out all the way in the Boston area before. So I really can't respond to that.

I will respond when we have institutions that—if the commission has to ask them to show cause for probation or termination we will ask them to submit a teach-out plan, which is what would you do. And as things get worse we ask them for teach-out agreements. A good teach-out agreement takes some while to do. And so as your question suggests, you can't wait until the minute to ask for the teach-out agreement.

Ms. LEE. Great. Thank you.

I yield.

Ms. ADAMS. Thank you very much.

I want to yield at this time to Representative Levin. You have 5 minutes, sir.

Mr. LEVIN. Thank you so much, Madam Chairwoman. And I thank all four of you for sticking with us. In retrospect maybe we should have invited you to get to watch the speech of Jens Stoltenberg, the Secretary General of NATO. That is why we left. And it was an inspiring shot of bipartisanship and we had a great time cheering for him. He gave a great speech.

The Education Department, I think we all agree, has a duty to protect students and taxpayers from bad actors in higher education by holding institutions accountable for their students' success.

Under Secretary DeVos the Department has proposed several versions of regulations that would allow colleges to outsource huge swaths of programs to unaccredited, unaccountable providers. Although the Department's most recent proposed changes set some sort of a threshold for the amount of instruction that can be outsourced to other entities, students could be paying to attend a university without even knowing that significant parts of their programs are being provided by an unaccredited, unaccountable entity without any experience or expertise in teaching and learning.

These unaccredited providers would not be subject to the few laws and rules that we do have to protect consumers. They could operate completely in the shadows without any of the transparency or accountability required of colleges and still access taxpayer dollars.

This proposal sounds like a shell game, at least to me.

Dr. Hillman, do you think this type of outsourcing might weaken or undermine the rules and framework Congress has put in place through the program integrity triad?

Mr. HILLMAN. Yes.

Mr. LEVIN. Are you aware of this and, you know, what is your thought?

Mr. HILLMAN. Yes. My understanding is that a key part of the triad is the accreditation process. And if that is—

Mr. LEVIN. Right.

Mr. HILLMAN. If that is taken off the table then, yes, there would be concerns about that as a professor.

Mr. LEVIN. Accreditation decisions have significant consequences as to whether a school can continue to get Federal financial aid. I worry that too often accreditors identify problems and raise concerns about institutions internally, only to leave students in the dark.

In a distressing number of recent cases, some of which have been referenced by my colleagues here this morning and early this afternoon, it seems that accreditors and colleges know about dire financial problems well before students do.

So I wanted to ask you, Ms. Emrey-Arras, about this 2014 GAO report that looked at accreditors' use of adverse actions. Do you find that accreditors commonly take action when a school has poor student outcomes?

Ms. EMREY-ARRAS. No. We found no relationship actually between the student outcomes and the sanctions, like terminations or probations, that accreditors took. So in contrast to the financial side of the house, where if a school had poor financial metrics, the accreditors were more likely to be on them with sanctions. There was no relationship when it came to the quality side of the house with student outcomes.

Mr. LEVIN. So do you have recommendations for us on this?

Ms. EMREY-ARRAS. We did have multiple recommendations in that report. I think one of the ones that remains open that the Department has not implemented is to actually look at that sanction data when it is in the process of recognizing accreditors, because that is valuable information that they can use to assess are accreditors doing their jobs.

So if you have, for example, an accreditor that is only sanctioning, I don't know, maybe 2 percent of their schools, it could raise questions about whether or not they are appropriately holding schools accountable.

So it is not the only piece of information to look at, but it is something definitely to be mindful of.

Mr. LEVIN. Thank you.

More than 30 states currently use some kind of performance based funding. These funding systems are designed to reward colleges for achieving desired outcomes, like increasing the number of degrees awarded or achieving a high graduation rate. But they often fail to address underlying differences in resources, missions, and student bodies.

Now, congressional Republicans in the Trump Administration are pushing a similar model at the Federal level through various risk sharing proposals.

Dr. Hillman, I understand you have done a lot of research in this area. Can you tell us about the impact that performance based funding models have had on equity in higher education?

Mr. HILLMAN. Yes. On equity there are two things that come to mind. But I would preface all of this by saying there are 30 different models, 30 different designs. It is going to vary from state to state and within state.

Mr. LEVIN. Right.

Mr. HILLMAN. But there are a couple of new very recent studies showing that colleges that have the most resources tend to be the colleges that get the most money from its funding model. So I am worried about sort of the rich getting richer in a sense in that space.

And I am also concerned about some of the metrics that are used and whether or not they paint a fair picture of what happens in a lot of minority serving institutions and broad access colleges.

Mr. LEVIN. Okay. Well, we would be very concerned if HBCs and others and community colleges and other schools that serve poor communities were—you know, lost out in this.

So, all right. Well, I guess my time is up.

Madam Chairwoman, thank you very much. I yield back.

Ms. ADAMS. Thank you very much.

I want to recognize Representative Trahan.

Ms. TRAHAN. thank you, Madam Chair.

Good afternoon. As students and their families prepare to enroll in college they face mounting costs without any guarantee on their return on investment. They are making one of the most expensive important decisions of their lives, but they have very little information to make an informed decision.

Federal websites, like the College Scorecard, provide data for Federal financial aid recipients, but leave out students who go to college without debt. And Federal graduation rates consider only first time, full-time students, a measure of traditional students who represent a shrinking share of the student population.

Mr. Hillman, how can the Federal Government provide better information to students and their families so that they know what they can expect out of college before taking on tens of thousands of dollars in student debt?

Mr. HILLMAN. One would be measures of not just averages but distributions I think is incredibly important when sharing information with students to say that it is—you know, your average income might be $30,000 but that distribution around it also really matters. So I think that putting information out there that helps paint a very full picture is important, and especially when that information is disaggregated by race, class, gender, for example.

I think that putting information out there alone serves an incredible value, but it also passively doesn't do as much as it could when there is a proactive connection between a human and an advisor or a coach or something helping students make sense of that data or that information.

Ms. TRAHAN. Does anybody else want to add anything to that? I know that—well, just in general, additional data that could be useful for students who are making decisions, you know, on where to go to college or what to study.

Mr. ORTEGA. I am happy to provide a little bit more context, sort of from a state college access campaign perspective.

I think we have gotten really good at explaining to students what the transactional outcomes are from postsecondary education and often fail to take a step back to begin to think about how you can help them cultivate a successful postsecondary guidance plan as they move through K–12 and exit into postsecondary. We tend to elevate important careers in front of them, but we forget to explain all the details around becoming informed about all the necessary steps to take.

And I think when we think about comprehensive guidance planning in that way, from the state level, I think it puts students and family in a position to make better decisions.

But I say that not wanting to put all the onus in educator professionals in the K–12 space. I feel like gatekeeper folks from higher ed institutions need to play a very similar role and not just see their task as recruitment, application, yield, and enrollment, but more of a guidance, a counseling sort of role as they begin to recruit students, and particularly those that serve some of the historically underrepresented students as well.

Ms. TRAHAN. Great. Thank you.

One of my colleagues had mentioned that, you know, the education path has changed dramatically. Not everyone is going to a 4 year college and signing up for this college experience. And so given that postsecondary students are changing, millions of college students are low income, students of color, working adults, caregivers, immigrants, et cetera, they don't fit this traditional student mold, which is full-time, transitioning directly from high school to a 4 year university. It concerns me that states and accreditors are not held more accountable or doing enough to provide these types of students with their return on investment.

And so I am wondering, Ms. Emrey-Arras, given these demographic trends, what can the Federal Government do to clarify data measures, that are used as accountability measures for institutions of higher ed, and to be more inclusive of those who don't fit this traditional mold?

Ms. EMREY-ARRAS. We have not done work specific to the measures. And I understand, you know, the concern about, for example, graduation rates being first time, full-time, and the like. I would say that our work at GAO is now focusing a lot on these populations of older students.

We recently did some work around food insecurity for college students and the fact that many students on campus go hungry, and the ways that they could access food support through the help of the Federal Government. And we also have some ongoing work looking at student parents and their access to Federal student aid.

So we are definitely focused on this population.

Ms. TRAHAN. Great. Thank you.

Madam Chairwoman, I ask for unanimous consent to enter a letter from the Project on Predatory Student Lending, which is an organization that defends and represents students against the predatory for-profit industry, into the record.

Thank you.

Ms. ADAMS. Without objection, so ordered.

Ms. TRAHAN. Great. I yield back.

Ms. ADAMS. Thank you.

I now recognize myself for the purpose of asking some questions. And thank you again to all of the witnesses.

A report by the Center for American Progress found that while regional accreditors collect a lot of data on student outcomes, they rarely use it in a review to—or final decision to accredit an institution. Too many institutions have performance gaps by race and income.

Dr. Hillman, should members of the triad be concerned with outcomes by race, ethnicity, income, and gender?

Mr. HILLMAN. Yes, in general. And specifically, when it comes to the sort of value added of a college, it is really important to be able to look at a wide range of outcomes and increasingly that matters on the lines of race and class.

Ms. ADAMS. Thank you.

Dr. Brittingham, your agency is one of the only agencies to collect data on student loan repayment rates from the college scorecard. Can you explain how your agency uses this information along with other metrics in reviews?

Ms. BRITTINGHAM. Thank you. This is the first year that we tried this on an experimental basis, because we have been looking at loan defaults, so now we are looking at loan repayments. And the experts around the table for our committee agreed, and the commission agreed, that we should also look at loan repayment rates. Institutions are asked to write a brief report. And so it isn't just us looking at the numbers, it is listening to the institutions through the papers that they write about how they see the information, what they are doing to improve, to forestall loan default, and to improve loan repayment rates.

Ms. ADAMS. Thank you. There are 101 accredited historically black colleges and universities. We refer to them as HBCUs in our country. And what I have learned from a majority of them—I had the pleasure of teaching at one of them, Bennett College for 40 years in Greensboro, North Carolina—one of the things what I have heard from a majority of them, especially one in particular, are stories regarding inequities in the accreditation system. If you talk to presidents, some of them of HBCUs, you might hear one of the following: that the peer review process allows too many personal biases to enter the process and have negative impacts, especially for small, low resource institutions. You might hear that standards are applied without consideration of institutional size, resources, or endowments, requiring institutions with minimal resources to be evaluated using the same criteria as some of the other best endowed institutions in the country. Or you may hear that accreditors tend to shift what is required of institutions and serve a distinct mission on sanction, leading to a belief that when institutions reach a state of extreme difficulty in meeting the standards, the accreditor would rather remove them from membership instead of providing them with additional opportunity to rectify these issues.

Dr. Brittingham, given your role with the New England Commission, can you please share with the committee your response to these stories that our HBCUs have experienced with their accreditors?

Ms. BRITTINGHAM. Well, thank you. As you know, New England does not have any HBCUs, but we do have financially fragile institutions, public and private institutions. And I think the role of the accreditor is to certainly approach each institution without bias, to be fair, to listen, but to think about the importance of resources not in and of themselves, but for the stability of the institution and the ability of the institution to continue offering a good education for students.

So while we look at the numbers, I think it is also important to think about what is the trajectory, what is being reduced or cut, or what is not being made available to students, and is that institution still able to offer a quality education to the student.

Ms. ADAMS. Do you believe that accreditors should face consequences when they don't do their jobs?

Ms. BRITTINGHAM. I am sorry, when they don't what?

Ms. ADAMS. Do their jobs.

Ms. BRITTINGHAM. Yes.

Ms. ADAMS. Okay.

Ms. Emrey-Arras, how can the Department conduct better oversight of accrediting agencies?

Ms. EMREY-ARRAS. One of the things that they could do, for example, is to use that sanction data and then compare it to the outcome measures that we have been talking about in terms of students. So they could look at whether the accreditors are actually doing their jobs and holding schools accountable for poor student outcomes.

Ms. ADAMS. Thank you very much.

Before I yield I want to ask unanimous consent to insert into the record a letter from the Center of American Progress on the role of accreditation and ensuring that all students have access to a high quality postsecondary education.

And now I would like to yield to Representative Castro.

Mr. CASTRO. Thank you, Chairwoman. Thank you for all your testimony today.

My question is about how we break up the work-school tug of war that you see a lot of students going through where they cannot afford to simply go to school, so they have to work. Yet they have to work so many hours that it essentially impacts their ability to go to school and to finish in a reasonable amount of time. And ultimately what I have seen so often is that work wins out and people end up dropping out of community college or a 4 year university, and many of those folks never go back to finish off. And yet they are saddled with the debt that they undertook when they went to school.

What new approaches—and I guess let me also preface that by saying when I was in Texas I was vice chair of the higher education committee for 4 years and I saw, Mr. Ortega, that you worked in Texas for some time. And we encountered this issue again and again because students will often make their decisions based on cost, but if you make your decision based on cost our community colleges are cheapest, but they also have the lowest completion rates as compared to other universities.

So what do we do about those conflicting issues there and challenges? And what are we doing, what should we do?

Mr. ORTEGA. I am happy to chime in. I feel like the assumption that you shared with us right now in terms of students having to take on jobs, you know, in order to be able to afford education is one that we have known for some time. And for some reason we seem to not be able to adapt to that in the culture of colleges and universities.

In some ways, you know, a lot of the concerns I have heard raised here about the emergence of new players in the for-profit sector, into that area, has been largely driven by the fact that institutions have not been able to meet those needs of new populations, what I think is the new traditional student coming into colleges and universities. And it is a terrible, terrible injustice. I think we need to do more to break the traditional structures of higher ed and offer more opportunities for students. And you don't see a lot of that happening.

And I think that is why it is easy for folks, particularly historically disadvantaged students of color in particular, to seek out those opportunities that get offered by in some cases even unaccredited institutions. I think we need to do better about being able to make sure that the traditional sector begins to adapt and creates spaces for these students to come in there.

Mr. CASTRO. Well, because often folks that will go to the for-profit institutions are left with a lot of debt, and sometimes they can't find jobs either.

Mr. ORTEGA. Right.

Mr. CASTRO. Please.

Mr. HILLMAN. I would only add that in this context, in this specific situation, geography matters a lot more than sometimes we—in at least the academic side—give credit for. And so place matters incredibly. And so looking at the sort of choice set locally for individuals to even know if there is a college nearby, or what they are, is really important here.

Ms. BRITTINGHAM. I think a lot of the challenge for some people returning to school is that institutions haven't always been maybe as good as they could be about making the schedule of classes predicable for students. And if somebody has a job where the hours of work are unpredictable and the class schedule is unpredictable, that is a really hard thing.

So we see many community colleges, for example, following something that is called guided pathways, which is designed to increase the predictability of offerings and also help students kind of narrow their choices to kind of make it easier for them.

Mr. CASTRO. And how much progress have we made also on articulation agreements among universities and community colleges?

In Texas, part of the challenge you have is that locally and regionally the agreements are usually pretty strong, but if you tried to go from a community college in San Antonio to a university in Dallas, there is not necessarily much coordination or is not as much as you would like. And so, you know, people end up going to school for 2 years and they get credit for a year and a half or a year and a quarter, or something and they have just lost out on all that time and money.

Ms. EMREY-ARRAS. I would add we have done some work at GAO on credit transfer issues and articulation agreement issues and one of the challenges is that while schools are required by statute to provide that information to students, they are not required to do so on line. So we actually made a recommendation to the Department of Education to require schools to post there articulation agreements on line so that students would have access to that information.

Mr. CASTRO. Thank you.

I yield back, Chair.

Ms. ADAMS. Thank you very much. I want to thank all of the witnesses as well.

I want to remind my colleagues that pursuant to committee practice, materials for submission for the hearing record must be submitted to the committee clerk within 14 days following the last day of the hearing, preferably in Microsoft Word format. The materials submitted must address the subject matter of the hearing and only a member of the committee or an invited witness may submit materials for inclusion in the record. Documents are limited to 50 pages each. Documents longer than 50 pages will be incorporated into the record via an internet link that you must provide to the committee clerk within the required timeframe. Please recognize that years from now that link may no longer work.

Again, I want to thank Dr. Brittingham, Mr. Ortega, Ms. Emrey-Arras, and Professor Hillman for your valuable participation today. What we have learned certainly has been of great value to us.

Members of the committee may have some additional questions for you and we ask the witnesses to please respond to those questions in writing. The hearing record will be held open for 14 days in order to receive those responses.

I remind my colleagues that pursuant to the committee practice witness questions for the hearing record must be submitted to the majority committee staff or committee clerk within 7 days. The questions submitted must address the subject matter of the hearing.

I now want to recognize the distinguished ranking member for his closing statement.

Mr. SMUCKER. Thank you, Madam Chair. I would like to thank the witnesses for their insightful comments and for the discussion this morning.

This is certainly an important conversation. We believe this conversation about accountability and about rebalancing the triad is critical to a future of students all across the country. And so it is not a dry subject, as had been mentioned. This is important for the country and for so many students.

We very much appreciate your time and devotion to making sure that students are receiving a high quality education to prepare them for a lifelong success.

I do, Madam Chair, have just—I want to make comments on two specific themes that have come forward in the hearings and then I will have a few documents which I will ask unanimous consent for to submit into the record.

No. 1 is the issue of for-profits that we have heard from multiple times throughout the hearing and I will just say that I think we all agree that there are bad actors, there are schools that have—we have seen false marketing, we have seen price gouging, we have seen inaccurate employment prospects, but, you know, this is across all segments and all sectors of schools. And so, you know, what I want to be sure that we are thinking about is that we are not maligning an entire group of schools that truly are serving students and serving them well, and that we are not allowing some bad actors to sort of poison the whole segment that is helping students. And I know it is helping students because I have talked to many students in my district who have attended for-profit schools—maybe it was a 2 year school, whatever it may have been—and who are now engaged in careers as a direct result of that education that they have received.

So I just want to caution that we should be very careful that we are not removing opportunities that are available for students.

I mentioned I have talked to students, there are also a number of studies on this topic. I would like to ask for unanimous consent to submit into the record a study that was—it is entitled "Toward a Better Future: Exploring Outcomes of Attending Career Colleges and Universities". This was done by Gallup.

Ms. ADAMS. Without objection, so ordered.

Mr. SMUCKER. And just a very brief highlight of this. It is a study that was done for the Association of Career Education Colleges and Universities, which are for-profit schools. Again, as I said, done by Gallup. And just there are some important findings that are worth reviewing.

But, you know, one that I think is critical is the finding was that the majority of all alumni are satisfied with both the education and training they received from their school and how well the school prepared them for their career and would recommend the schools to others.

So, again, I would like to submit that to the record.

Ms. ADAMS. Without objection, so ordered.

Mr. SMUCKER. Thank you. And then there was an article in The Hill just I think yesterday, this one is by Daniel Elkins, and he is the legislative director of EANGUS, which is the only group organized to specifically represent the interests of the enlisted men and women of the National Guard since 1972. It is entitled "We Must Support Veterans and Politicize their Education". This is I think a good summary of his views on the for-profit sector as well.

So I ask that we can submit that to the record.

Ms. ADAMS. Without objection, so ordered.

Mr. SMUCKER. And then the other issue I would like to address was the—there was a comment made earlier in the hearing in regards to the effect of public aid on tuition costs. And, you know, we know that as the Bennett Hypothesis. It has been around for a long, long time. But a comment earlier specifically said that only applied to the nonprofits and not to the public schools. I have two studies—and the offer was made that we should review that together, and I think it is an excellent discussion to have.

So in the interest of doing that, there are two studies that I would like to enter into the record that address this issue. The first, Madam Chair, is "The Bennett Hypothesis Turns 30" by Jenna Robinson.

Ms. ADAMS. Without objection, so ordered.

Mr. SMUCKER. And the second is done by the Federal Reserve Bank of New York in 2015 and then revised in February 2017 called "The Credit Supply and the Rise in College Tuition: Evidence from the Expansion in Federal Student Aid Programs". I ask that we—

Ms. ADAMS. Without objection, so ordered.

Mr. SMUCKER. And just, again, a few comments. The first study that we submitted into the record reviewed—it is an analysis really—reviewed 25 studies on the Bennett Hypothesis, and of those reviewed the clear majority of the reports, 14 of 25, found some affect on Federal subsidies, on the price of higher education in at least 1 segment of the higher education market. For example, a 1998 study showed that public colleges and universities increased tuition by $50 for every $100 in aid. And a 2015 study showed it is even more than that. They found a pass through effect on tuition of changes in subsidized loan maximums of about $.60 on $1.00.

So I believe that the Bennett Hypothesis merits further consideration and debate as we continue to talk about the best way to hold all actors—all actors accountable for taxpayer dollars.

And, finally, billions of hardworking taxpayer dollars finance postsecondary education every year. We have been talking about this. Yet, as we learned from the GAO's testimony, the accountability process today can be ineffective and is outdated.

Dr. Brittingham provided a fresh perspective on the good work accreditors can do to measure institutional outcomes as well as inputs. Still, more can be done to align incentives so that colleges and universities share in the risk of financing a student's education.

Institutions today are largely immune to consequences as long as their students do not default in massive numbers. Any bill to reform the HEA should consider how students, how every institution, and the Federal Government can work in concert to ensure high quality education and a return on investment for all stakeholders.

So, again, thank you to each of the witnesses for being here today. I think it was an excellent discussion and I look forward to continuing this.

Ms. ADAMS. I want to thank the ranking member.

And let me just comment. We are aware of the Gallup study published in coordination with the Trade Association of For-Profit Colleges. The report is full of flawed methodologies and our staff would be happy to share those concerns.

Now, I would like to recognize myself for the purpose of making my closing statement. And let me again thank all of the witnesses for being with us today and dedicating their time and energy to this important discussion. It is one that I continue to be concerned about, having been an educator for many, many years.

I want to clarify for the record though on what bipartisan means. It means that the majority and the minority have negotiated all witnesses and negotiated the topics discussed. It does not mean that members on either side should temper or otherwise alter his or her questioning to avoid exposing areas of legitimate policy disagreement. There are areas of legitimate agreement, but the role of for-profits is not one of them. If Republicans and Democrats were on the same page on for-profit companies we would not have to have dueling bills during the last Congress.

Our members are hearing from constituents who were impacted by these bad actors and Democrats are here to fight for them, not protect certain sectors to achieve bipartisanship. I had a situation in my district, in Charlotte, with the Charlotte School of Law. Many, many students suffered because of that relationship. A strong accountability for our colleges and universities is vital to ensuring quality higher education for our Nation's students. But there are differences between institutional sectors that we cannot ignore. The data show us that while, yes, for-profit colleges enroll just 9 percent of students, these companies account for 34 percent of student loan defaults.

Thus it is important that we understand where the problem lies to create the appropriate solution. For example, when two planes crashed recently, did we ground all air travel? No, we did not. We looked at the type of planes that had the problems and we grounded those. And when there is a house on fire, do we ask the firefighters to spray water on all the houses in the neighborhood? No, they spray water on the burning houses and they do what they can to help the individuals inside that house. And as we talk about accountability, it is imperative that we focus on the institutions where the outcomes are the most devastating.

But, as we have heard today, the Trump Administration has reduced information available to students making it harder for students to make informed decisions about where to enroll. This Department of Education has failed to implement Obama era rules established to protect students from low performing institutions. And it has shrinked its responsibility to hold predatory institutions responsible for their actions. This Department's actions solidify an ecosystem of waste, fraud, and abuse.

The accountability triad the Department of Education, state authorizers, and accreditors, can only uphold quality standards if all the entities do their part to improve oversight and transparency.

For too long lax accountability measures have failed to catch unsustainable low quality schools that put students and taxpayers at risk. Fraudulent for-profit schools have flourished while devastating students and taxpayers. From preying on veterans to abusing Federal aid money, these for-profit institutions continue to target vulnerable students while leaving them with worthless degrees and crushing debt.

And as this committee considers a comprehensive reauthorization of the Higher Education Act, we must take steps to strengthen all parts of the accountability triad and restore the integrity of our higher education system. The Aim Higher Act, H.R. 6543, introduced last Congress, was comprehensive, and it focused reforms to strengthen accountability across the board. I am happy to send a copy of the bill to the Republican staff if interested.

The reforms we included would strengthen the Cohort Default Rate to flag chronologically negligent schools, it would close the 90–10 loophole to prevent for-profit colleges who aggressively lure vulnerable student veterans at the taxpayers' expense. It would ensure that for-profit schools seeking nonprofit status cannot skirt accountability rules just by changing a tax designation on paper. It would require accreditors to set standards and be transparent with the public about those standards, and, most importantly, we hold the Department of Education accountable for working on behalf of students, not companies.

No matter the party affiliation, I hope that we can all agree that the time for action is now. We cannot let Dream Center School or Corinthians College waste precious taxpayer dollars, or subject students to financial and emotional peril.

Now, I would like to ask unanimous consent to enter into the record the following letters on the need for strong accountability in higher education. A letter from the Center for Law and Social Policy on strengthening accountability for all students, a letter from Dr. Denisa Gandara on state performance based funding models, a letter from the Institute for College Access and Success on the Cohort Default Rate and gainful employment regulation, a letter from the National Consumer Law Center on protecting student borrowers, and a letter from the National Association for College Admission Counseling or incentive compensation.

Seeing no objection, so ordered.

So I look forward to working with my colleagues to find solutions that, as Mr. Ortega urged, will strengthen the accountability of this great system of higher education and ensure the highest quality of postsecondary opportunity for all members of society.

If there is no further business, without objection, the committee stands adjourned.

[Additional submission by Ms. Adams follows:]

SMU

ANNETTE CALDWELL SIMMONS SCHOOL
OF EDUCATION & HUMAN DEVELOPMENT

Department of Education Policy and Leadership

April 1, 2019

U.S. House of Representatives
Committee on Education and Labor
Washington, D.C. 20515

Dear Chairman Scott and Ranking Member Foxx:

I am an Assistant Professor of Higher Education who studies higher education accountability. I write to share major findings from research on performance-based funding for higher education, a higher education accountability policy operational in over 30 states. The lessons we have learned from these state accountability policies reveal two major considerations for federal higher education accountability, which I outline in this letter.

Performance-based funding policies for higher education generally link a portion of state funding for public colleges and universities to these institutions' performance on measures related to college completion, such as degrees awarded. Similar to the rationale for current federal higher education accountability proposals, state policymakers who support performance funding hope that tying government funding to institutions' performance will lead campus officials to focus on improving student outcomes.[1]

Decades of research on performance funding have illuminated four major findings about performance-funding policies that lead to two primary recommendations for designing federal higher education accountability policy. Lessons learned from research on performance funding in the states include:

1. Performance-funding policies change behavior on campuses, including by directing greater attention to college completion goals.[2] However, on average, performance-funding policies do not improve outcomes of interest, such as degrees awarded.[3]
2. This dearth of improvement in observed outcomes as a result of performance-funding policies is due in part to a lack of institutions' capacity (e.g., funding or expertise) to respond to incentives.[4]

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[1] Dougherty, K. J., & Natow, R. S. (2015). *The politics of performance funding for higher education: Origins, discontinuations, and transformations*. JHU Press.
[2] Dougherty, K. J., Jones, S. M., Lahr, H., Pheatt, L., Natow, R. S., & Reddy, V. (2016). *Performance funding for higher education*. JHU Press; Ness, E.C., Deupree, M., & Gándara, D. (November 2015). *Campus responses to outcomes-based funding in Tennessee: Robust, aligned, and contested*. Final report to Tennessee Higher Education Commission & Ford Foundation.
[3] For a review, see Bell, E., Fryar, A. H., & Hillman, N. (2018). When intuition misfires: a meta-analysis of research on performance-based funding in higher education. In *Research handbook on quality, performance and accountability in higher education* (pp. 108-124). Edward Elgar Publishing.
[4] Dougherty, K. J., Jones, S. M., Lahr, H., Pheatt, L., Natow, R. S., & Reddy, V. (2016). *Performance funding for higher education*. JHU Press.

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3. Performance-funding policies have been shown to produce inequitable outcomes, including by redistributing funding to high-resourced institutions[5] and leading some public four-year institutions to restrict access to historically underserved students, including low-income students and students of color.[6]
4. The effects of performance-funding policies on equity depend on how these policies are designed. Policies that reward student progress (e.g., credits accumulated) and not only outcomes (e.g., degree completion) can avoid disadvantaging minority-serving institutions.[7] Policies that give bonus funding to institutions for serving historically underserved students are less likely to lead to restricted access for those students.[8]

What do these findings mean for federal higher education accountability? Lessons learned from performance-funding policies point to two primary considerations for developing federal higher education accountability policy. First, institutions might have the will but not the resources to improve student outcomes. Accountability policy should avoid stripping institutions of funding needed for improvement without giving institutions an opportunity to improve their outcomes.

Second, in light of lessons learned from performance-based funding in the states, it is critical that accountability policy consider differences in student populations. This concern is especially relevant for risk-sharing proposals, which could drive institutions to restrict access to students perceived as less likely to perform well on accountability metrics. One option for accounting for differences in student populations and mitigating the risk of restricted college access is by awarding additional funding to institutions for successfully serving historically underserved students.

Thank you again for the opportunity to share these insights. Should you have any questions or if I can be of assistance, please contact me at dgandara@smu.edu.

Sincerely,

Denisa Gándara

Denisa Gándara
Assistant Professor
Southern Methodist University
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[5] Favero, N., & Rutherford, A. (2019). Will the Tide Lift All Boats? Examining the Equity Effects of Performance Funding Policies in US Higher Education. *Research in Higher Education*, 1-25; Hagood, L. P. (2019). The Financial Benefits and Burdens of Performance Funding in Higher Education. *Educational Evaluation and Policy Analysis*, 0162373719837318.

[6] Kelchen, R. (2018). Do performance-based funding policies affect underrepresented student enrollment?. *The Journal of Higher Education, 89*(5), 702-727.

[7] Li, A., Gándara, D., & Assalone, A. (2018). Equity or Disparity: Do Performance Funding Policies Disadvantage 2-Year Minority-Serving Institutions? *Community College Review, 46*(3).

[8] Gándara, D., & Rutherford, A. (2018). Mitigating Unintended Impacts? The Effects of Premiums for Underserved Populations in Performance-Funding Policies for Higher Education. *Research in Higher Education, 59*(6), 681–703; Kelchen, R. (2018). Do performance-based funding policies affect underrepresented student enrollment?. *The Journal of Higher Education, 89*(5), 702-727.

Center for American Progress

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April 03, 2019

Education and Labor Committee
United States House of Representatives
Washington, D.C. 20515

Dear Chairman Scott and Ranking Member Foxx

On behalf of the Center for American Progress' Postsecondary Education Team, we would like to submit the following comments regarding the House Committee on Education and Labor's hearing on "Strengthening Accountability in Higher Education to Better Serve Students and Taxpayers."

As the committee considers necessary changes in the next reauthorization of the Higher Education Act, we urge you to consider the role of accreditation in ensuring that all students have access to a high-quality postsecondary education.

As gatekeepers to over $120 billion in federal student grants and loans that flow to over 6,000 colleges and universities and 13 million students each year,[1] accrediting agencies play a critical role in ensuring college quality and that students enrolling in college are not left worse off.

While most students realize success, many will never graduate. Students who do not finish are significantly more likely to default on their student loans, often with catastrophic long-term financial impacts.[2] To make matters worse, the higher education system suffers from broad gaps in college attainment and disparities in student loan debt and default by race and income.[3] Our higher education system has subjected too many students to low-quality educational options, and at its worst, outright fraud and deception.

These problems define a system that often exacerbates inequity instead of serving as an engine for economic mobility. Unfortunately, it is too easy for a college whose students don't fare well to receive an accreditor's stamp of approval—and the federal money that comes with it—over and over again, even when students are not being well-served.

We urge the committee to address the role accreditors should play in considering how well students fare at the colleges they oversee, particularly the role of considering equity in outcomes to ensure that colleges are serving all students well. Our research shows that while accreditors collect plenty of data on student outcomes, and some consider these outcomes directly in accrediting decisions, these data often are not used to hold colleges accountable.[4]

We've also found that only two of the main institutional accrediting agencies consider equity in evaluating a college's performance. Standards that focus on equity are important because they require that institutions go beyond overall performance indicators to ensure that they are serving all students well. Without a coordinated effort, however, colleges can miss the important gaps that occur within and across institutions.

We encourage the committee to consider inconsistencies in basic terminology, timelines, and processes across accrediting agencies which create confusion and raises concerns about the meaning and adequacy of accreditor standards.[5] Greater consistency across agencies in terminology on accreditor actions and definitions used to measure student achievement would ensure that all institutions are being held to a high standard of performance and accountability.

Finally, we also urge the committee to address the growing trend of precipitous closures by for-profit colleges that suddenly shut their doors, which have left tens of thousands of students stranded without a plan in just the last six months. Accreditors are responsible for ensuring that colleges at risk of closure are not accredited in the first place. When a college presents risk, accreditors should obtain teach-out plans and agreements so that students are not left without options.[6] So far, they have largely failed to do so. Accreditors that miss the warning signs of a school at risk of closure and fail to act should face consequences.

While the Department of Education seeks to gut consumer protections, roll back expectations of accreditors, and its own oversight of the agencies it trusts to assure quality, we urge Congress to strengthen accreditation, not further weaken it. Congress can accomplish this by focusing accreditors on student outcomes and equity, improving consistency across agencies, and strengthening accreditations oversight of risky schools. As gatekeepers to federal aid dollars, accrediting agencies must ensure that colleges are providing a quality education and that America's higher education system is truly a generator of social and economic mobility.

Sincerely,

Antoinette Flores
Center for American Progress
Associate Director, Postsecondary Education
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[1] Office of Federal Student Aid, 2016 Annual Report (U.S. Department of Education, 2016), available at https://studentaid.ed.gov/sa/sites/default/files/FY_2016_Annual_Report_508.pdf.

[2] Financial Web, "The Long-Term Effects of a Defaulted Student Loan," available at https://www.finweb.com/loans/the-long-term-effects-of-a-defaulted-student-loan.html (last accessed March 2018).
[3] Doug Shapiro and others, "Completing College: A National View of Student Completion Rates—Fall 2011 Cohort" (Herndon, VA: The National Student Clearinghouse Research Center, 2017), available at https://nscresearchcenter.org/wp-content/uploads/SignatureReport14_Final.pdf; Ben Miller, "Who Are Student Loan Defaulters?", (Washington: Center for American Progress, 2017), available at https://www.americanprogress.org/issues/education-postsecondary/reports/2017/12/14/444011/student-loan-defaulters/.
[4] Antoinette Flores, "How College Accreditors Miss the Mark on Student Outcomes," (Washington: Center for American Progress, 2018), available at https://www.americanprogress.org/issues/education-postsecondary/reports/2018/04/25/449937/college-accreditors-miss-mark-student-outcomes/.
[5] Antoinette Flores, "A Quality Guarantee for Today's Students: Recommendations to Improve College Accreditation," (Washington: Center for American Progress, 2019), available at https://www.americanprogress.org/issues/education-postsecondary/news/2019/02/15/466350/quality-guarantee-todays-students-recommendations-improve-college-accreditation/.
[6] Flores, "A Quality Guarantee."

NACAC
National Association for
College Admission Counseling

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April 3, 2910

The Honorable Robert Scott
Chairman
Committee on Education and Labor
United States House of Representatives
Washington, DC 20515

Dear Chairman Scott:

On behalf of the National Association for College Admission Counseling (NACAC), I would like to express our support for legislation that would maintain and strengthen the ban on the use of incentive compensation during the recruitment and education of students.

Founded in 1937, NACAC is an association of more than 15,000 members, including school counselors and college admission staff, who work with students making the transition from high school to postsecondary education ("college"). NACAC is committed to maintaining professional standards that foster ethical and social responsibility among those involved in the college application and enrollment process, as outlined in the NACAC's SPGP: Code of Ethics and Professional Practices, which may be accessed on our website. Through our advocacy efforts, we are also dedicated to ensuring that all students have access to high quality school counseling to help them make informed decisions as they prepare for and pursue college or career.

Nearly 20 years ago, during the reauthorization of the Higher Education Act (HEA), Congress banned the use of incentive compensation for anyone involved in the recruitment of students and in the awarding of financial aid because it creates an irreconcilable conflict of interest, putting the financial interests of the employee ahead of the students' interest.

The Government Accountability Office (GAO), the Senate Health, Education, Labor and Pensions (HELP) Committee, and hundreds of investigative media reports have since shown that far too often, unscrupulous colleges enroll students by using high pressure sales tactics, encourage them to max out their financial aid, and then fail to deliver on the value proposition of a good education. Sadly, these students are left with massive debt but little or no means to pay it back.

NACAC
National Association for
College Admission Counseling

In 2015, the Department of Education's Inspector General issued a report that found that the Office of Federal Student Aid's oversight of the HEA Title IV ban on incentive compensation was insufficient, which has led to persistent fraud and abuse despite strengthened regulations, and that ED's enforcement efforts should be strengthened.

Unfortunately, since the ban's inception, unscrupulous colleges have worked to weaken the ban, at times with the assistance of political appointees at the Department of Education. The ban on incentive compensation was enacted to protect taxpayers, whose taxes support federal financial aid, and students from abusive recruiting practices. During the next HEA reauthorization, Congress should include language that maintains the ban on the use of incentive compensation and explicitly prohibits the Department of Education from the watering down of the ban.

Please contact Michael Rose, Director of Government Relations, with any questions regarding NACAC's public policy positions or advocacy.

Sincerely,

Joyce E. Smith

Joyce Smith, CEO

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SLBA
Student Loan
Borrower
Assistance

April 3, 2019

U.S. House of Representatives
Committee on Education and Labor
Washington, D.C. 20515

Dear Chairman Scott and Ranking Member Foxx:

As you address "Strengthening Accountability in Higher Education to Better Serve Students and Taxpayers," I urge you to consider the vital role that the U.S. Department of Education could and should be playing when protecting the 44 million consumers who currently owe federal student loan debt. With the financial security of so many Americans on the line, and in particular the low-income borrowers that the Higher Education Act is designed to empower, Congress must act to protect student borrowers' investment in higher education from the threats of predatory schools and incompetent servicing.

I am the Director of the National Consumer Law Center's Student Loan Borrower Assistance Project, which provides information about student rights and responsibilities for borrowers and advocates, as well as direct legal representation to low-income student loan borrowers. We work with other advocates across the country representing low-income clients on student loan issues.

Student borrowers—and in particular low-income students and students of color—have been failed or preyed upon at nearly every juncture in the student loan cycle. Low-income students and students of color are more likely to have been targeted by predatory schools, saddling them with unsustainable debt, and are too frequently unable to access affordable loan management options such as income-driven repayment due to abusive or incompetent loan servicing. Finally, those whose loans enter default are subject to abusive debt collection practices and preyed upon by unscrupulous debt relief companies. Though each of our clients shoulders only a tiny fraction of the total $1.5 trillion of outstanding student loans, that tiny fraction often represents an outsized proportion of their household indebtedness.

While borrowers are struggling, companies are making big money off of their suffering. Predatory schools prey on low-income, vulnerable populations, engaging in unfair and deceptive tactics to enroll as many students as possible and get at their student loan dollars, and then leaving them with unaffordable student loan burdens and often worthless degrees, or no degree at all. Servicers, which are paid hundreds of millions of dollars by taxpayers to help borrowers stay on track with their loans, are chronically incompetent and routinely engage in abusive practices such as steering borrowers into forbearances when they would be better served by other options. Our work with borrowers and other advocates has taught us that when servicers fail to provide competent and efficient service, borrowers needlessly suffer expensive, punitive collection tactics and are driven to abusive scams.

Fortunately, the Higher Education Act does give these borrowers an array of tools and options for managing their loans, such as income-driven repayment. However, the federal student loan system lacks many of the basic consumer protections available for other consumer products that would ensure that borrowers can access these options. For example, mortgage borrowers have rights to receive information upon request from their mortgage servicers, including rights under RESPA, which facilitate effective repayment and reduce servicer error. In contrast, federal student loan borrowers have no such right under the HEA, and are often unable to get basic documents from their servicers, such as their own payment history--which can be critical to accessing loan forgiveness under the income-driven repayment and Public Service Loan Forgiveness programs.

The harm student borrowers experience as a result of this lack of basic servicing rights under the HEA is compounded by the Department of Education's failure to adequately supervise its servicers itself and its attempts to block states from doing so. In its attempt to prevent states from providing critical consumer protections to student loan borrowers, the Department under this administration has argued that it oversees loan servicers to ensure that borrowers receive exemplary customer service and are protected from substandard practices. Unfortunately, that is not the experience of many of the borrowers we represent, and government investigations document that the level of servicing is unacceptable.

As has been widely documented, including by the February 2019 report of the Department of Education's Office of the Inspector General, the student loan servicing industry has long been rife with misconduct and oversight has been insufficient. Servicing failures—including those that lead borrowers to experience interest capitalization, miss out on promised loan forgiveness, and struggle unnecessarily with unaffordable payments—result in borrowers paying much more than they should for their education and experiencing significant financial distress.

Borrowers deserve better—and if they are already wondering how they can afford to repay their loans, we should not encumber them with the additional risk that their servicer or the Department of Education will impair their ability to do so. Borrowers cannot afford and should not bear the additional expenses and consequences that follow servicing failures. Congress can and must protect federal student loan borrowers by:

- Requiring the Department of Education to align servicer incentives with borrower outcomes, provide rigorous oversight of its servicers, and provide transparency to the public about servicer outcomes;
- Enacting basic consumer protections designed to hold student loan servicers accountable to borrowers and preserve states' rights to protect their residents;
- Making student loan repayment affordable and making it easy to both get into repayment and stay in repayment; and
- Redefining the definition and consequences of student loan default to ensure that falling behind does not threaten the financial security of borrowers and their families.[1]

Moreover, the Department of Education has failed to provide critical relief to those who have been harmed by predatory and abusive recruiting (*i.e.* sales) practices by schools eager to cash

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[1] A detailed version of our complete set of Higher Education Act reauthorization recommendations can be found at http://bit.ly/NCLC_HEA_Recs.

in on the federal student loan program. In the five months since a federal court ordered the Department of Education to implement rules that would provide relief to borrowers who were harmed by their schools, the Department has failed to grant a single borrower relief under the borrower defense rules.

For these reasons, we also urge Congress to target relief to the many borrowers who have had their dreams shattered by fraudulent or low value schools and who continue to be held back by unaffordable debt as a result. We recommend institutional accountability and borrower relief measures designed to:

- Deter predatory practices and provide relief to borrowers taken advantage of for their federal aid dollars;
- Prevent federal aid dollars from flowing to institutions that fail to deliver value to students and taxpayers and provide relief to borrowers impacted by such institutional failures; and
- Strengthen guardrails surrounding abuse of the federal student aid program, including strengthening consumer protections and enshrining strong borrower defense rules.

Finally, Congress should empower students and borrowers to enforce their rights under the HEA. Students and borrowers deserve the opportunity to protect themselves when their rights are violated by unscrupulous educational institutions, servicers, or debt collection agencies. Additionally, neither for-profit schools nor student loan lenders should be permitted to use forced arbitration clauses to deprive students and borrowers of the right to challenge illegal conduct in court. Forced arbitration not only harms the borrowers who are victims of illegal school or lender conduct, but undermines the integrity of the federal student aid system by allowing participants that abuse the system to insulate themselves from liability and hide evidence of abuse.

Sincerely,

Persis Yu
Director, Student Loan Borrower Assistance Project
National Consumer Law Center (on behalf of its low-income clients)

the institute for college access & success

Chairman Bobby Scott
1201 Longworth House Office Building
Washington, DC 20515

Ranking Member Virginia Foxx
2462 Rayburn House Office Building
Washington, D 20515

Dear Chairman Scott, Ranking Member Foxx and Members of the Committee:

As the Committee conducts bipartisan hearings in preparation for reauthorizing the Higher Education Act, I am writing to share The Institute for College Access & Success' (TICAS') recommendations for how to hold colleges accountable for routinely leaving students with debts they cannot afford to repay. TICAS is a trusted source of research, design, and advocacy for student-centered public policies that promote affordability, accountability, and equity in higher education. Our recommendations include efforts to preserve and improve the cohort default rate (CDR) as well as to preserve and fully implement the gainful employment rule (GE rule).

The CDR is a critical tool for understanding how often students experience the most devastating student loan repayment outcome: default. Holding colleges accountable for their CDRs effectively focuses schools on reducing borrowers' risk of default, and tying institutional Title IV eligibility to CDRs has worked to reduce default. Schools can and do meaningfully lower their CDR through strategies that target and reduce risk of default without limiting students' access to federal loans. The CDR is an effective, well-established, and widely understood metric grounded in protecting both students and taxpayers against unaffordable debt. As you work to reauthorize the Higher Education Act, Congress must consider ways to strengthen the metric so that defaults further decline.

The GE rule is a complementary tool that seeks to ensure that students enrolling in career programs are not overpaying for programs that under-deliver, by looking at the average debt compared to the average earnings of graduates of those programs. We are particularly concerned with the efforts of the current Administration to rescind the GE rule, including efforts to roll back even basic transparency measures that help students understand when high-cost, low-quality programs could result in unmanageable debt.

Below we provide additional details on the value of the CDR and recommendations for ensuring it continues to effectively reduce default and underscore the importance of ensuring the GE rule is fully implemented.

The Cohort Default Rate Has Worked to Reduce Default

The CDR is the share of each school's federal student loan borrowers who default before the end of their third fiscal year in repayment. Schools with unacceptably high CDRs risk losing their ability to offer students federal student loans and/or Pell Grants.[1] The metric was established almost 30 years ago with bipartisan support, and it is grounded in the strong federal interest in protecting students and taxpayers against unaffordable debt. The metric serves as a critical backstop to allowing taxpayer dollars to flow freely to institutions that pose unacceptably high risk of default to their students. It is a reliable measure that includes an established process for data verification and appeals, and it retains wide legitimacy among all sectors of higher education. Since its first use as an accountability metric in 1990, the CDR has provided colleges effective incentives to reduce borrowers' risk of default, resulting in significant declines in CDRs such that only a handful of colleges exceed the established CDR thresholds. The fact that very few schools fail the measure currently is a sign of its success in driving down defaults, not its failure.

Student loan default is the most devastating borrowing repayment outcome, and Congress should strengthen policies to continue to reduce defaults. Over 1 million students default a year, and these students suffer punitive consequences that can drive them deeper into debt and, ironically, make it harder for them to repay their loans.[2] Borrowers in default on their student loans are foreclosed from receiving federal student aid; can face increased loan costs; and may see their tax refunds, wages, and even Social Security benefits garnished. To keep as few students as possible from facing these consequences, it is critical that Congress maintain the CDR as a key metric. However, Congress can and should strengthen the CDR.

The Cohort Default Rate Must be Strengthened

There is abundant evidence that some colleges evade CDR accountability by taking advantage of forbearance options that allow students to temporarily postpone payments. This includes the use of consulting firms that encourage or mislead borrowers in repayment to use forbearance to simply delay payments, postponing rather than preventing default, and not encouraging borrowers to enter an income-driven repayment (IDR) plan.[3] Such moves can mask severe borrower distress and often push eventual defaults outside of the time period for which schools are held accountable. While forbearance is intended to be a short-term option for the benefit of borrowers, an April 2018 GAO report calling for improved oversight of CDRs identified concerning patterns of students being misled into long-term forbearances that not only increase costs to the government but also bring severe financial consequences to borrowers.[4]

CDR manipulation through forbearance abuse can and must be addressed by ensuring that forbearances are granted in the interests of the borrower, as required under federal law. Because many borrowers placed in forbearance would be better served by being placed into an IDR plan,

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[1] The current rules establish a threshold of CDR at 30% or more for three years in a row or 40% or more in a single year. 34 CFR 668.206.
[2] TICAS. 2018. CDR: What is Good For? Absolutely Something. https://bit.ly/2Dvv9Uu.
[3] United States Senate Health, Education, Labor and Pensions Committee. 2012. For Profit Higher Education: The Failure to Safeguard the Federal Investment and Ensure Student Success. http://bit.ly/NbKeiW.
[4] United States Government Accountability Office (GAO). 2019. Federal Student Loans: Actions Needed to Improve Oversight of Schools' Default Rates (GAO-18-163). https://www.gao.gov/assets/700/691520.pdf.

servicers, schools and the consultants they hire must be held accountable for providing guidance that is in the best interest of the borrower. To this end, schools and servicers seeking to assist students in securing consecutive forbearances should be required to document the reasons why an additional forbearance is a better solution for the borrower than an IDR plan.

Forbearance abuse can also be more effectively identified and prevented by providing increased transparency around longer-term default rates. To expose schools abusing forbearance, the Department of Education should publish five- and seven-year cohort default rates, in addition to the three-year rates currently used for accountability. Program reviews or other substantive investigations should be actively targeted at schools with large increases in default rates after the three-year window, and the Department of Education should be required to determine whether such schools are in compliance with the requirement that forbearances be provided for borrowers' benefit.

Some schools seeking to evade CDR accountability have also been known to modify their structure to mask problems in branch campuses.[5] To prevent this type of evasion, colleges seeking to make changes to their OPEID structure should be required to comply with CDR rules under both their new and old OPEID structures for at least three years after the change, with sanctions applying upon noncompliance of either.

The Gainful Employment Rule Has Led to Fewer Low-Quality, High-Cost Programs

The GE rule, finalized in 2014, defines the longstanding statutory requirement that career education programs "prepare students for gainful employment in a recognized occupation."[6] The rule seeks to ensure that career program graduates are not routinely left with student loan debts they cannot afford to repay. The rule distinguishes between programs that provide affordable, quality training and those that do not by measuring the typical debt of graduate compared to the typical earnings. It gives programs that fail to meet established thresholds two years to improve (more during a transition period) or face loss of access to federal student aid.

The GE rule also includes a transparency component that ensures schools provide consumer information that is comparable across programs to prospective students and the public. In the past, these disclosures have included what the typical graduate earns, how much debt graduates have, and what share of graduates find employment in their field. This helps to ensure that students have realistic expectations about the likely financial benefits and consequences of attending specific programs.

College officials and industry observers acknowledge that the GE rule has driven improvement at colleges, leading to free trial periods, more scholarships, lower tuitions, greater focus on employer needs, and other efforts to improve the value they offer students. In the words of one Capella executive describing the effect of the GE rule, "We have taken, and we'll continue to

[5] United States Senate Health, Education, Labor and Pensions Committee. 2012. For Profit Higher Education: The Failure to Safeguard the Federal Investment and Ensure Student Success. p 150-158. http://bit.ly/NbKeiW.
[6] U.S. Department of Education. October 31, 2014. Program Integrity: Gainful Employment, Final Rule. 79 FR 64,889. https://bit.ly/2uB9d7z.

take steps, to improve affordability and outcomes for our programs, and we'll continue to make necessary adjustments. Our goal is to create the most direct path between learning and employment without waste of time, effort, or money, and we are well on our way."[7] According to the New America Foundation, 65 percent of failing programs in the first set of gainful employment data are no longer enrolling students.[8]

The Department of Education Has Failed to Implement the Gainful Employment Rule

While the GE rule is currently in effect, last year the Department of Education issued a Notice of Proposed Rulemaking that sought to repeal the rule. They did so despite the demonstrated positive impacts of the rule, and the fact that Department estimated that repealing the rule would cost $5 billion over ten years because the rule reduces the amount of student aid wasted at low-quality programs.[9] After receiving over 14,000 concerned comments, the Department missed its own deadline for repealing the GE rule in 2018, but Department officials have stated an intent to try again this year.

In the meantime, the Department has gutted the consumer disclosures that offer prospective students and the public the ability to evaluate the quality of career programs based on criteria including the average graduate's debt, the number of students graduating on time, the percent of students who borrow, and the average loan payments and earnings of graduates.[10] The Department also has not released the data necessary to determine which career programs should be ineligible because students cannot earn enough to repay the amount they borrow to attend. Even with just one set of data released, more than 350,000 students had graduated from programs that could not pass the standard, and they graduated with nearly $7.5 billion in student loan debt.[11] Many of these borrowers are unlikely to be able to repay their debt.

Both the CDR and the GE rule are mechanisms for helping ensure that institutions of higher education offer quality programs that do not overcharge and under-deliver. We look forward to working with the Committee to improve the CDR and to fully implement the GE rule.

Sincerely,

James Kvaal
President

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[7] Capella Education Company (CPLA). October 26, 2016. Q3 2016 Earnings Call Transcript. https://bit.ly/2MrkrCb.
[8] New America. September 13, 2018. Comments on Proposed Gainful Employment Rule. https://bit.ly/2x8XNJY.
[9] U.S. Department of Education. August 14, 2018. Program Integrity: Gainful Employment Notice of Proposed Rulemaking. 83 FR 40,167. https://bit.ly/2P0rnc0.
[10] U.S. Department of Education. February 13, 2019. "Agency Information Collection Activities; Submission to the Office of Management and Budget for Review and Approval; Comment Request; Gainful Employment Disclosure Template notice of final regulations." https://bit.ly/2V42WwR.
[11] TICAS. August 22, 2018. How Much Did Students Borrow to Attend the Worst-Performing Career Education Programs? https://ticas.org/sites/default/files/pub_files/ge_total_debt_fact_sheet.pdf.

CLASP

Policy solutions that work for low-income people

CLASP Statement for the Record:

House Subcommittee on Higher Education and Workforce Investment Hearing:
"Strengthening Accountability in Higher Education to Better Serve Students and Taxpayers"
Wednesday, April 3, 2019

As Congress considers the reauthorization of the Higher Education Act (HEA), it must strengthen accountability in higher education to provide all students, particularly low-income students, students of color, adult working students, and immigrant students, an affordable, high-quality education—one that leads to greater economic security and social mobility.

Congress created the accreditation "triad"—which consists of ED, accrediting agencies, and the states—to provide oversight and ensure that institutions participating in federal student aid programs authorized under Title IV of HEA are offering students a quality education. As an anti-poverty organization, we advocate for a postsecondary education system that places a greater focus on institutional and program quality and accountability; racial equity and inclusion; and student success, including completion, workforce preparation, and employability.

States and accreditors must recognize the changing face of postsecondary students and encourage healthy and inclusive campus climates that promote student success. According the U.S. Department of Education, students of color constituted approximately 45 percent of all undergraduates in 2015-2016. Yet, disparities in educational attainment persist among racial and ethnic groups. According to 2017 data from the U.S. Department of Education, Asian and White adults are far more likely to earn a bachelor's degree than Black, Pacific Islander, American Indian/Alaska Native, and Latino adults. Educational attainment of adults age 25 and older was 38 percent for White students; 55 percent for Asian students; 24 percent for Black students; 17 percent for Latino students; and 25 percent for Pacific Islanders. In our view, states and accreditors are not doing enough to promote student success and inclusive campus climates for these student populations.

Millions of college students also do not fit the "traditional" student profile of a full-time student transitioning directly from high school to a four-year college or university. Forty-nine percent of undergraduates are financially independent from their parents; 37 percent are adults age 25 or older; 64 percent of college students work; and 24 percent are parenting students. These students are often juggling work and/or family obligations and need flexible schedules and high-quality education delivery systems that meet their needs. While CLASP supports innovation in postsecondary education that seeks to address the unique needs of low-income working students and parenting students who must manage the demands of school and family obligations, we fear that the Department of Education and some accreditors may be encouraging the proliferation of low-quality educational providers that do not serve low-income students well.

Given these demographic trends, the HEA must ensure that low-income students are receiving a high-quality education that supports them in fulfilling their greatest potential. As an example, online education and competency-based education must offer enriching learning experiences, support students in attaining a degree or credential, and prepare students for high-demand, high-wage jobs in the economy. Faculty are essential to adequately preparing students to achieve these goals. Low-income students, students of color, adult working students, immigrants, and educationally underprepared students may require greater human interaction with faculty to succeed in school, not less. Clarifying and strengthening the definition of "regular and substantive interaction" in the HEA can help to increase accountability and quality in postsecondary education.

Furthermore, these student populations need comprehensive student supports to successfully obtain a postsecondary credential. As such, accrediting bodies must ensure that institutions and educational providers offer these students access to racially and culturally diverse faculty and staff and comprehensive academic support services to complete their degree or credential. Along with academic supports, these students need access to comprehensive culturally-competent advising, mental health services, tutoring, and mentoring as well as robust financial aid to cover the cost of tuition, fees, textbooks, and basic living expenses, including child care, transportation, and food.

We look forward to working with the House Education and Labor Committee and other members of Congress to reauthorize a strong, student-centered HEA that promotes equity, accountability and quality in postsecondary education and prepares low-income students for family-sustaining jobs and careers. Please feel free to contact Rosa M. García at rgarcia@clasp.org for questions regarding this statement.

Sincerely,

Rosa M. García
Senior Policy Analyst

[Additional submission by Mr. Courtney follows:]

February 14, 2019

The Honorable Robert Wilkie
Secretary of Veterans Affairs
810 Vermont Avenue, NW
Washington, DC 20420

Dear Secretary Wilkie:

Thank you for your diligent work on behalf of America's veterans. We write to alert you to a continuing problem at VA and request your leadership in addressing it.

On December 3, 2018, the VA Inspector General issued a report, "VA's Oversight of State Approving Agency Program Monitoring for Post-9/11 GI Bill Students," concluding that VA will waste an estimated $2.3 billion over the next 5 years in Post-9/11 GI Bill "improper payments to ineligible colleges," including colleges with deceptive advertising and recruiting prohibited under 38 U.S.C. § 3696.

The Inspector General's concerns are not new. In 2016, Yale Law School published a report, "VA's Failure to Protect Veterans from Deceptive College Recruiting Practices," specifying VA's failure to abide by 38 U.S.C. § 3696. Also in 2016, VSOs and MSOs wrote to the VA Secretary, requesting VA quickly come into compliance with 38 USC § 3696.

It appears from the Inspector General's report that VA remains out of compliance with the statute, despite numerous federal and state law enforcement actions against colleges for deceiving veterans. This has resulted in significant ramifications to VA and student veterans.

In one recent example, 49 state attorneys general – representing nearly every state in the nation – sued Career Education Corporation (CEC), following a 5-year investigation, according to the Attorneys General, "*revealed evidence demonstrating that CEC deceived prospective students about the total costs of enrollment, the transferability of credits between CEC and other institutions, the potential to obtain employment in their field, and CEC graduates' employment outcomes. As a result of these unfair and deceptive practices, students enrolled in CEC who would not have otherwise enrolled, could not obtain professional licensure, and were saddled with substantial debts that they could not repay nor discharge.*" CEC paid the highest fine to date, $500 million, to settle the suit, without admitting guilt. CEC has the third highest number of veteran complaints brought to VA, and, in June of 2018, a CEC whistleblower flew to Washington to describe a litany of deceptive practices to VA staff. This is just one example of ineligible colleges receiving improper GI Bill payments that could be avoided with proper VA oversight.

We would appreciate the opportunity to meet with you and the Inspector General to discuss a positive solution for this ongoing challenge. We would bring positive suggestions. We look forward to your leadership on this issue.

Sincerely,

Air Force Association

Air Force Sergeants Association

Air Force Women Officers Associated

The American Legion

AMVETS

Army Aviation Association of America

Association of the U.S. Navy

Blue Star Families

Chief Warrant and Warrant Officers, U.S. Coast Guard

Fleet Reserve Association

High Ground Veterans Advocacy

Iraq & Afghanistan Veterans of America

Ivy League Veterans Council

Jewish War Veterans of the USA

Paul K. Hopper
Col USMC (Ret)
National President
MCRA

John L. Ballantyne
Senior Vice President and Chief Operating Officer
Military Child Education Coalition

Military Officers Association of America

Military Order of the Purple Heart

National Military Family Association

Paralyzed Veterans of America

Reserve Officers Association

Service to School

Service Women's Action Network

Student Veterans Of America

Swords to Plowshares

Laura L'Esperance

The Mission Continues

The Retired Enlisted Association

Tragedy Assistance Program for Survivors

United States Army Warrant Officers Association

Randy Reid

U.S. Coast Guard Chief Petty Officers Association & Enlisted Association

Veterans Education Success

Robert F Muth

San Diego University Veterans Law Clinic

Veterans Student Loan Relief Fund

Veterans For Common Sense

Vietnam Veterans of America

VetsFirst, a program of United Spinal Association

STATEMENT FOR THE RECORD

LEGISLATIVE HEARING ON

STRENGTHENING ACCOUNTABIILTY IN HIGHER EDUCATION

TO BETTER SERVE STUDENTS AND TAX PAYERS

BEFORE THE

SUBCOMMITTEE FOR HIGHER EDUCATION AND

WORKFORCE INVESTEMENT

HOUSE OF REPRESENTATIVES

APRIL 3, 2019

Chairwoman Davis, Ranking Member Smucker, and Members of the Committee:

As the two leading organizations supporting the military and veteran student community, Student Veterans of America and Veterans Education Success appreciate the opportunity to provide comment on Strengthening Accountability in Higher Education to Better Serve Students and Taxpayers.

Students put their trust in the U.S. Department of Education's (ED) stamp of approval on an institution of higher learning to mean the education they will receive is high-quality. For military-connected students, the risks are heightened since both the Department of Defense (DoD) and Department of Veterans Affairs (VA) rely on ED's gatekeeping to ensure quality in higher education programs.

Those who have served their country have earned the ability to pursue higher education credentials, knowing they can trust the federal government's stamp of approval that a program is worth their hard-earned benefits. Additionally, the American taxpayer deserves a strong return on investment for their tax dollars. This is why strong accountability and quality metrics for how that money is being spent is of utmost importance.

Innovation in higher education is important and necessary, but it must be done while still ensuring quality. To this end, we strongly encourage action on the following measures:

I. **College Transparency Act -** Understanding the progress, successes, and hindrances facing all types of students is essential, and access to comprehensive and digestible data is the first step. We strongly support the bipartisan College Transparency Act introduced by Senators Hatch, Warren. Cassidy, and Whitehouse. We also call for more transparency at the Education Department in its enforcement actions.

2 - Close the 90/10 Loophole – With the recent closures of colleges such as ITT Tech, Corinthian, Virginia College, and Brightwood College and thousands of military-connected students impacted, it is imperative Congress preserve the market viability test in 90/10. A market viability test protects taxpayers from artificially propping up a failing college of such low quality that no employer or private-paying student is willing to pay for it. Closing the loophole to include all federal funds would honor the congressional intent of the law requiring a minimum of 10% of funding should come from private dollars versus a government source.

Congress must remove the target sign from the backs of veterans and servicemembers. Closing the loophole creates parity for military-connected students using their education benefits with those students using Title IV funds. It is inconsistent to protect some federal funds from low performing schools and not others. With the number of predatory institutions that have shut their doors in recent years, it is critical to close this loophole. Not doing so is a failure on the federal government to ensure an adequate return on investment for both the taxpayer and the student. Additionally, it dishonors the thousands of veterans defrauded by bad actor schools, who had their GI Bill essentially stolen from them under misrepresentation.

While some may argue that closing the loophole would limit access for underserved student populations, low-quality schools systematically discriminate against students, explicitly seeking students of minority groups, veterans, and single-parents to exploit their desires for an education. To allow predatory and low-quality schools to use a service members' or veterans' hard-earned education benefits to prop a failing organization is a waste of tax payer dollars, which is made abundantly clear by the thousands of student veterans left in the wake of notable closures in recent years.

3. **Preserve Borrower Defense to Repayment** – Too many veterans have been targets of consumer fraud by bad actor colleges. Bipartisan law enforcement cases have made clear there is significant evidence of fraud against students. For example, attorneys general representing 48 states and the District of Columbia banded together just recently to recoup $500 million for students who were defrauded by Career Education Corporation, the owner of a handful of schools. Congress should ensure defrauded students are not left to flounder on their own and should not require each student to prove his own case of fraud when significant law enforcement evidence exists. Congress also should require the typical civil proceeding evidentiary standard of preponderance of the evidence and should not force students to prove a college's intent, as that is an absurd burden on students.

4. **Greater Oversight of Nonprofit Conversions.** Thanks to tireless advocacy from student and consumer rights' groups, leadership in Congress, and a growing awareness by the public of predatory practices of some institutions, many of the worst providers in higher education have come under increased scrutiny in recent years. However, in response to increased awareness and scrutiny there is a possibly alarming trend of proprietary institutions converting to nonprofit status yet maintaining the same profit structures and failure to invest in student learning, which allow those institutions to fall under different regulatory oversight requirements.

This conversion process takes advantage of a regulatory weakness between the Internal Revenue Service (IRS) and ED, with IRS only tracking tax status and ED tracking regulatory requirements based on tax status without the two systems truly catching potential bad actors using this system to their advantage, and takes advantage of understaffed, lax IRS oversight.[1] During the reauthorization of HEA, Congress should enact standards of oversight preventing bad actors from becoming wolves in sheep's clothing by creating protections against a nonprofit status being used to hide fraud, waste, and abuse.

5. Preserve the Gainful Employment rule – Protect taxpayers and students by codifying and strengthening the Gainful Employment regulation to hold career training programs accountable if they consistently produce students with excessively low earnings. Congress must be willing to cut off the lowest performing colleges that consistently leave students worse off than they found them. Congress should require Return on Investment for taxpayer funds.

6. **Protect Military Connected Students from Unnecessary Loans –** Many GI Bill students allege loans were taken out in their names without their authorization or understanding.

- **Master Promissory Note** -- Rename the "Master Promissory Note" (MPN) to "Student Loan Agreement" so students know what they're signing. Include a clear warning: *"Do not sign unless you want loans. You must pay these loans back."*

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[1] Shireman, Robert. *The Covert For-Profit: How College Owners Escape Oversight Through a Regulatory Blind Spot*. The Century Foundation. Retrieved from: https://tcf.org/content/report/covert-for-profit/?agreed=1.

- **Loan Counseling** -- Give GI Bill students an annual MPN process, rather than an MPN good for 10 years; active consent/original signatures for each loan; and individualized, pre-loan counseling, prior to each disbursement.
- **Aid Package** -- Prohibit schools from forcing students to sign a MPN before they are told their total aid package and available options.

7. **Raise the Floor on Quality**: Schools should meet minimum quality standards for receipt of Title IV:

- **Programmatic Accreditation** – Mirror DoD's 10 USC 2006a; graduates must be eligible for licensed job.[2]
- **Fraud** – Law enforcement actions against a college should trigger a halt (or reimbursable status) of Title IV funds, as well as a risk-based program review.
- **Repayment Rates** – A college fails if most students cannot pay at least $1 of their debt. Congress should enact legislation that, at the very minimum, requires schools to have higher graduation rates than student loan default rates.
- **Return on Investment/Risk Sharing** – A college fails taxpayers and students if it consistently produces students who earn less than High School graduates. Such colleges should own a portion of debt and defaults. While risk-sharing is an indicator of quality, it is a lagging indicator and should not substitute for front-end gate-keeping, such as improved quality standards. For Apprenticeships and Career programs, require "pay for performance," as in *Forever GI Bill*, which holds back half of tuition until the student is placed in a job in the field of study.

8. **Spend education funds on education** – Taxpayers and students expect federal student aid to be spent on education, but some colleges receiving significant GI Bill funds spend less than 20 percent of a veteran's tuition on his education. By analogy, in health care, at least 80 percent of patient premiums must be spent on patient care and quality improvement. At least 50 percent of federal student aid should be spent on instruction.[3] "Student services" should be re-defined to exclude marketing and recruiting and taxpayer funds should be excluded from advertising and marketing.

9. **Strengthen the TRIAD – Maintain State Authorization and Fix accreditation** – Americans rely on accreditation to understand quality, but the accreditation system is currently lax. As a start, Congress should require accreditors to enforce minimum outcome measures.

We look forward to working with Congress on a bipartisan comprehensive reauthorization of the HEA that protects students and tax payer dollars from poor quality and predatory schools.

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[2] https://www.law.cornell.edu/uscode/text/10/2006a

[3] https://www.healthcare.gov/health-care-law-protections/rate-review/

Ms. Wendy Macias
U.S. Department of Education
400 Maryland Ave., SW
Room 6C111
Washington, DC 20202.

September 20, 2017

By e-mail: Wendy.Macias@ed.gov

RE: Docket: ED-2017-OS-0074-0001

Dear Ms. Macias:

Please include the following public comment in Docket # ED-2017-OS-0074-0001:

PUBLIC COMMENT FROM VETERANS SERVICE ORGANIZATIONS & MILITARY SERVICE ORGANIZATIONS

As we wrote to you in the attached July 12, 2017, public comment, veterans and military service organizations strongly oppose efforts to roll back student protections at the Education Department.

Instead of undermining the rules that protect students and taxpayers, we urge the Department to strengthen all Department rules and mechanisms that guard against fraud, including borrower defense, gainful employment, program participation agreements, program integrity rules, enforcement of the 90/10 and incentive compensation bans, and cracking down on colleges that manipulate their reporting numbers to evade compliance.

As you know, service members, veterans, and their families and survivors are specifically targeted for fraud and seen "as nothing more than dollar signs in uniform"[1] by unscrupulous colleges. Often, the lowest quality education programs are those that engage in the most consumer fraud of veterans.

The Education Department must do all it can to ensure that American heroes who have served their country are treated with honor and respect when they become college students, and that they can trust the federal government's stamp of approval that a program is worth their hard-earned GI Bill benefits. The Department should push for higher quality and better gatekeeping.

Sincerely,

Denise Hollywood
Executive Vice President
Air Force Association

Keith A. Reed
Headquarters Executive Director
Air Force Sergeants Association

Nichole King-Campbell
Air Force Women Officers Associated

Michael V. Reilly
Executive Director
American Association of Collegiate Registrars and Admissions Officers

Joseph Chenelly
Executive Director
AMVETS National Headquarters

Gary E. Hall
National Executive Director
Association of the United States Navy

[1] Consumer Financial Protection Bureau, (2011). "Seeing servicemembers as 'dollar signs in uniform'". https://www.consumerfinance.gov/about-us/blog/seeing-servicemembers-as-dollar-signs-in-uniform/

Kathy Roth-Douquet
CEO
Blue Star Families

Kristina Kaufmann
Executive Director
Code of Support Foundation

Anthony P. Carnevale
Director and Founder
Georgetown University Center on
Education and the Workforce

Lauren Augustine
Director of Government Relations
Got Your 6

Kristofer Goldsmith
President
High Ground Veterans Advocacy

Paul Rieckhoff
Founder & CEO
Iraq & Afghanistan Veterans of America

Peter James Kiernan
President
Ivy League Veterans Council

Paul D. Warner, Ph.D.
National Commander
Jewish War Veterans of the U.S.A.

Mary M. Keller, Ed.D.
President & Chief Executive Officer
Military Child Education Coalition

Lt. Gen. Dana T. Atkins, USAF (Ret.)
President and CEO
Military Officers Association of America

Neil Van Ess
National Commander
Military Order of the Purple Heart

Juliana Mercer
Managing Director
MVPvets

Keith Glindemann
President
National Association of Veterans' Program
Administrators

Joyce Wessel Raezer
Executive Director
National Military Family Association

Jon Ostrowski
Executive Director
Non Commissioned Officers Association

Carl Blake
Associate Executive Director
Paralyzed Veterans of America

Jeffrey E. Phillips
Executive Director
Reserve Officers Association

Jared Lyon
President & CEO
Student Veterans of America

Deirdre Parke Holleman, Esq.
Deirdre Holleman
Washington Executive Director
The Retired Enlisted Association

Bonnie Carroll
President and Founder
Tragedy Assistance Program for Survivors

Ryan Manion
Vice President
Travis Manion Foundation

Randy Reid, USCG (Ret.)
Executive Director
U.S. Coast Guard Chief Petty Officers
Association & Enlisted Association

Carrie Wofford
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Veterans Education Success

Anthony Hardie
Director
Veterans for Common Sense

Christopher Neiweem
Director
VetsFirst, a program of United Spinal
Association

Ted Daywalt
President
VetJobs

Robert Muth
Managing Attorney
Veterans Legal Clinic, University of San Diego

Matthew Boulay
Executive Director
Veterans Student Loan Relief Fund

John Rowan
President
Vietnam Veterans of America

René C. Bardorf
Senior Vice President, Government &
Community Relations
Wounded Warrior Project

ATTACHMENT 1

July 12, 2017

Ms. Wendy Macias
U.S. Department of Education
400 Maryland Ave., SW.
Room 6C111
Washington, DC 20202.

By e-mail: Wendy.Macias@ed.gov

RE: Public Comment: Docket # ED-2017-OPE-0076

Dear Ms. Macias:

Please include the following public comment in Docket # ED-2017-OPE-0076:

PUBLIC COMMENT FROM VETERANS SERVICE ORGANIZATIONS & MILITARY SERVICE ORGANIZATIONS

On June 9, 2017, 31 veterans and military organizations wrote the attached letter to Congress and Secretary DeVos requesting no delay in implementation of the Borrower Defense rule, which offers student loan forgiveness for students who have been defrauded, protects students from forced arbitration, thereby enabling them to seek relief in the courts if they've been defrauded, and requires financial responsibility triggers and warnings by colleges.

These protections are important to our organizations because service members, veterans, and their families are specifically targeted for fraud by unscrupulous colleges because of the 90/10 loophole in the Higher Education Act, as has been widely documented. The former head of the Office of Servicemember Affairs at the Consumer Financial Protection Bureau (CFPB), Holly Petraeus, explained that the 90/10 loophole incentivizes predatory colleges "to see service members as nothing more than dollar signs in uniform, and to use aggressive marketing to draw them in."[2]

As you know, when predatory college recruiters defraud servicemembers, veterans, and their families, they frequently also load the students up with student loans, sometimes without the students' knowledge. Large numbers of veterans and servicemembers are affected: According to survey data from the Department of Education's (ED) "Beginning Postsecondary Students" survey, about 37% of veterans who began college in 2012 had student loans as of 2014. Similarly, a 2012 survey by the Financial Industry Regulatory Authority reported that 38% of military service members indicated that their households currently had student loans.

We were disappointed ED's announcement on June 14, that it plans to revise the Borrower Defense rule. As you undertake a revision, please ensure that defrauded service members, veterans, and their dependents, families, and survivors receive loan forgiveness, and please ensure that the many pending applications at the Education Department are quickly granted relief under the current regulations. Please also maintain defrauded students' access to the courts and their right to financially sound colleges through the financial responsibility triggers and warnings. To do otherwise would be an affront to those who have served their country.

[2] Consumer Financial Protection Bureau, (2011). "Seeing servicemembers as 'dollar signs in uniform'". https://www.consumerfinance.gov/about-us/blog/seeing-servicemembers-as-dollar-signs-in-uniform/

Often, the lowest quality education programs are those that engage in the most consumer fraud of veterans. We were therefore disappointed by ED's concomitant announcement that it would revise the Gainful Employment regulation, which enforces the Higher Education Act's requirement that career education programs receiving federal student aid must "prepare students for gainful employment in a recognized occupation." The rule requires career education programs at all types of colleges (public, nonprofit, and proprietary) to disclose basic information about program costs and outcomes and prevents funding for programs that consistently leave students with debts they cannot repay. As you know, several federal courts have already upheld the Gainful Employment metric of debt-to-earnings ratio to excise the worst performing programs. Because the rule eliminates funding for consistently failing programs, the Congressional Budget Office estimates that repealing the rule would increase spending by $1.3 billion over 10 years.

Veterans express anger when they discover the federal government knew a program produced lousy student outcomes or was under law enforcement action for defrauding students, but allowed them to waste their time and GI Bill benefits enrolled in it. The Departments of Defense and Veterans Affairs rely on leadership by Education Department in determining which education programs are worthy of federal student aid. Therefore, it is critical that the Education Department ensure programs meet the federal statutory requirement of gainful employment in a recognized occupation.

The Education Department must do all it can to ensure that American heroes who have served their country are treated with honor and respect when they become college students, and that they can trust the federal government's stamp of approval that a program is worth their hard-earned GI Bill benefits. The Department must take a firm stand against the predatory targeting of those who have served their country.

Thank you for your time and attention.

Sincerely,

Keith A. Reed
Headquarters Senior Director
Air Force Sergeants Association

Nichole King-Campbell
Air Force Women Officers Associated

Joseph Chenelly
Executive Director
AMVETS National Headquarters

Gary E. Hall
National Executive Director
Association of the United States Navy

Kathy Roth-Douquet
CEO
Blue Star Families

Kristina Kaufmann
Executive Director
Code of Support Foundation

John R. Davis
Director, Legislative Programs
Fleet Reserve Association

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President and Chairman
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Paul Rieckhoff
Founder & CEO
Iraq & Afghanistan Veterans of America

Peter James Kiernan
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Carl Singer
National Commander
Jewish War Veterans of the USA

Mary M. Keller, Ed.D.
President & Chief Executive Officer
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Lt. Gen. Dana T. Atkins, USAF (Ret.)
President and CEO
Military Officers Association of America

Hershel Gober
National Commander
Military Order of the Purple Heart

Juliana Mercer
Managing Director
MVPVets

Joe Wynn
President
National Association for Black Veterans

Joyce Raezer
Executive Director
National Military Family Association

Jon Ostrowski
Director, Government Affairs
Non Commissioned Officers Association

Carl Blake
Associate Executive Director
Paralyzed Veterans of America

Jeffrey E. Phillips
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Reserve Officers Association

Deirdre Parke Holleman, Esq.
Deirdre Holleman
Washington Executive Director
The Retired Enlisted Association

Robert Muth
Managing Attorney
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[Additional submission by Chairwoman Davis follows:]

THE CENTURY FOUNDATION 1919 2019

April 1, 2019

The Honorable Bobby Scott, Chairman
The Honorable Virginia Foxx, Ranking Member
Committee on Education and Labor
U.S. House of Representatives
2176 Rayburn House Office Building
Washington, D.C. 20515

Dear Chairman Scott and Ranking Member Foxx:

Private colleges and universities play an important role in America's system of higher education. At their best, these schools—nonprofit and for-profit alike—expand educational opportunity by providing students across the country with high-quality teaching and meaningful degrees, in turn helping millions of Americans climb the social and economic ladder.

As a country, we have long recognized the value of private colleges, something many other nations do not. U.S. taxpayers subsidize private colleges to the tune of tens of billions of dollars annually, through tuition aid, grants, and loans to students. At many schools, taxpayer funding accounts for the vast bulk of revenue: for-profit colleges are permitted under law to receive up to 90 percent of their funds through the U.S. Department of Education, and can rely further on federal subsidies through GI Bill funds when serving military and veteran students.

With so much money flowing from taxpayers, the federal government has a clear responsibility to ensure those dollars are spent well, which it has done for decades, alongside states and accreditation agencies (the so-called "higher education triad") and, in the case of public and nonprofit schools, trustees who are legally committed to the public interest. Proper regulation i: critical to ensuring that students are not being taken advantage of by schools using the federal imprimatur to facilitate mistreatment of consumers. Because higher education is a market based on trust, consumers are especially susceptible to abusive behavior at the hands of predatory schools—a fact underscored by the many high-profile school closings in recent years, including, most notably, Corinthian Colleges and ITT Tech.

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For regulations to be effective in protecting students, safeguarding taxpayer dollars, and holding colleges accountable, federal lawmakers and regulators must recognize two key features about higher education institutions:

> **First, not all colleges, or college sectors, are created equally.** There are inherent differences baked into the design of public, nonprofit, and for-profit colleges These structural differences have real and profound implications for how institutions operate and who they serve, as well as the financial requirements and accountability standards they are held to.
>
> **Second, as a result of those different standards, the for-profit sector poses greater risk to students, consumers, and taxpayers.** History shows—and evidence overwhelmingly confirms—that for-profit colleges financed by federal grants and loans are significantly and systemically worse than their public and nonprofit peers at providing high-quality education to students, and are much more likely to mislead consumers and misuse those taxpayer dollars.

Taken together, these realities make it clear: For-profit colleges, because they are different, require different accountability standards and distinct oversight. Those who object to heightened standards by claiming a "double standard" are themselves ignoring their own double standard: namely, that for-profit schools are *already held to different standards*—lower ones. Oversight of federal funding must recognize these differences and attempt to level the playing field.

I. For-profit colleges are different by design—so are their incentive structures and accountability standards.

Nonprofit colleges, unlike for-profits, are prohibited from distributing profits to individuals, thus changing their approach to decision-making. As a result, their incentives are fundamentally altered in ways that directly affect how they operate. At a nonprofit, the "restriction on the right of managers and directors to share in their organization's profits blunts their incentive to seek profits, which decreases their incentives to take advantage of under-informed consumers," according to a study by Yale economist Burton A. Weisbrod. Because of the financial restrictions

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on public and nonprofit entities, these schools "respond differently to opportunities to use their advantages over poorly informed consumers."[1]

Both for-profits and nonprofits can legitimately claim to be "mission-driven." But the key difference is that a nonprofit raises money to finance its mission, whereas a for-profit has a mission to make money. As a result, the two models respond very differently to government subsidies and market incentives, with important consequences for students and taxpayers, as summarized in the table below.

	Public	Nonprofit	For-Profit
Who is responsible for governing the institutions, including setting tuition rates and budgets?	Elected and appointed state officials	Trustees	Owners
What are they allowed to spend money on?	Education or another public purpose	Education or a charitable purpose[2]	Anything, including distributions of profit to owners
Can top-level decision-makers personally profit from the operations of the institution?	Generally no	Generally no[3]	Yes
Do colleges have access to equity markets to invest and expand?	No	No	Yes
Is there a financial backstop if something goes wrong and the college becomes bankrupt?	Taxpayers	No	No

As the Department of Education's Inspector General has noted, for-profit schools' mandate to extract earnings for investors "can create an incentive to evade compliance with obligations to

[1] Burton A. Weisbrod, *The Nonprofit Economy*, 1988, Harvard University Press, Cambridge, MA, 1988. Weisbrod examined nonprofit and for-profit providers in nursing homes, psychiatric care facilities, and facilities for the mentally handicapped." The evidence "provided no support for the view that nonprofits act essentially like private firms."
[2] Unrelated business operations are taxed, and if excessive, can jeopardize the tax-exempt status of the organization.
[3] Private inurement is prohibited, trustees are generally not paid, and employee compensation must be reasonable.

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students and taxpayers."[4] The repeated abuses resulting from that hazard are why the Higher Education Act includes requirements that colleges that refuse public or nonprofit oversight must demonstrate their value in other ways. Currently, most for-profit colleges using federal aid are far more reliant on it than are nonprofit or public institutions.[5] In what other sector would we give for-profit enterprises the bulk of money they need to operate, and then turn around and not hold them accountable, particularly where there has been a well-documented history of scandal and abuses?

II. For-profit colleges have much different outcomes—for students, borrowers, and taxpayers.

For-profit colleges have earned themselves a bad reputation. Fueled by taxpayer-backed student loans, owners frequently grow their schools rapidly,[6] while overcharging for the education, using the proceeds for aggressive recruiting and profit.[7] In many cases, the schools mislead prospects about the value of their schools' programs[8] and the promise of a high-paying job. They commonly use manipulative sales tactics,[9] hire unqualified faculty,[10] enroll unprepared students,[11] and hide their misdeeds through forced arbitration clauses,[12] all while leaving

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[4] "Recommendations for the Reauthorization of the Higher Education Act," U.S. Department of Education, Office of Inspector General, March 1, 2018.

[5] Vivien Lee and Adam Looney, "Understanding the 90/10 Rule: How reliant are public, private, and for-profit institutions on federal aid?," The Brookings Institution, January 2019, https://www.brookings.edu/wp-content/uploads/2019/01/ES_20190116_Looney-90-10.pdf.
"New Analysis Finds Many For-Profits Skirt Federal Funding Limits," U.S. Department of Education, December 21, 2016, https://www.ed.gov/news/press-releases/new-analysis-finds-many-profits-skirt-federal-funding-limits.

[6] Mary Beth Marklein, "For-profit colleges see major gains in past decade," USA Today, June 2, 2011, http://usatoday30.usatoday.com/news/education/2011-05-26-for-profit-college-undergraduate-enrollment_n.htm.

[7] "For Profit Higher Education: The Failure to Safeguard the Federal Investment and Ensure Student Success," U.S. Senate Committee on Health, Education, Labor and Pensions, July 30, 2012, https://www.help.senate.gov/imo/media/for_profit_report/Contents.pdf.

[8] Chris Cuomo, Chris Vlasto, Gerry Wagschal, Lauren Pearle, and Cleopatra Andreadis, "ABC News Investigates For-Profit Education: Recruiters at the University of Phoenix," ABC News, August 19, 2010, https://abcnews.go.com/TheLaw/profit-education-abc-news-undercover-investigate-recruiters-university/story?id=11411379.

[9] Tamar Lewin, "For-Profit Colleges Face a Loan Revolt by Thousands Claiming Trickery," *New York Times*, May 3, 2015, https://www.nytimes.com/2015/05/04/education/for-profit-colleges-face-a-loan-strike-by-thousands-claiming-trickery.html?_r=1.

[10] "For-Profit College Kaplan To Refund Federal Financial Aid Under Settlement With United States," U.S. Attorney's Office, Western District of Texas, January 5, 2015, https://www.justice.gov/usao-wdtx/pr/profit-college-kaplan-refund-federal-financial-aid-under-settlement-united-states.

[11] Jillian Berman, "Whistleblower suit against for-profit college charges schemes against students," Market Watch, January 21, 2016, https://www.marketwatch.com/story/at-itt-tech-a-greatest-hits-of-abuses-attorney-2016-01-21.

[12] Andrew Wolfson, "Students sue over Daymar College 'lies,'" *Courier Journal*, April 8, 2014, https://www.courier-journal.com/story/news/education/2014/04/08/students-sue-daymar-college-lies/7479559/.

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students with crushing student loan debts[13] and school executives and investors with bulging bank accounts.[14]

Only about a quarter of students enrolled at for-profit colleges complete a bachelor's degree within six years, compared to 59% at publics and 66% at nonprofits.[15] For-profit colleges account for 34% of student loan defaults while enrolling just 9% of all students.[16] Students at for-profit colleges are also less likely to find gainful employment[17] and more likely to default on their loans.[18] And studies show that, on average, for-profit schools spend significantly less of their tuition revenue on student instruction than public and nonprofit schools do.[19]

When the Education Management Corporation/Dream Center schools, Argosy, Art Institute, and South University closed earlier this year, more than 25,000 students were abruptly left in academic and financial ruin. College closures are tough on students under almost any circumstances, but for-profit college closures usually happen quickly and with no warning.

Regulations to level the playing field can prevent and relieve the damage a closure brings to students. When for-profits grow rapidly and are able to move funds to investors rather than use them to support students, they are given license to act financially irresponsibly, heightening

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[13] Abby Jackson, "Guy who spent $37,000 on a computer-science degree can't get a job at Best Buy's Geek Squad," Business Insider, April 14, 2015, https://www.businessinsider.com/profile-of-corinthian-student-michael-adorno-2015-4#ixzz3XJ82Dkmh.
[14] Michael Vasquez and Jay Weaver, "Florida college chain FastTrain scammed taxpayers, feds say," *Miami Herald*, October 2, 2014, updated October 3, 2014, https://www.miamiherald.com/news/local/community/miami-dade/article2485300.html.
[15] "Undergraduate Retention and Graduation Rates." National Center for Education Statistics, May 2018.
[16] Margaret Mattes, "8 Facts That Will Make You Think Twice Before Enrolling in a For-Profit College," The Century Foundation, May 30, 2017, https://tcf.org/content/facts/8-facts-will-make-think-twice-enrolling-profit-college/
[17] Stephanie Riegg Cellini, and Nicholas Turner, "Gainfully Employed? Assessing the Employment and Earnings of For-Profit College Students Using Administrative Data," National Bureau of Economic Research, October, 2016, available at http://www.nber.org/papers/w22287.
"Education Department Releases Final Debt-to-Earnings Rates for Gainful Employment Programs," U.S. Department of Education, January 9, 2017, https://www.ed.gov/news/press-releases/education-department-releases-final-debt-earnings-rates-gainful-employment-programs.
[18] Adam Looney and Constantine Yannelis, "A Crisis in Student Loans? How Changes in the Characteristics of Borrowers and in the Institutions They Attended Contributed to Rising Loan Defaults," Brookings Papers on Economic Activity, Fall, 2015, https://www.brookings.edu/wp-content/uploads/2015/09/LooneyTextFall15BPEA.pdf.
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Jennie Woo, Alexander Bentz, Stephen Lew, Erin Dunlop Velez, and Nichole Smith, "Repayment of Student Loans as of 2015 Among 1995–96 and 2003–04 First-Time Beginning Students: First Look," (NCES 2018-410), U.S. Department of Education, Washington, DC: National Center for Education Statistics, October, 2017, https://nces.ed.gov/pubs2018/2018410.pdf.
[19] John J. Cheslock, "Examining Instructional Spending for Accountability and Consumer Information Purposes," The Century Foundation, February 28, 2019, https://tcf.org/content/report/examining-instructional-spending-accountability-consumer-information-purposes/

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their own risk of bankruptcy and closure.[20] In fact, they are under no obligation to avoid sudden closure, because their primary responsibilities are to executives, investors, and in some cases, shareholders. Though public and nonprofit colleges can and do close, this catastrophic scenario is extremely rare: public and nonprofit college closures usually come with warnings and a plan for winding down programs and seeing students have viable options before the doors close.

Conclusion

Simply put, different levels of risk require different tools to mitigate that risk. Across the country, for instance, semi-trucks are regulated much differently than the typical four-wheel vehicle. State governments frequently require semi-trucks to follow lower speed limits and pass through additional safety check points on the freeway. These measures aren't because lawmakers have an axe to grind with semi-trucks, or they don't recognize the value to society of trucking. They are put in place because, due to its design, a semi-truck poses a greater risk than the typical sedan, and *all* drivers benefit when that risk is mitigated.

In the same way, enforcing common-sense guardrails and different speed limits on for-profit colleges neither unfairly targets these schools, nor hurts the many for-profits already abiding by them. What it does is make the higher education road safer for all of us—students, consumers, and taxpayers alike.

Sincerely,

Robert Shireman, Senior Fellow
The Century Foundation

[20] Robert Shireman and Debbie Cochrane, "Encouraging Innovation & Preventing Abuse in For-Profit Higher Education: A 2018 Toolkit for State Policy Makers," The Century Foundation, December 13, 2017. https://tcf.org/content/report/encouraging-innovation-preventing-abuses/

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[Additional submission by Mrs. Foxx follows:]

NATIONAL AFFAIRS

Accountability for Higher Education

Jason Delisle

CURRENT ISSUE

IN 2017, HARVARD UNIVERSITY SHUTTERED A GRADUATE program in theater training after national media outlets questioned the value of the education students had received. Federal data released for the first time earlier that year revealed students' debts and earnings were wildly out of proportion. Students in the program typically borrowed $78,000 to pay for it, much of it in government-issued loans, while their average earnings years after graduating were just $36,000. It does not take a sophisticated loan officer to understand that an investment that produces so little return does not justify so much debt. After several media outlets, including the *New York Times*, called attention to the troubling statistics, Harvard announced it would suspend new enrollments in the program.

While a low-performing Harvard program will always attract media attention, the more important part of this story is why such poor results were able to fly under the radar.

After all, the Harvard program had been in operation for years, and it should have been obvious that a graduate certificate program in theater training that costs $78,000 is a risky bet. Wasn't the problem hiding in plain sight?

Consider, however, that the Harvard program's low payoff would not necessarily be obvious. Harvard is a valuable brand and a highly selective institution. Someone could easily assume that graduates of this program go on to exceptional careers and earn more than enough income to justify the price. The high tuition might even signal that the program is indeed more prestigious than other, more affordable theater programs. And, in fact, until the Department of Education released the debt and earnings data in 2017, there was no way to know.

Information on what a college degree (or a graduate certificate in the Harvard case) costs has always been a bit opaque, but reliable information on what graduates of a particular university — let alone a specific program — earn in the labor market has been downright nonexistent. To be sure, some institutions and programs survey graduates and publish typical earnings, but that has been the exception, and the reliability of this self-reported information has always been suspect.

That is now changing. The statistics that outed the dubious value proposition hidden in the Harvard program are part of a broad policy agenda championed by an influential coalition of advocates, philanthropic foundations, and lawmakers. At its core, this new transparency and accountability agenda seems simple and uncontroversial enough. Providing better information to policymakers and the public on college prices and student outcomes, particularly post-graduation earnings, should make the higher-education system more effective, efficient, and even more equitable. But a closer look reveals that this new agenda involves a more complicated set of choices for conservative and progressive reformers alike. Understanding these choices, which are often obscured or shrouded in jargon, is the key to fashioning a serious transparency and accountability agenda.

FROM LEARNING TO EARNING

Calls for more information about higher education and more accountability for colleges and universities are, of course, nothing new. There is a long history of political movements that have demanded such policies at the state and federal levels. Some policies aim to purge for-profit diploma mills from the market; others seek to rein in universities that are charging excessive tuition or check colleges that are offering faddish curriculums unlikely to help students secure jobs.

Following the first major federal student-aid programs enacted under the Servicemen's Readjustment Act of 1944 (better known as the "G.I. Bill"), Congress worried that fly-by-night schools were fleecing veterans because state regulatory agencies were not effectively policing the higher-education market. When lawmakers expanded the original G.I. Bill to Korean War veterans in 1952, they added a second layer of quality assurance: private accrediting agencies. Today, only accredited institutions of higher education are eligible for federal aid programs — although many observers believe these agencies have proven to be lax in their oversight of educational quality.

Then, in response to problems in the for-profit sector in the late 1980s and early 1990s, Congress added a third accountability test, forming what is known today as the regulatory triad. Under this third test, the cohort-default rate, colleges and universities whose former students fail to repay their loans at high rates lose eligibility for federal student loans and grants.

Despite these three accountability tests, concerns about the quality of America's higher-education sector have only grown. In the mid-2000s, rising costs at four-year institutions became the issue of interest. Even a Republican majority on the House Education Committee toyed with imposing price controls for institutions receiving federal aid, but the effort never gained traction. Low completion rates among post-secondary students were also emerging as an accountability issue in the mid-2000s, although this concern never sparked new federal accountability standards either.

Around the same time, the so-called "Spellings Commission," named after then-Education Secretary Margaret Spellings, laid out the systemic failings of the U.S. higher-education system. While the commission cited low graduation rates and a lack of transparency about prices, the central concerns were that students were not learning much and that universities and policymakers were not doing enough to gauge learning outcomes:

> As other nations rapidly improve their higher education systems, we are disturbed by evidence that the quality of student learning at U.S. colleges and universities is inadequate and, in some cases, declining. A number of recent studies highlight the shortcomings of postsecondary institutions in everything from graduation rates and time to degree to learning outcomes and even core literacy skills.

Much of the report discusses the various ways that colleges and policymakers could better assess learning outcomes, such as through the Collegiate Learning Assessment, a test that evaluates critical-thinking and reasoning skills gained between freshman and senior years. Disclosing the results would allow parents, students, and policymakers to compare how students at each institution score and improve on this test. Markets or regulators could then hold universities accountable against some set of standards; or, at the very least, students and families could make more informed comparisons and choices.

Testing for student learning as a means to assess college quality, however, is fraught and controversial. Indeed, it was one of the most contentious themes in the 2006 Spellings Commission report. The American higher-education system serves diverse purposes, including intellectual enlightenment, empirical research, and vocational training. And within those categories, there is more differentiation and specialization still. Critics asked how a testing regime could possibly account for all that diversity. As a result, the idea of measuring and reporting learning outcomes to improve transparency and accountability in higher education has never gained much of a following.

The Spellings Commission report is also notable today for what it did not emphasize: earnings and labor-market outcomes. While federal policies like the cohort-default rate indirectly gauge students' earnings, those policies were intended to curb problems at vocational institutions, not traditional universities. By contrast, the new transparency and accountability agenda focuses explicitly on what students go on to earn after pursuing any post-secondary education, even at traditional four-year colleges. To be sure, the agenda is also concerned with college costs and student debt, but those data points are usually considered alongside earnings as part of the "return on investment" approach to evaluating institutions of higher education.

It is difficult to pinpoint when the focal shift to earnings began, but there were some particularly likely catalysts. Rising college costs and student debt were surely major factors. Public anxiety over these two issues was particularly intense in the years following the recession of the late 2000s, and for good reason. Median sticker prices for annual undergraduate tuition at public and private universities rose from $5,564 in the 1999–2000 academic year to $11,714 in the 2015–2016 academic year after adjusting for inflation. And those sharp increases followed a relentless rise in prices during the preceding decades.

Student debt began its meteoric rise more suddenly and recently than did tuition prices. The most popular measure, the stock of outstanding debt, sat at $440 billion in 2004 (in 2015 dollars). By 2015, it had nearly tripled to $1.2 trillion, and today it stands at $1.4 trillion. During that time, the median loan balance of students who earned a bachelor's degree and held student debt grew from $20,619 to $27,897 after adjusting for inflation.

The steady increase in sticker prices for college tuition, combined with an even more rapid increase in outstanding student debt, caused many families and policymakers to wonder whether a college education was worth it. That is an age-old question, but when students and policymakers see prices and student debt rising rapidly, especially during a period of weak economic growth, the question seems even more relevant.

In addition to anxiety over tuition prices and student debt, questions about the value of post-secondary credentials were also fueled by the rapid increase in enrollment at for-profit institutions between the years just before and after the recession in the late 2000s. These institutions tend to act as "demand absorbers" in the higher-education marketplace, because public and private nonprofit institutions cannot meet total demand due to their reliance on public funding (which imposes capacity constraints). Moreover, public and nonprofit institutions may not be willing or able to offer education to non-traditional students in appropriate formats, for example by providing online courses for working parents rather than inflexible on-campus classes.

For-profit institutions clearly played this demand-absorbing role in the aftermath of the Great Recession. Enrollment in higher education surged during that time period, especially among older, non-traditional students. Total enrollment increased from 16.9 million students in the 2003–04 school year to 21.0 million in 2011–12. For-profit colleges held just 4.2% of that enrollment in 2003–04, but that share grew to 9.4% by 2011–12. Because of these trends, along with weak student-loan-repayment rates and suspicion of these institutions' explicit profit motive, policymakers and the media have subjected for-profit colleges to heightened scrutiny. In their view, the existing accountability regime was proving insufficient. Assessing former students' employment and earnings outcomes would be an even better way to determine whether for-profit colleges were offering quality educations.

Finally, technological advancements have fueled the recent demand for more transparency and accountability for higher-education outcomes. In this case, demands for information about outcomes are less about changes in prices, debt, or enrollment in for-profit institutions than about our growing capability to collect and disseminate information.

To collect data on student outcomes, especially earnings, is a logistical and technological feat even by today's standards. Had the public and policymakers demanded such information 20 years ago, it is doubtful that the technology and administrative capacity available at the time would have been up to the task — and making the information easily available would have been nearly impossible. But today the task is clearly possible, and that has helped drive demand for additional data on student outcomes about earnings and employment.

ACCOUNTABILITY AT WORK

Several federal and state-level developments illustrate the effect that the new transparency and accountability agenda has had on the availability of information about student outcomes. These include the Obama administration's gainful-employment rule, the Department of Education's College Scorecard website, and state efforts like the UT System Dashboard in Texas.

In 2010, the Obama administration announced that it would unilaterally develop new student-aid eligibility standards for short-term certificate programs offered at any type of college or university and for all programs offered at for-profit colleges. The vehicle for this policy was the section of the Higher Education Act that categorizes for-profit institutions and certificate programs (at all institutions) as needing to prepare students for "gainful employment in a recognized occupation."

At the time, federal regulations were silent on what that meant, so certificate programs and for-profit colleges qualified for federal aid programs in the same manner as other institutions: through the regulatory triad of state licensing, accreditation, and the cohort-default-rate test for federal loans. By defining "gainful employment," the Obama administration created a special test for these programs and colleges — adding a fourth test to the existing triad. The rule took effect in 2015, but the Trump administration plans to replace it with a different regulation largely free of sanctions.

Specifically, the rule measured whether each cohort of students that received federal aid and completed a program earned enough to repay their debts. Any certificate program or for-profit program whose students' loan payments exceeded a set percentage of their incomes three years after graduation would lose eligibility for federal aid programs. The Department of Education calculated this debt-to-earnings ratio for each program by matching a list of program completers with its own student-aid database and then with earnings information from the Social Security Administration. The department also published these statistics.

The important development here for purposes of understanding the new transparency and accountability agenda is that the gainful-employment test was the first federal accountability policy to directly assess what graduates earn. It also sought to measure the "return on investment" by pairing the earnings information with how much students paid, albeit through the proxy of how much they borrowed.

In another break from other quality-assurance rules, the gainful-employment test examined student outcomes by degree program. Under other rules, such as the cohort-default rate, a university is judged as a whole unit and passes or fails as such. But under the gainful-employment rule, each program's performance would be judged separately. It was the release of these program-level earnings and debt statistics that felled Harvard's theater-training program, although Harvard voluntarily shuttered it before sanctions would have taken effect.

Another prominent example of the new transparency and accountability agenda's focus on earnings data is the U.S. Department of Education's College Scorecard. This Obama-era initiative, which continues under the Trump administration, is a consumer-facing website that lists information about every college and university that receives federal funds. While the College Scorecard repackaged some information already published on existing consumer-facing government websites, such as prices and graduation rates, it is the first federal site to display the median earnings of an institution's former students (10 years after enrolling) using income-tax data to construct the measure.

The Obama administration initially wanted to rate institutions on these statistics and link grant and loan eligibility to them. President Obama said he wanted to show which colleges provided the best return on investment, or in his words, "bang for the buck." But after pushback from the higher-education industry and others, the administration concluded that the diversity of the higher-education sector makes such ratings too difficult. Releasing the College Scorecard as a consumer tool, rather than a ranking system, was as far as the administration would take the effort.

The College Scorecard also provides new statistics on student debt at each college, such as typical debt loads and estimated monthly payments. It also indirectly compares debts to students' earnings by displaying the share of students who reduced the principal balance on their federal student loans three years after leaving school. But unlike the gainful-employment rule, the College Scorecard does not disaggregate debt and earnings data by program. Instead, it reports metrics for the entire college. Despite its limitations and lack of ratings or links to eligibility, the Obama administration believed that the new information the College Scorecard would provide directly to consumers could improve the higher-education market.

The effects of the new transparency and accountability agenda are also visible at the state level. Several states now publicly report limited earnings information for students who attended institutions of higher education in the state. Virginia and Florida, for example, match wage records collected through their unemployment-insurance programs to enrollment data provided by certain colleges and universities. They then publish aggregate statistics such as median earnings of former students, usually by institution but sometimes at the more detailed program level. A few states, such as Florida, have even pursued limited policies that tie funding for institutions of higher education to earnings outcomes.

In Texas, the public-facing UT System Dashboard allows users to select a degree program at public universities in the University of Texas system to see median earnings for its graduates one, five, and 10 years after earning their degrees. For example, the website shows that a psychology major graduating from UT Dallas typically earns an annual pre-tax income of $45,647 five years after earning a bachelor's degree. The site also provides some limited student-debt statistics regarding typical balances and estimated monthly payments alongside the earnings information in an effort to help consumers gauge affordability and return on investment.

There are many limitations to these state reporting systems. The data may be "public," but it is not always easy to find or interpret. And just like federal efforts, the data can paint a less-than-complete picture of student outcomes. Some states may not be able to capture information on students from private universities, or those who move out of the state after school or who are self-employed. (The UT System Dashboard uses a unique partnership with the U.S. Census Bureau to address many of these limitations.) Some states' data might focus on only one segment of the higher-education system or on workforce-training programs. Many systems cover only those students who earn credentials to best inform students about potential earnings differences among universities and programs, but therefore exclude earnings for dropouts.

THE NEXT AGENDA

Supporters of the new transparency and accountability agenda are actively working to expand their accomplishments, especially at the federal level. These efforts range from filling holes in existing data sources to proposals that would impose tougher penalties on universities.

The most notable policy proposal on this front is the College Transparency Act, originally sponsored by senators Orrin Hatch (who retired last year), Elizabeth Warren, Bill Cassidy, and Sheldon Whitehouse. It had a broad bipartisan list of co-sponsors and is sure to return in this Congress. The bill would repeal a 2008 law that prohibits the federal government from creating a "student unit record system" and then would create such a system. Defenders of the prohibition argue that it protects student privacy and guards against federal overreach and misuse of data. But the ban and similar laws make it difficult — if not impossible in some cases — for federal agencies to expand the information they publish about students attending colleges and universities.

The earnings information reported in the College Scorecard, for example, covers only students who received a federal grant or loan because the ban prohibits the

Department of Education from matching enrollment and earnings data for students who have not received federal aid. Obviously, that creates a major limitation since 46% of undergraduate students do not receive any federal grants and loans, and the number is much higher at some institutions. The College Transparency Act would address this limitation by requiring that colleges receiving federal aid share the necessary enrollment data with the Department of Education and that other federal agencies match those data with earnings records for all students. Median earnings and other statistics displayed in the College Scorecard would then cover all students who had enrolled at the college.

One of the novel contributions that the gainful-employment rule made to the existing data on student outcomes was that it covered *each program* at an institution rather than treating the institution as a whole unit. While the Trump administration cancelled the rule, it has shown interest in maintaining the program-level data collection and expanding it to cover all colleges and universities. The information would become part of the College Scorecard, which currently reports statistics only for institutions as a whole. That would make the site more useful for consumers and institutions of higher education alike. The Trump administration may also expand the College Scorecard to include graduate and professional degrees. Separately, Republicans on the House Committee on Education and the Workforce passed a bill in 2017 requiring the Department of Education to make program-level statistics on earnings available through a public "dashboard," although the bill never made it beyond the committee.

Other proposals being developed at the federal level go further than simply collecting and publishing statistics on student outcomes. Some want tougher accountability standards and penalties — including loss of eligibility for federal funds — for colleges and universities with weak student outcomes. Re-instating the Obama administration's gainful-employment rule falls under this category, and so does a set of proposed policies collectively known as "risk sharing."

Under risk sharing, colleges and universities have "skin in the game" because they take on some of the financial risk that a student's degree does not produce an acceptable return in the labor market. These policies usually require colleges to bear some of the risk of unpaid federal loans, whether that means defaults or students' failure to reduce the principal balance over a given time frame. The "sharing" part is that colleges and universities would pay a penalty fee to the U.S. Department of Education that bears some relation to the dollar value of the unpaid loans.

While these policies do not directly hold institutions accountable for what they charge in tuition and what students go on to earn, measuring loan repayment down to the dollar is clearly a proxy for such a metric. As Temple University economist Douglas Webber puts it in his risk-sharing proposal, "There are thus two main mechanisms that will determine the penalty (and that schools will be incentivized to address), the amount of money that students borrow, and the labor market prospects of former students."

The risk-sharing concept is not merely an idea that economists champion. Lawmakers in Congress have sponsored risk-sharing bills in recent years, although none have become law. A notable example is the Student Protection and Success Act, sponsored in the last Congress by senators Jeanne Shaheen and Orrin Hatch, which links penalties for universities to the dollar value of unpaid student loans. Even the Trump administration has endorsed the general idea of a risk-sharing system in annual budget requests to Congress, but as of this writing has not put forth a detailed proposal.

CONCERNS AND CRITICISMS

Not everyone is in favor of these policies. Perhaps the loudest objections have involved student privacy, a concern that critics raise in response to the government's expanding its information collection and dissemination efforts beyond students who receive federal aid.

That was the case that Representative Virginia Foxx, former chairwoman of the House Committee on Education and the Workforce, made in 2007 when she sponsored the ban on the student-unit record that is still in effect today. The American Civil Liberties Union and other privacy-advocacy organizations have also urged Congress to maintain the ban in recent years. At least one major trade association in Washington, D.C., the National Association of Independent Colleges and Universities, has consistently supported the ban, while others have grown more supportive of the government's disseminating more information.

Although arguments against an expansion of federal data collection tend to emphasize privacy, they often seem to be rooted in a deeper worry about what policies the government might enact using the new information. There are many steps the government can take to keep personally identifiable information from being exposed, such as suppressing information regarding particularly small programs or colleges. It is fair, however, to cast a wary eye on proposals that contemplate a system in which universities upload vast amounts of data about their students to the Department of Education. That is in fact how the College Transparency Act would operate (and also part of what the Spellings Commission recommended), but these proposals need not go that far. Matching information between two sets of de-identified data to report aggregate statistics on earnings does not require that universities turn their entire record systems over to the federal government. A narrowly tailored policy with privacy protections should be able to mitigate such concerns.

Consider how the College Scorecard might be expanded to include students who do not receive federal aid. An institution of higher education would submit to the Department of Education a de-identified list of Social Security numbers of students enrolled, and the Department would in turn request earnings information from the Treasury Department for those students. These students would then be included in the median-earnings figure reported for each institution of higher education in the College Scorecard. This is how the Department of Education currently collects the information for the College Scorecard, except that it uses information from each student's federal financial-aid record rather than from institutions.

Another argument against expanding the government's data collection and dissemination is that it would be a wasted effort, taking up time and money that could be better allocated elsewhere. Prospective students and their families will not use it, critics argue. The main weakness in this argument is that it presupposes consumers are *the only* actors in a position to change behavior when new information becomes available.

In fact, there are many actors who could use the information about the earnings of former students to influence the higher-education market. State licensing bodies, accrediting organizations, boards of trustees, high-school guidance counselors, university presidents, administrators, and even faculty could all take action based on the information. Most universities themselves do not have this information, except for the few (usually prestigious graduate and law schools) that collect it directly through unreliable surveys. Watchdog organizations and the press could use the information as well, prompting universities to address weak programs, as in the case of Harvard's certificate in theater arts.

While the arguments that expanding data collection could violate student privacy or that consumers might not use it are unconvincing, the concern that the information will become a means to expand government control is more compelling. The distinction between making information more widely available and expanding regulatory power based on that information can sometimes be blurred in the rhetoric of these debates. Calls for reporting more information about student outcomes are often intertwined with calls to crack down on institutions with unacceptable outcomes. The gainful-employment rule is a case in point. It involved two distinct policies: In one, the government collects and reports new information on student-earnings outcomes at the program level; in the other, the government uses that information to determine which programs are eligible for federal grants and loans.

Using better information to protect students and taxpayers from sham colleges or guard against waste is a worthy objective, but there is a temptation for policymakers to see themselves as the arbiters of which educations lead to a good return on investment worthy of government money. Even right-of-center reformers can fall into this trap. One conservative organization, the National Association of Scholars, would go so far as to have the federal government dictate a limit on the ratio of administrators to faculty members at each university.

Armed with price and earnings information, others might try to exclude students majoring in English or philosophy from taking out government loans but extend subsidized aid to what policymakers believe (sometimes erroneously) are in-demand degrees with higher earnings potential. Thus, in the name of protecting students and taxpayers, policymakers end up picking winners and losers in the education marketplace by deciding who will receive government grants and loans.

The risk that policymakers would do more harm than good in directing dollars seems high despite their intention to maximize returns for students and taxpayers. Even the Obama administration acknowledged it could not rate colleges and universities with federal guidelines because of the diversity of both the supply and demand in the higher-education market.

Another concern is that directing dollars based on student outcomes will be driven as much by political and ideological agendas as the desire to maximize returns measured in dollars. This is not merely a theoretical risk. Many of the policymakers and advocates who say they want tough accountability standards to protect students and taxpayers from bad educational investments are inconsistent in applying these views. Leading advocates demanding tough accountability standards based on student outcomes are quick to exempt large swaths of higher-education providers, mainly community colleges but also institutions that serve many minority students.

Right-of-center policymakers and champions of free markets are often criticized for being soft on higher-education accountability because they defend the for-profit sector or question parts of the new transparency and accountability agenda. Those criticisms are partly justified, as we've seen, when it comes to the unconvincing case they make regarding privacy or the absence of consumer interest. But on the issue of sanctioning colleges and universities for bad student outcomes, they are no softer on colleges and universities than those on the political left. In reality, many of the advocates pushing for more data, transparency, and accountability have claimed the moral high ground on this issue without actually holding it, all while lambasting those who raise important objections.

Consider the Obama administration's gainful-employment rule, which applied only to certificate programs and for-profit colleges. The gainful-employment rule allowed Democrats and the Obama administration to take a hard line on accountability even though they were intellectually inconsistent. Look no further than the now-shuttered graduate certificate program in theater training at Harvard. It would still be accepting students today had it only been a master's degree program, since master's degrees at nonprofit institutions were excluded from the 2017 data release. In the administration's defense, the Department of Education does not have the statutory authority to apply the rules to all public and nonprofit degree programs — but in eight budget requests to Congress, the administration never asked lawmakers to change that. Furthermore, the Obama administration took steps to exempt certain students and preferred programs in sectors that would otherwise have been covered by the gainful-employment rule.

An early version of the rule, which measured student-loan-repayment rates instead of debt-to-income ratios, exempted borrowers in a special income-based repayment plan for public-service jobs. The exemption would effectively treat these students as if they were making progress paying down their debts even if they were not, meaning that programs with low loan-repayment rates could pass the test imposed by the rule if a small share of their students were pursuing jobs in public service, which was broadly defined to include all government jobs as well as any position at a 501(c)(3) nonprofit organization.

Again, the inconsistency is clear. The early version of the rule deemed low loan-repayment rates to be indicative of low earnings and thus a bad return on educational investment. But if those low earnings were earned in a politically favored job, the program was given a pass. Two programs with identical student outcomes would thus be treated differently for largely ideological reasons. Nevertheless, the same progressive activists who championed the gainful-employment rule also lauded the carve-out because it would, in their words, "ensure schools are not penalized for preparing students for public service careers."

Another exemption incorporated into the final gainful-employment rule relied on a statistical sleight of hand. Recall that the gainful-employment test measured a cohort's median student-loan payments against median or average earnings. Despite charging relatively low tuition, many community colleges have weak loan-repayment rates that are comparable to those at private for-profit colleges. But the gainful-employment rule included a provision that masks those problematic outcomes. It counted the earnings of students who did not take out loans (but who did receive federal Pell Grants) in the test. This meant that programs where a small share of students borrowed — found mainly at community colleges — would appear to have better outcomes than programs where most students borrowed, *even if students from each went on to earn the same incomes after completing the programs*.

The focus on loans rather than prices creates the disparate treatment. Policymakers often want to make student debt, and the federal student-loan program in particular, the focus of every accountability regime. This is the case for not just the gainful-employment rule, but also the existing cohort-default rate and the yet-to-be-enacted risk-sharing proposals. But by construction, loan-based measures exclude government grants, state general funding for public universities, and a student's own cash contribution. When the goal is to protect federal dollars, one could make the case for excluding the latter two types of funding, but it makes little sense to exclude the $31.6 billion federal Pell

Grant program, which provides students up to $6,195 a year, from an accountability system that measures return on investment.

Community colleges also benefit from another intentional carve-out in the loan-based accountability measures. The cohort-default-rate test originally included a *de minimis* clause for colleges and universities with less than 10% of their students borrowing federal loans. These institutions could use a "participation rate index" to weigh what might be high default rates against their low share of students borrowing. The idea was that the college shouldn't be held accountable based on the loan performance of such a small share of its students — even if it is a measure based on all of the students who took out loans. In 2008, Democrats in Congress quietly raised this threshold to 20% so that more institutions, presumably community colleges, with high student-loan-default rates would maintain eligibility for federal student loans.

Despite the exemptions for favored colleges and universities, a few institutions manage to run afoul of the standards. In these cases, policymakers on both sides of the aisle have simply changed the rules on the fly to create additional exemptions. Most recently, Senate majority leader Mitch McConnell attached a rider to a 2018 appropriations bill that exempted a community college in Kentucky whose student-loan-default rate was high enough to make it ineligible to continue offering loans. The actual legislative language justifies the exemption based on the fact that the college is located in one of the most economically distressed counties in the country.

The Obama administration did something similar in 2014 and 2015 when several community colleges and historically black colleges and universities would have tripped the cohort-default-rate limit. The administration took the liberty of excluding students who had defaulted but who held loans under two different federal programs from an institution's cohort-default rate — arguing the students may have been confused about their loans, which caused them to default.

The risk-sharing proposals that have gained popularity in policy discussions also include exemptions and carve-outs. Because risk-sharing applies only to student loans, students at a particular institution who finance their educations with Pell Grants alone but who experience weak labor-market outcomes are exempted from the entire accountability regime. Some risk-sharing proposals, such as the Protect Student Borrowers Act of 2017 sponsored by Senator Jack Reed, exempt from any risk-sharing penalties historically black colleges and universities and institutions that serve a high percentage of minority students. Many observers are surprisingly tolerant of these policies that let institutions off the hook for weak student outcomes provided those students are from low-income families or are members of a minority group.

Another risk-sharing proposal that goes out of its way to create lower standards for colleges serving disadvantaged students is one advanced by the Center for American Progress. It would give universities a bonus for enrolling students from certain demographic groups and charging low tuition but also impose risk-sharing penalties. For community colleges with weak student-loan outcomes, which trigger high risk-sharing payments to the government, the bonuses for enrolling low-income students and charging low tuition would largely offset any penalties. As the authors put it, "Absent these bonuses, hundreds of institutions — particularly community colleges — would be asked to make unfair risk-sharing payments that fail to acknowledge that the school did better than expected."

The litany of carve-outs and exemptions show that accountability hawks want to hold only *some* colleges accountable in *some* circumstances. Advocates of the new transparency and accountability agenda may demand tougher sanctions for weak student outcomes, but they are just as likely to make excuses for those weak outcomes when ideologically convenient.

A PROPER ROLE FOR GOVERNMENT

Until recently, the idea of assessing colleges and universities based on the earnings outcomes of their students, by each degree program, was mostly abstract. The capability of government agencies to gather and disseminate such information is even now only just emerging. But like all new opportunities that could improve public policy, this one also poses risks and challenges.

There is certainly a unique role for government in making this new information available. No private entity has access to reliable and comprehensive information on what former students at a given university, in a given program, go on to earn in the job market. Meanwhile, states and the federal government are committing hundreds of billions in direct funding, grants, loans, and tax benefits to students and institutions of higher education each year. At the same time, students cite employment goals as their main reason for pursuing post-secondary education.

These facts make a strong case for policymakers to continue collecting earnings information and expanding efforts to make the information available to the public. Higher education is a diverse market with many actors who are in need of this vital information, but they will go without it absent efforts by policymakers.

The question of *how* the government should use this new information to protect students and taxpayers from the risk that a degree or certificate program does not pay off is more complicated. The hidden and explicit exemptions that riddle higher-education accountability systems are, on the one hand, unfair and harm the very students the system is said to protect. On the other hand, they are an attempt to make an accountability system fit the diversity of the higher-education sector and allow it to provide broad, open access to all types of students, many of whom are seeking a second chance.

Given those competing goals, policymakers will be hard pressed to develop an accountability system — especially at the federal level — based on earnings outcomes that treats all students and institutions fairly and consistently. The risk is that they opt for many different standards to factor in many different situations, which leads to technocratic formulas that policymakers claim will produce a more acceptable return on our collective and individual investments in education. Elected officials and civil servants are simply unlikely to be able to develop a formula that accomplishes anything of the sort.

This leaves right-of-center reformers with two possible positions to take on the new transparency and accountability agenda. On the one hand, they could support policies that use the government's unique resources to collect and disclose more information about prices and student outcomes at colleges. Consumers and other actors would use this information to make better decisions on both the supply and demand sides of the marketplace. But the government should not link subsidies or aid eligibility to these data except to establish a floor that guards against diploma mills, widely recognized fraud, or severe administrative negligence.

Or on the other hand, right-of-center reformers could take a harder line than that of many who support the new transparency and accountability agenda by setting a simple standard for programs at colleges based on student outcomes, possibly one that gauges only what students pay in tuition and then earn in the labor market. In contrast to current policies and proposals, this standard would not include any exemptions. It would apply to all programs at all institutions. Programs that fail the test would lose eligibility for government funding or be required to pay a risk-sharing penalty.

Right-of-center reformers do not need to agree on which one of these is the superior position. Either would be consistent with their principles. Making information available to all and treating all recipients of government student aid the same would both be important steps forward.

Jason Delisle is a resident fellow at the American Enterprise Institute, where he works on higher-education financing with an emphasis on student-loan programs.

[Additional submission by Mr. Smucker follows:]

THE HILL

We must support veterans and politicize their education

BY DANIEL ELKINS, OPINION CONTRIBUTOR — 04/01/19 05:40 PM EDT
THE VIEWS EXPRESSED BY CONTRIBUTORS ARE THEIR OWN AND NOT THE VIEW OF THE HILL

Congressional hearings on the Hill continue to vilify for-profit universities and jeopardize how veteran students, like myself, can leverage our GI bill benefits, which is why I feel compelled to speak out.

It is time for our leaders to stand up for student veterans everywhere and respect their pursuit of education using their hard-earned benefits, no matter what type of college or educational institution they choose. I believe this not just because I am a student veteran, but because my career has been defined by serving both my country and my fellow servicemembers and veterans, and I know how important education is to these men and women.

I am honored to have served in the United States military since 2010, and to continue to serve to this day. I am a proud life member of the Veterans of Foreign Wars of the United States (VFW) having served in combat under hostile fire. I have held an education policy position with VFW and am now with the Enlisted Association of the National Guard (EANGUS). I have lived and breathed many of the most difficult issues that our nation's veterans grapple with, and that is why I believe we must press policymakers not to restrict the choices in education that so many of us depend on to advance in our lives. No matter what school they are interested in, whether for-profit or nonprofit, public or private, veterans must be free to choose the institutions that best fit their lives and needs.

Too often I have seen partisan politics play out on the backs of American troops: in debating which wars are fought, whether PTSD should be considered a medical condition, and now which schools should be maligned. To be clear, there are indeed schools out there that employ predatory practices like price gouging, false marketing, and inaccurate employment prospects. But these practices exist across every sector of higher education, and I believe in holding all these institutions accountable.

However, under the guise of protecting veterans, some veteran groups are targeting institutions based purely on their tax-status and ignoring holding other colleges to the same standards despite poor outcomes. Why are we, as a community of veterans and advocates, slandering an entire sector of education without any regard for the actual outcomes?

Sadly, in far too many instances, the answer is politics. There is a dangerous trend in much of our current political debate aimed at portraying nearly all for-profit endeavors as inherently evil and predatory. Why are we as a nation ignoring the great number of underperforming public institutions, and not holding state-funded schools accountable for their spending practices? There are many public colleges that have graduation rates far below the national average. As Congress moves to shape a comprehensive, bipartisan bill to reauthorize the Higher Education Act of 1965, we must fight for increased oversight and transparency for all colleges across all sectors, because our veterans attend them all.

I know firsthand that the men and women who serve or have served in our nation's military are more than capable of choosing the school that is right for them. As a country, we need to stop perpetuating the demeaning idea that we are "broken" or in need of special guidance and protection. Restricting where and how veterans use our earned benefits disrespects the sacrifice and effort we made to earn it. While some argue that GI Bill benefits are government subsidies and should be counted as such, this is simply wrong and those of us who put our life on the line for our country know this mischaracterization could jeopardize these essential benefits in the future.

Student veterans choose to go to schools that are committed to serving their unique needs: institutions like the University of Maryland, which offers comprehensive, adaptive programming and paid internships specifically tailored for veterans; the Pennsylvania Gunsmith School, which has specialists on staff that help the student veteran navigate their military benefits; Monroe College, which is committed to serving those that have limited resources and sponsoring a vibrant veteran community on campus; and Norwich University, which grants credits to veterans for their military training and experience. Student veterans do not choose schools based on a school's tax-status, but on the institution's ability to serve them best. Disparaging an entire sector of higher education demeans the hard work student veterans put in each day to better themselves and earn a degree.

Daniel Elkins is the Legislative Director of EANGUS, the only group organized to specifically represent the interests of the enlisted men and women of the National Guard since 1972, as well as a proudly serving Green Beret.

The Bennett Hypothesis Turns 30

Scholarly research suggests that federal student aid contributes to increasing university tuition.

Jenna A. Robinson, Ph.D.

"If anything, increases in financial aid in recent years have enabled colleges and universities blithely to raise their tuitions, confident that Federal loan subsidies would help cushion the increase. In 1978, subsidies became available to a greatly expanded number of students. In 1980, college tuitions began rising year after year at a rate that exceeded inflation. Federal student aid policies do not cause college price inflation, but there is little doubt that they help make it possible."

– William J. Bennett, 1987

Executive Summary

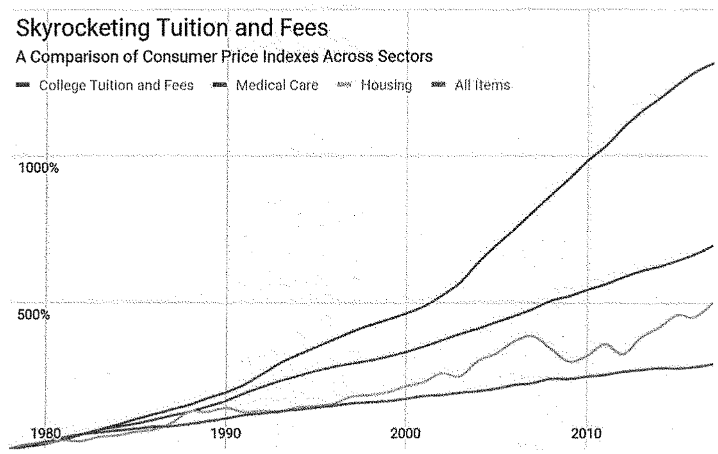
- In 1987, then-secretary of education William J. Bennett penned an article in the *New York Times* entitled "Our Greedy Colleges." In it, he wrote, "If anything, increases in financial aid in recent years have enabled colleges and universities blithely to raise their tuitions, confident that Federal loan subsidies would help cushion the increase."
- This study synthesizes empirical findings from 25 articles published since 1987 in peer-reviewed journals or by respected economic research. institutions. The studies focus on the empirical evidence for Bennett's theory.
- Of the 25 studies surveyed, a majority found some effect of federal subsidies on the price of higher education in at least one segment of the higher education market.
- Based on these findings, we make policy recommendations to help slow the growth of university tuition and fees.

December 2017

THE JAMES G. MARTIN CENTER FOR ACADEMIC RENEWAL

Introduction

For nearly half a century, the cost of higher education has risen faster than the pace of inflation. Between 1978 (the first year in which college tuition had its own CPI category) and the third quarter of 2017, the price of tuition and fees increased by 1,335 percent.[1] This rate of growth exceeded that of medical costs (704 percent),[2] new home construction (511 percent)[3] and the Consumer Price Index for all items (293 percent).[4]



And the number of student borrowers increases every year. In 2015, 68 percent of new graduates left college with student loan debt, up from 57 percent in 2007.[5]

A major contributing factor to this explosion of debt is that the bar to receive a federal loan is exceedingly low. The federal government issues student loans to any student who attends a qualified and accredited institution and meets minimal criteria. Federal loans require no credit check and no collateral. In fact, it is even illegal for colleges to weigh factors such as a student's program of study, borrowing history, or high school academic record to determine loan amounts.

1. United States Bureau of Labor Statistics, CPI-U: U.S. City Average; College Tuition and Fees; 1982-84=100; SA. Raw data. (Washington DC: U.S. Bureau of Labor Statistics, October 15, 2017).
2. United States Bureau of Labor Statistics, CPI-U: U.S. City Average; Medical Care; 1982-84=100; SA. Raw data. (Washington DC: U.S. Bureau of Labor Statistics, October 15, 2017).
3. United States Census Bureau, "Median and Average Sales Prices of New Homes Sold in United States." 2017.
4. United States Bureau of Labor Statistics, CPI-U: U.S. City Average; All Items; 1982-84=100; SA. Raw data. (Washington DC: U.S. Bureau of Labor Statistics, October 15, 2017).
5. The Institute for College Access and Success, *Student Debt and the Class of 2015*, 2016.

The steep increase in the cost of tuition has precipitated myriad downstream problems.

A significant number of students now graduate (or fail to graduate) with debt levels incommensurate with their earning potential. Many students at community colleges, for-profit institutions, and non-selective public and private universities default on their debt or otherwise fail to make progress towards loan repayment. Three years after leaving college, just 41 percent of borrowers have avoided default and paid at least one dollar on their principal balance. At five years, that statistic grows slightly—to 47 percent.[6]

The profligacy does not end when students reach the limit of their borrowing from the government. Almost one-fifth (19%) of the Class of 2015's debt nationally was comprised of nonfederal loans.[7] Many students who use nonfederal loans do so because they have already borrowed the maximum federal loans allowed. These loans often originate from private banks, where rates are higher to account for the significant risk of nonpayment.

This debt has consequences for individual debtors and the national economy. Some borrowers have accumulated very large balances; in 2014, four percent of borrowers had balances over $100,000 and 14 percent had balances over $50,000.[8] Many debtors, regardless of the size of their outstanding balances, report that they have postponed major life events—including marriage, children, and home ownership—because of their high levels of student debt.[9] Their delay, in turn, reduces overall consumption and contributes to the economic stagnation of recent years.

And it is not just young people who are adversely impacted by the high borrowing levels. In 2012, senior citizens held $36 billion in student loan debt,[10] for which the federal government can garnish their Social Security payments. In 2015 alone, the government took $171 million in Social Security payments from older Americans who defaulted on student loans.[11] The majority of that debt (73 percent) is for a child or grandchild's education.

These problems were anticipated as far back as the 1980s. In 1987, then-Secretary of Education William J. Bennett wrote a prescient op-ed in *New York Times*, entitled, "Our Greedy Universities." In the article, he explained, "If anything, increases in financial aid in recent years have enabled colleges and universities blithely to raise their tuitions, confident that Federal loan subsidies would help cushion the increase."[12]

In other words, federal student aid encourages tuition inflation. The mechanism is not hard to grasp. Private colleges, like all customer-oriented organizations, adjust their prices according to what the market will bear. In simple terms, if an institution's typical student has $1,000 to spend on education, the school will charge tuition of $1,000. If students gain access to another $1,000 for education from grants or loans, the school will raise tuition to $2,000 to capture the full amount.

6. Robert Kelchen, "How Much Did a Coding Error Affect Student Loan Repayment Rates?" *Kelchen on Education* (blog), January 13, 2017.

7. The Institute for College Access and Success, *Student Debt and the Class of 2015*, 2016.

8. Adam Looney and Constantine Yannelis, *A Crisis in Student Loans? How Changes in the Characteristics of Borrowers and in the Institutions They Attended Contributed to Rising Loan Defaults*. Washington, DC: Brookings Institution, 2015.

9. AICPA, "One-Third of College Students Say They'll Live at Home Post-Graduation Due to Loan Debt," Nov. 12, 2015.

10. Meta Brown, Andrew Haughwout, Donghoon Lee, Maricar Mabutas and Wilbert van der Klaauw, "Grading Student Loans." *Liberty Street Economics* (blog), March 5, 2012.

11. Government Accountability Office, *Social Security Offsets: Improvements to Program Design Could Better Assist Older Student Loan Borrowers with Obtaining Permitted Relief*, December 2016.

12. William J. Bennett, "Our Greedy Colleges," *The New York Times*, February 18, 1987.

TYPES OF AID

Loans must be repaid. Grants are free gifts.

Federal Loans

- **Direct/Stafford Loans:** Money loaned from the federal government to the student. Approximately $95.9 billion was awarded in loans for FY 2015.
  - **Subsidized Loans:** Loans available to undergraduate students at a favorable interest rate. The federal government pays the interest on payments while the student attends school and for a few months upon graduation. Only students *with displayed financial need* can qualify for subsidized loans, and loans can only be received for 150% of the time it should take to graduate from the academic program (e.g., six years of loans for attending a four-year university). Students cannot accrue more than $23,000 in subsidized Stafford Loans throughout their undergraduate studies.
  - **Unsubsidized Loans:** The federal government does not cover the interest on these loans for any grace period. Students *do not need to demonstrate financial need* and can receive these loans for as many years as they are enrolled. These loans are available to undergraduate and graduate students alike. In total, undergraduate and graduate Stafford Loans cannot exceed $138,500.
- **Direct PLUS Loans:** Part B of Title IV of the Higher Education Act authorizes the $21 billion PLUS loan program, which provides federal loans to graduate students and the parents of undergraduate students.
  - **Parent PLUS Loans:** Parents of undergraduate students are able to borrow *up to the cost of attendance* at a given college. During the 2011–2012 academic year, the PLUS loan program provided 879,000 parents of undergraduate students with an average of $12,575. There is no limit (either in number of years or aggregate dollars) on how much a parent can borrow, and the loans are available in addition to federal loans that are already available to the students themselves.
  - **Graduate PLUS Loans:** The Graduate PLUS loan program, open to graduate students who take out loans to finance graduate school, enables students to borrow *up to the full cost of attendance* at a given school, less any other aid received. During the 2011–2012 academic year, the PLUS loan program provided 360,000 graduate students with an average loan of $19,958.

Federal Perkins Loans: Undergraduate students can borrow up to $5,500 per year ($27,000 total) directly from the university. Graduate students can borrow up to $8000 a year ($60,000 total). Money is only available to students with exceptional financial need. In FY 2015, the federal government awarded approximately $1.2 billion to the universities to distribute as loans.

Federal Grants

- **Pell Grant:** The most common grant program from the federal government. Pell Grants are awarded to undergraduates with a clear financial need. The amount awarded is contingent upon the extent of financial need, the cost of attendance, and status as a full-time or part-time student. The maximum award for the 2017-18 school year is $5,920. All students who demonstrate financial need and meet the eligibility requirements are awarded with Pell grants. Pell grants can be received for a maximum of 12 semesters. Approximately $29.9 billion in Pell Grants were awarded in FY 2015.
- **Federal Supplemental Educational Opportunity Grant (FSEOG):** Only available for undergraduate students. Each school is awarded a specified amount of funds from the federal government to be spent on student aid. The schools awards the grants to students with significant financial need. FSEOGs are first-come, first-serve: when the funds run out, no more grants are available for the year. Awards vary between $100 and $4,000 annually. Approximately $730 million were appropriated as FSEOGs in FY 2015.
- **TEACH Grant:** Undergraduates and graduate students are eligible for TEACH Grants if they pursue a career in teaching. Recipients can be awarded up to $4,000 a year if they agree to teach in a "high need field" and/or serve low-income students for four years within eight years of graduating. Potential recipients must display financial need, and they must meet GPA and standardized test requirements. About $91 million awarded in FY 2015.
- **Iraq and Afghanistan Service Grants:** Available for students whose parent or guardian died in military service in Iraq or Afghanistan and whose family income exceeds the limit to be eligible for Pell Grants. Students must meet remaining Pell Grant requirements, and the awarded amount is equivalent to that of a Pell Grant.

At the time Bennett formulated his hypothesis, very little data existed about the effects of federal spending on higher education. But Bennett's intuition was sound. Writing for the National Bureau of Economic Research in 2004, Bridget Terry Long examined evidence that states and institutions change their policies in response to spending on federal financial aid:

> In fact, many states did react to the introduction of the tax credits by considering ways to capture the federal resources available through the new tax credits. In a report from California's Legislative Analyst's Office, Turnage (1998)...suggests increasing fees at public colleges in California. He asserts that the tax credits would offset the increase for richer students while financial aid could be given to offset the effect for low-income students. According to his calculations, an increase from $360 to $1,000 at the community colleges would increase funding to these schools by over $100 million annually without affecting the California state budget.

It may be that state systems and private colleges indeed raised tuitions to capture federal money through tax credits, as suggested by Turnage in the above passage. In the preceding chart, note how there was a sharp increase in the rate of growth of student debt in the early "aughts."

Economist Howard R. Bowen laid the foundation for Bennett's understanding of the relationship between aid and tuition in 1980. He explained his his book, *Costs of Higher Education*, a revenue theory of cost for university spending.

He wrote:

> ...at any given time, the unit cost of education is determined by the amount of revenues currently available for education relative to enrollment. The statement is more than a tautology, as it expresses the fundamental fact that unit cost [i.e., the cost of education] is determined by hard dollars of revenue and only indirectly and distantly by considerations of need, technology, efficiency, and market wages and prices.[13]

His theory can be summarized into these four rules:

1. The main goals of higher education institutions are excellence, prestige, and influence.
2. There is virtually no limit to the amount of money colleges and universities can spend to increase these qualitative and reputational improvements. (e.g., the spending can go to more administrators, better buildings, employment of "star" scholars and researchers, impressive athletics programs, or even expensive marketing or "branding" efforts.)
3. Each institution raises as much money as it can—including in the form of tuition.
4. Because there is no profit that is disbursed to shareholders, as there would be with private corporations, and therefore no need to hold down costs, the institution spends all the money it raises.

In short, institutions have strong incentives to capture increases in federal student aid in order to spend more on "prestige." Robert Martin further explored the relationship between Bennett's hypothesis and Bowen's observations in a paper for the Martin Center in 2009, "The Revenue-to-Cost Spiral in Higher Education."[14]

13. Howard R. Bowen, *Costs of Higher Education: How Much Do Colleges and Universities Spend Per Student and How Much Should They Spend?* (San Francisco, CA: Jossey-Bass Inc., 1980), 19.

14. Robert Martin, *The Revenue-to-Cost Spiral in Higher Education*, (Raleigh, NC: The James G. Martin Center for Academic Renewal, 2009).

Despite the strong theoretical basis for Bennett's hypothesis, several current practices may complicate the relationship between loans and tuition. In 2012, Andrew Gillen proposed an updated version of the hypothesis, which incorporates Bowen's rule, in a paper for the Center for College Affordability and Productivity. He suggested three key refinements to Bennett's theory.

1. Different types of aid affect tuition prices differently.
2. Tuition caps and price discrimination weaken the link between aid and tuition.
3. Scholars must examine both *dynamic* and *static* considerations when quantifying the relationship between aid and tuition.

In the thirty years since Bennett's famous editorial, 25 empirical analyses have been performed examining his eponymous theory. This paper summarizes those findings and makes evidence-based policy recommendations to address the problem of tuition inflation.

Findings

A previous review of available literature on the Bennett Hypothesis, conducted in 2003,[15] found that estimates of the impact of federal aid on public tuition level range from negligible to as much as 50 percent of the increase in aid. Since then, further studies have analyzed fourteen additional years of data and significantly enhanced our understanding of the effects of financial aid on tuition. A study by Donald Heller in 2013 for ACE reviewed eight studies on the Bennett Hypothesis published between 1991 and 2012 and concluded that the findings were limited and ambiguous.[16]

This Martin Center study adds to the literature by incorporating evidence both for and against the Bennett Hypothesis and weighing the evidence. It synthesizes findings from 25 articles published since 1987 in peer reviewed journals or respected economic research institutions or universities. The studies focus on the empirical evidence for Bennett's hypothesis that federal financial aid drives up the price of college and university tuition. They are listed at the end of this paper.

Two important studies that came out earlier this year aided our efforts greatly. Mark J. Warshawsky and Ross Marchand,[17] writing for the Mercatus Center at George Mason University, did an extensive review of the literature in support of the Bennett Hypothesis. Additionally, the Heritage Foundation included a discussion of the hypothesis in its paper "Private Lending: The Way to Reduce Students' College Costs and Protect America's Taxpayers."[18]

Of the 25 studies surveyed, seven found no Bennett effect whatsoever. Three of the seven were among the earliest studies in the sample, and thus relied on the smallest sample sizes in terms of number of years analyzed. Another of the seven found no effect between increases in the maximum Pell grant awarded and increases in tuition. But this is to be expected since the maximum Pell grant award is already considerably lower than tuition at most public and private four-year institutions.

15. Michael T. Rizzo and Ronald G. Ehrenberg, "Resident and Nonresident Tuition and Enrollment at Flagship State Universities." In *College Choices: The Economics of Where to Go, When to Go, and How to Pay for It*, edited by Caroline Hoxby. A National Bureau of Economic Research Report (Chicago: University of Chicago Press, 2004).

16. Donald Heller, *Does Federal Financial Aid Drive Up College Prices?* (Washington, DC: American Council on Education, April 2013).

17. Mark J. Warshawsky and Ross Marchand, *Dysfunctions in the Federal Financing of Higher Education* (Washington, DC: Mercatus Center, 2017).

18. Mary Clare Reim, *Private Lending: The Way to Reduce Students' College Costs and Protect America's Taxpayers* (Washington, DC: Heritage Foundation, 2017).

Fourteen studies, a clear majority, found some positive effect of federal subsidies on the price of higher education in at least one segment of the higher education market.

The most recent study to find no Bennett effect (Kelchen 2017) analyzed the relationship between increases in federal student loan limits and law school tuition. The author suggests that the lack of correlation could be because students shifted from private loans to PLUS loans and thus already had access for loans up to the full cost of attendance.

Fourteen studies, a clear majority, found some positive effect of federal subsidies on the price of higher education in at least one segment of the higher education market. Many of these found support for the Bennett Hypothesis across all segments of the market—public, private, and for-profit.

The effects range considerably in size and explanatory power. For example, Frederick et al (2012) find "at most very limited evidence in support of an expanded Bennett hypothesis" in community colleges while Cellini and Goldin (2012) find that differences in tuition prices at for-profit institutions map very closely to the average amount of federal grant aid received by students at the institutions.

In *The Student Aid Game* (1998), McPherson and Schapiro show that public colleges and universities increase tuition by $50 for every $100 in aid. Lucca et al (2015) say it's more. They find "a pass-through effect on tuition of changes in subsidized loan maximums of about 60 cents on the dollar."

One of the studies that found a positive effect, Curs and Dar (2010), also found a negative effect: between merit-based state financial aid and listed tuition prices at public and private institutions. They posited that this finding was a result of institutions competing to attract high-performers and academic superstars—an effect that is not generalizable to other types of aid.

The remaining four studies found negative effects.

In some cases, the findings were contradictory. For example, some studies found that tuition is more sensitive to federal grant aid than federal loan aid while others presented the opposite finding. But taken together, the research suggests that it is likely that federal financial aid does enable or contribute to increases in tuition, probably to a large degree.

Across all types of institutions, more studies found that loans contributed to increases in tuition than did grants. This is likely because the maximum Pell grant is less than the published price of tuition at almost all public and private four-year institutions. The effect was more pronounced at expensive schools (such as private four-year institutions) than at affordable ones (such as public community colleges).

As Gillen noted in his 2012 paper, the effect was also more marked at for-profit institutions than at public and private nonprofit institutions. At public institutions, this is due to tuition caps and strong political pressure to keep tuition low. At private nonprofit institutions, it is due to the common practice of price discrimination. (Price discrimination is the practice of charging students different prices based on their ability and willingness to pay.)

Table 1 shows the correlations demonstrated by 24 recent scholarly investigations of the Bennett hypothesis. (The citation count is indication of an article's academic influence.)

Study	Positive Correlation	No Correlation	Negative Correlation	Citations
Acosta 2001, working paper	Federal grant, loan aid ➤ tuition at private four-year institutions. Federal grant aid ➤ tuition prices at public four-year institutions.	Federal loan aid ➤ tuition at public four-year institutions		10
Archibald and Feldman 2011, Oxford University Press		Increases in the authorized maximum Pell award ➤ tuition at public universities	Increases in the authorized maximum Pell award ➤ tuition at private universities	270
Cellini and Goldin 2014, American Economic Journal	Grant and loan aid ➤ tuition prices at for-profit 2- and 4-year institutions			11
Cunningham et al 2001, National Center for Education Statistics		Federal grants and loans ➤ changes in tuition at public and private not-for profit sector		6
Curs and Dar 2010, working paper	Need-based state financial aid ➤ net tuition price at public and private institutions		Merit-based state financial aid ➤ listed tuition price at public and private institutions	7
Epple et al 2013, NBER working paper	Federal aid ➤ tuition revenue at private universities (by means of reduction in institutional aid)			32
Frederick et al 2012, Economics of Education Review		Federal funding for community colleges ➤ state appropriations		9
Gillen 2012, CCAP policy paper	Dollar limits on federal loans ➤ tuition prices			18
Government Accountability Office 2011		Increase in the federal student loan limit for first- and second-year students ➤ tuition prices		3
Gordon and Hedlund 2016, working paper	Federal loans ➤ tuition			13
Harvey et al 1998, National Commission		Availability of federal grants		18

Study	Posi
Kargar and Mann 2017, working paper	
Kelchen 2017, working paper	
Lau 2014, job market paper	Fed ➤ t two
Li 1999, doctoral dissertation	Pell pric four
Long 2004, Journal of Human Resources	Geo ➤ t priv
Long 2004, NBER	
Lucca et al 2015, Federal Reserve Bank of New York	Fed ➤ t and and
McPherson and Schapiro 1991, Brookings Institution	Fed ➤ t pub
Rizzo and Ehrenberg 2004, NBER	Max awa pric
Singell and Stone 2007, Economics of Education Review	Ave ➤ o at p
Turner, L. 2017, working paper	
Turner, N. 2010, working paper	

Implications

The evidence in favor of the Bennett Hypothesis is compelling. It is most likely that federal financial aid significantly increases the cost of college, possibly across all sectors. Scholars should continue to study the issue to further refine federal, state, and institutional policy.

In light of this evidence, the federal government and individual states should begin to alter their financial aid policies now in order to:

1. Put downward pressure on tuition prices;
2. Focus aid on universities and students where there is genuine need so that federal money is not simply an addition or supplement to money that is already available, (e.g. lending to wealthy students or institutions);
3. End or minimize subsidies that are artificially increasing demand for higher education and/or tolerance for higher prices.

The specific policies that can accomplish these aims are:

- **Eliminate Graduate and Parent PLUS loans: These are the types of loans most likely to drive tuition increases.**
    - Undergraduate and graduate students already have access to up to $138,500 in federal loans through the Stafford Loan program. Students enrolled in school to become healthcare professionals can borrow up to $224,000. The federal government should not encourage or enable borrowing above those already generous amounts.
    - Loans to parents are even less circumscribed. There is no limit on how much a parent can borrow. These loans are available to parents of students who have already maxed out their own federal borrowing. The availability of such loans has resulted in families incurring substantial debt, while failing to ease the cost of college over time.
- **Focus on Pell grants (instead of loans).**
    - Going forward, the Department of Education's main focus should be on Pell grants to the nation's neediest students. Such grants, which are limited in scope and size and meet a true need, are the least likely to encourage colleges and universities to raise tuition. Loans should be of secondary importance.

The evidence in favor of the Bennett Hypothesis is compelling. It is most likely that federal financial aid significantly increases the cost of college, possibly across all sectors.

- **Change the student aid eligibility formula.**
    - Use the Median Cost of College instead of the Cost of Attendance (COA) at individual institutions to calculate financial need. Using COA discourages students from choosing less expensive schools since the current "need" formula awards students more money when they attend institutions with higher tuition.
- **Make private student loans subject to bankruptcy laws.**
    - Making private student loans dischargeable in bankruptcy would give private lenders incentives to tighten lending standards and lower the maximum loan amounts.
- **Cap the growth of tuition and fees at public colleges and universities.**
    - Public colleges and universities should limit the growth in tuition and fees to the rate of inflation.
- **End subsidies for federal student loans.**
    - Lucca et al (2015) found that subsidized loans drive up tuition to a far greater degree than other forms of student aid.
- **Improve students' understanding of student loan borrowing and debt obligations.**
    - One possible solution is for other states to adopt a version of a 2015 Indiana law (H. 1042) requiring postsecondary educational institutions that enroll students who receive state financial aid to annually provide each student with certain information concerning the student's education loans.
- **Demand that institutions have "skin in the game."**
    - Institutions should have a share in the credit risk of every student who takes out a loan to attend the institution. This would put pressure on universities to keep tuition low and offset some of the artificial pressure on demand for higher education.

Conclusion

College tuition, student debt, and university spending have increased almost unchecked for almost half a century. Students, parents, faculty, and the American economy have suffered as a consequence.

The Bennett Hypothesis, with some modern nuances, explains at least part of the problem and directs decision makers at the state, university, and federal levels to solutions that will work to slow tuition increases and stem the tide of runaway student debt and profligate university spending.

Congress, state legislators, and university administrators must act to make college affordable and accessible and to head off the looming student loan crisis.

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Jenna A.Robinson is the president of the Martin Center, where she has worked since 2007. Robinson graduated from N.C. State University in 2003 with a major in political science and French. She received her Ph.D. in political science from UNC-Chapel Hill in 2012. She serves as a member of the board of Classical Liberals of the Carolinas.

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I'd like to thank Adam C. Smith of Johnson & Wales University for his helpful comments, Martin Center interns J.T. Klimek and Joseph Warta for their attention to detail.

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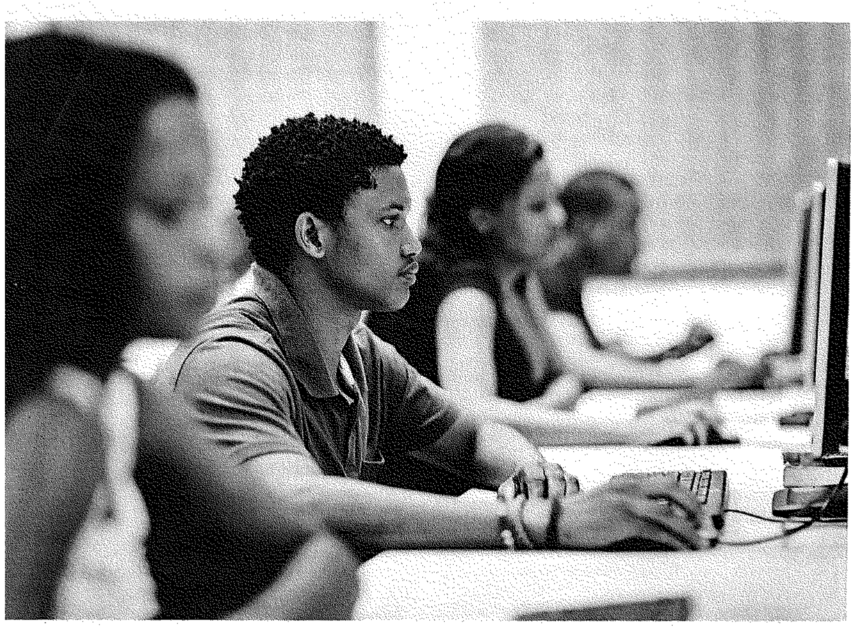
CECU Career Education Colleges and Universities



Toward a Better Future: Exploring Outcomes of Attending Career Colleges and Universities

Executive Summary

Introduction

Postsecondary career education continues to grow. The National Center for Education Statistics (NCES), in its enrollment tracking of Title IV sub-baccalaureate certificate programs (which tend to be vocationally oriented), finds that about eight percent of undergraduates are enrolled in a vocational certificate program. According to The Good Jobs Project, the United States has 30 million jobs that pay an average of $55,000 per year and don't require a bachelor's degree. Most of these jobs do require career or vocational training. The U.S. Department of Education reports that people with career and technical educations are actually slightly more likely to be employed than their counterparts with academic credentials, and are significantly more likely to be working in their fields of study – thus, they are successful contributors to the workforce.

To better understand the value of and satisfaction with career and vocational education, Gallup worked with Career Education Colleges and Universities (CECU) to survey a representative sample of its member schools' alumni about satisfaction with their education, experiences while enrolled at a CECU institution, career and life success outcomes. These results are based on the responses of 3,203 recent CECU alumni conducted in the fall of 2018. Gallup compared these outcomes to a nationally representative sample of associate degree holders to evaluate outcomes of career education and training.

Key Findings

The study reveals that post-secondary career education provides a relevant learning track that helps graduates find meaningful work, which can provide a powerful pathway to financial independence. The majority of CECU alumni report successful lives after graduation, and employed report a 62% increase in median personal earnings after their education than before. In many areas, CECU alumni rate on par or better than their peers with associate degrees*.

PREPARATION FOR JOBS

CECU grads are **more likely to quickly find good jobs** upon graduation than are peers.
- 50% found good jobs within six months vs. 29% of peers.
- 64% are employed fulltime vs. 55% of peers.

WORKPLACE ENGAGEMENT/FULFILLMENT

CECU alumni are **more likely than their peers to have a job that interests them.**
- A majority do work that deeply interests them.

CAREER COLLEGE EXPERIENCE

The majority of alumni are **satisfied overall** with their CECU educational experience, feel their CECU education prepared them for life outside of school and would recommend it to others.

WELLBEING

CECU alumni **fare better** than the national comparison in all **wellbeing** areas.
- The majority of CECU alumni are Thriving.

MILITARY SERVICE MEN AND WOMEN

Most military personnel and veterans feel CECU program **prepared them for life** outside of college.
- 71% are satisfied with their education; 76% say their degree/certificate is related to their work
- Six in 10 (63%) would recommend their school.

MINORITIES IN CAREER COLLEGE

The **majority of black and Hispanic** graduates **are satisfied** with their CECU education.
- They experienced a 60% average increase in median earnings following their degree.
- Six in 10 say their school was perfect for people like them.

* Recent Associate Degree Holders Nationally – see Methodology Appendix for full description.

The 2018 Study of CECU Alumni

Summary of Methodology

This study utilized the Strada-Gallup Alumni Study protocol to allow for comparisons of graduates of career education colleges and universities to those of peers of two- and four-year higher education. The Strada-Gallup Alumni Study assesses alumni perceptions of post-high school education experiences and how those experiences relate to wellbeing and job quality later in life.

3,203 CECU Alumni Survey Completes

- CECU alumni across nine member companies selected to reflect a cross section of all member institutions by size, sector and region. Gallup included alumni who graduated between 2008 and 2018 in the study as this group had the most accurate contact information.

Strada-Gallup Alumni Core Survey

- Core survey provides validated questions and allows for comparisons to outside groups.
- CECU survey included custom items developed by Gallup and CECU related to career education.

Survey Fielded: Sep. 25 - Oct. 19, 2018

- CECU institutions sent introductory email and reminder to alumni.
- Non-responders received up to five Gallup email reminders.

Comparison Groups Are Derived From the Gallup-USA Funds National Database

- Comprised of associate degree holders at both public and private, for- and not-for-profit institutions nationally who completed their degree between 2007-2015 to best align to recent CECU graduates.
- National Alumni Comparison: n=468.

Interpreting Data

- Data was weighted by gender and race/ethnicity to reflect CECU schools' recent alumni.
- For results based on the total sample of alumni, the margin of sampling error is ±1.7 percentage points at the 95% confidence level.

1 Great Opportunities: Preparation for Jobs

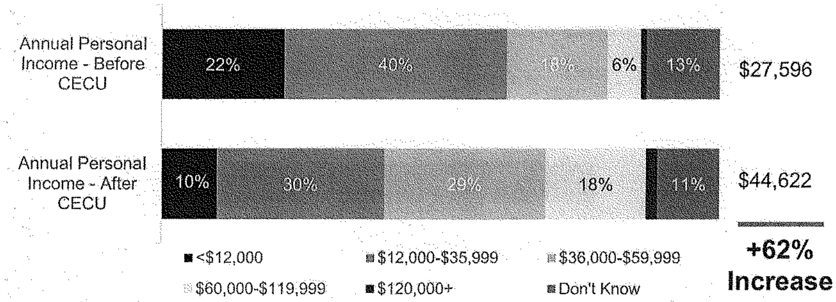
PAGE

CECU Career Education Colleges and Universities | GALLUP

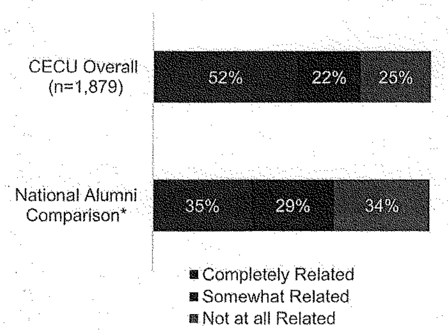
Value of CECU Education in Alumni's Jobs

On average, CECU alumni are earning about **60% more in personal income** than before they attended a CECU institution. Alumni are also more likely to have a job related to their certificate or degree program than their peers.

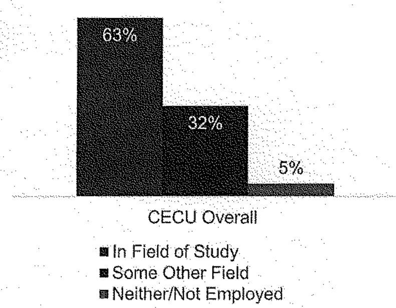
Personal Income Before and After Obtaining CECU Education
(Among Employed Alumni; n=2,243)



How closely related is your current work to your certificate or degree major(s)?
(Among Employed Alumni, n=2,243)



Did you find a job in the field of study you undertook at (School) or some other line of work?
(Among Employed Alumni, n=2,243)



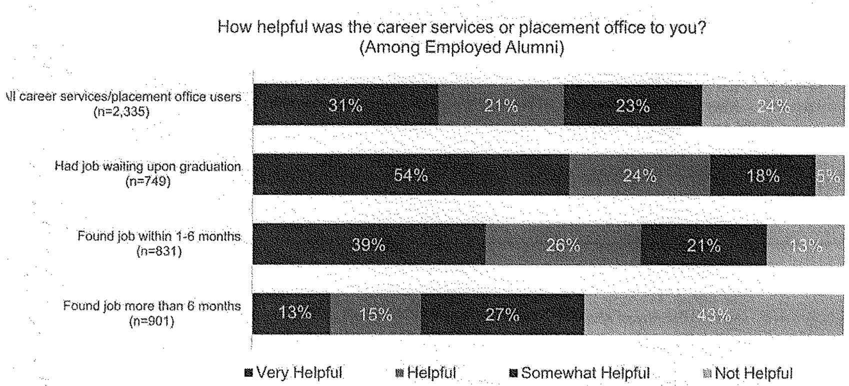
* Recent Associate Degree Holders Nationally (n=468)

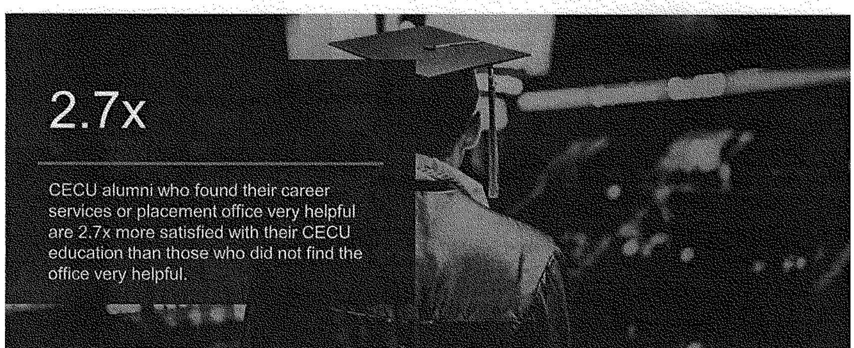
Career Services/Placement Office

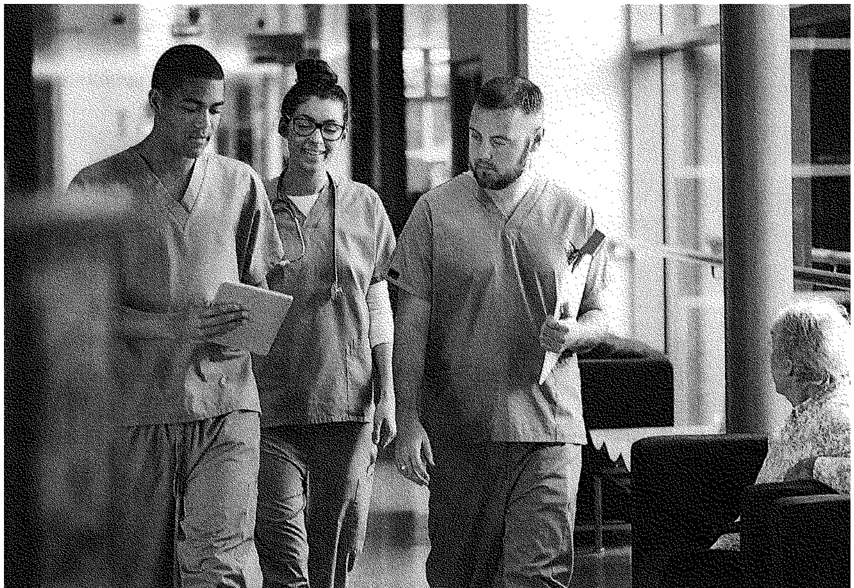
Nearly three in four CECU alumni visited their institution's career services or placement office at least once. Help with quickly finding a job is linked with the perceptions of the career services/career placement office and is a driver of the overall satisfaction of their CECU education.

73%

of CECU alumni visited the career services or placement office at least once.



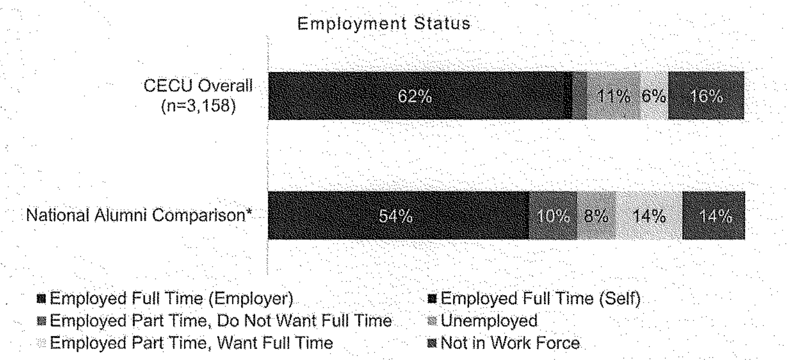




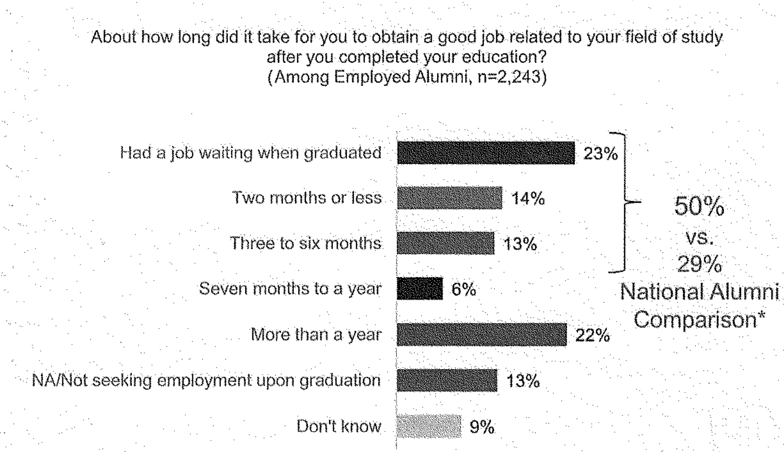
2 Great Jobs: Workplace Engagement

Employment After Graduation

CECU alumni are ahead of their peers on having full-time employment. They are also more likely than their peers to have a job within six months of graduation.



Note: <5% not shown



* Recent Associate Degree Holders Nationally (n=468)

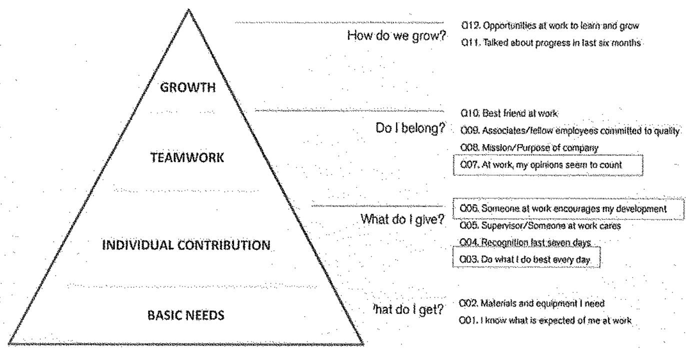
Gallup's Employee Engagement Measures

MAXIMIZING EMPLOYEES' PERFORMANCE

Gallup has measured the engagement of more than 6.4 million employees globally from hundreds of organizations and companies. Workplace engagement is an important driver of overall wellbeing and is the leading indicator of organizational performance, such as higher profitability and better financial outcomes.

Gallup's Q12 instrument measures an individual's emotional connection to and investment in their job. The 12 engagement elements function like Maslow's hierarchy of needs, with basic needs that must be fulfilled before employees can progress.

To reduce response burden for CECU's survey, the 12 elements were reduced to three elements that correlate highly with the full Q12 index. These three elements are highlighted below.



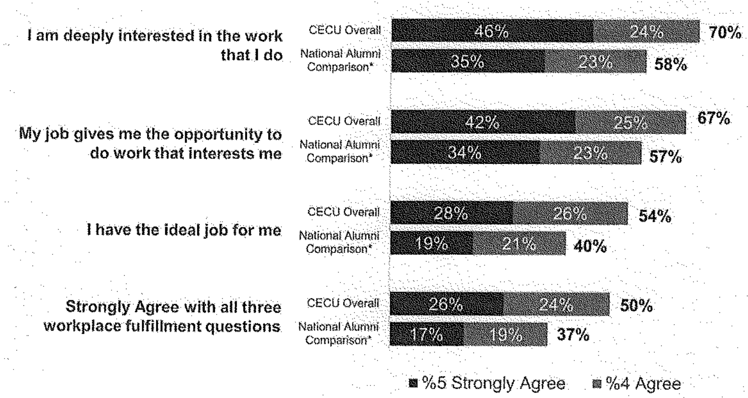
Gallup categorizes workers as engaged, not engaged or actively disengaged based on their responses to a three-question index that measures elements that best predict employee and workgroup performance. This index correlates highly with the full Q^{12} index.

Engaged	Not Engaged	Actively Disengaged
• Highly involved in and enthusiastic about their work and workplace. • They are psychological "owners," driving performance and innovation and moving the organization forward.	• Psychologically unattached to their work and company. • Because their engagement needs are not being fully met, they are putting time — but not energy or passion — into their work.	• Resentful that their needs are not being met and are acting out their unhappiness. • Every day, these workers potentially undermine what their engaged coworkers accomplish.

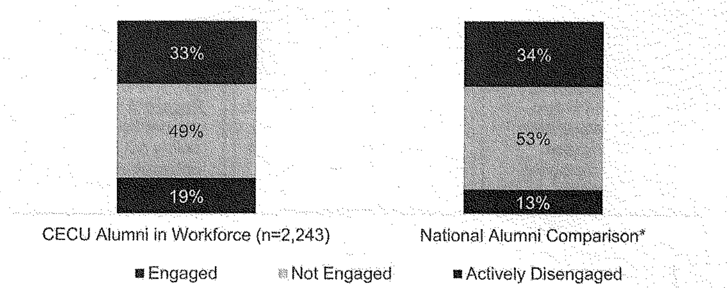
Workplace Fulfillment and Engagement

CECU alumni have higher workplace fulfillment than their peers.
Additionally, one in three CECU alumni are engaged at work-- on par with their peers.
Alumni who are highly satisfied with their education and who strongly agree their education was worth the cost are more likely to be engaged.

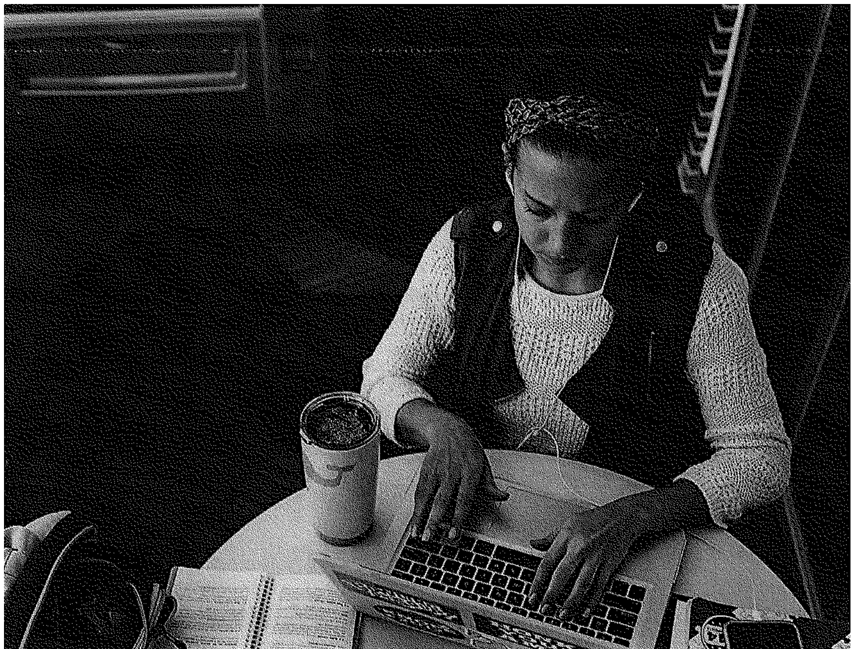
Workplace Fulfillment
(% Strongly Agree, Among Employed Alumni, n=2,243)



Workplace Engagement – Gallup Q12
(Among those employed full time by an employer)



* Recent Associate Degree Holders Nationally (n=468)



3 Great Lives: Wellbeing

PAGE

Elements of Wellbeing

Gallup has conducted decades of global research surveying a representative sample of 99% of the world's population from more than 160 countries. Our research has found that wellbeing is associated with numerous positive health and employment outcomes, including lower medical and health expenditures, fewer ER visits, lower absenteeism, etc.

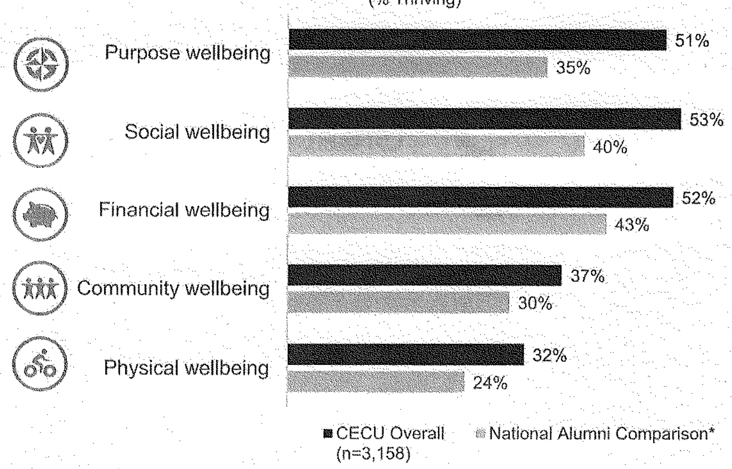
Factor analysis identified five interrelated and interdependent elements of wellbeing:

- **Purpose Wellbeing:** Liking what you do each day and being motivated to achieve your goals
- **Social Wellbeing:** Having supportive relationships and love in your life
- **Financial Wellbeing:** Managing your economic life to reduce stress and increase security
- **Community Wellbeing:** Liking where you live, feeling safe and having pride in your community
- **Physical Wellbeing:** Having good health and enough energy to get things done daily

Gallup examines not only the individual levels of wellbeing, but also the difficult-to-reach pinnacle of wellbeing of thriving in all five elements — purpose, social, financial, community and physical.

The majority of CECU alumni are more likely than recent associate degree holders to thrive in all elements of wellbeing.

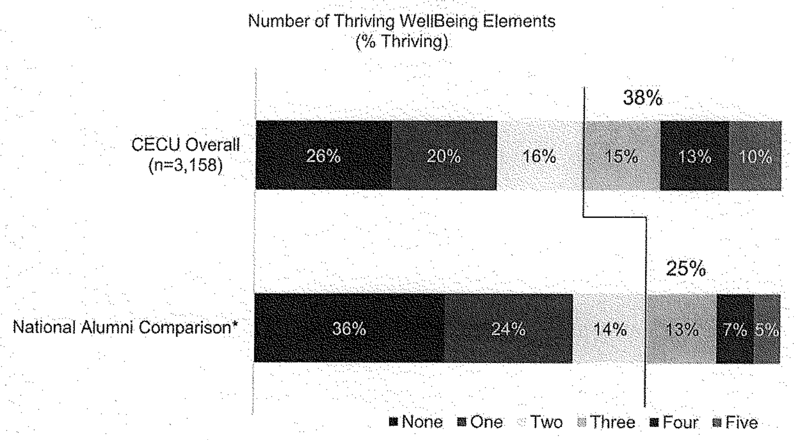
Wellbeing, by Element
(% Thriving)



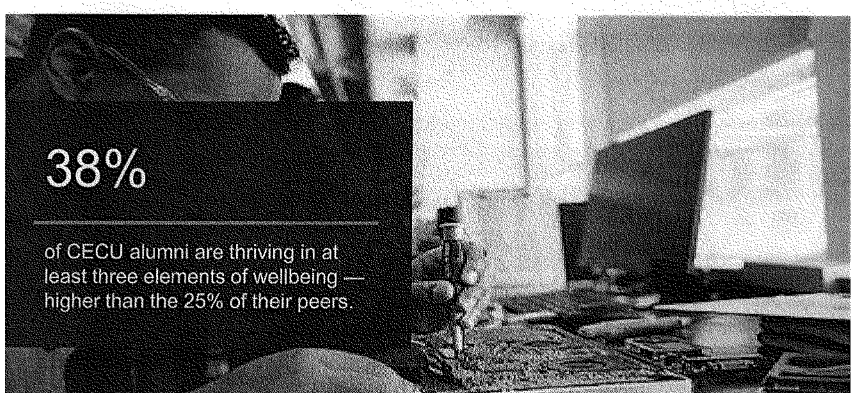
* Recent Associate Degree Holders Nationally (n=468)

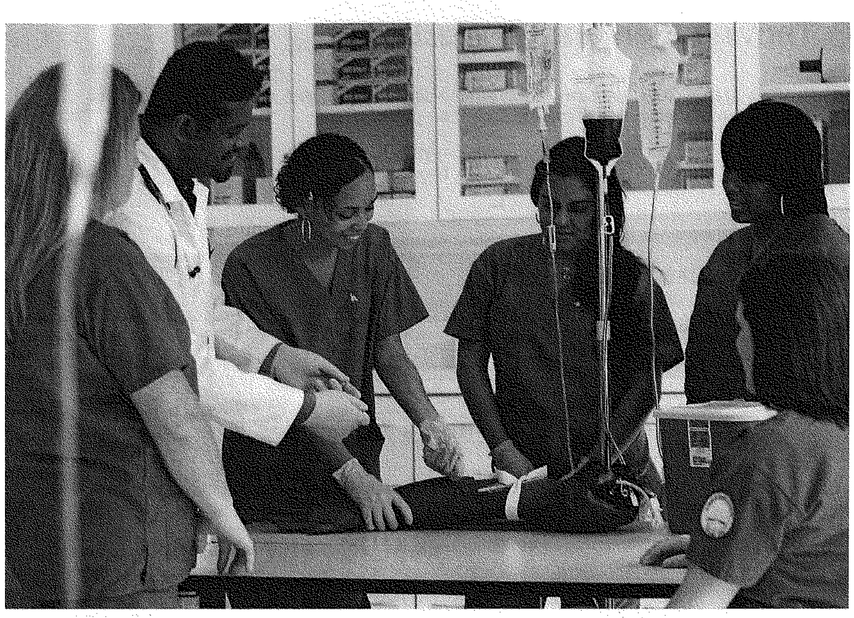
Thriving Elements of Wellbeing

Not only are CECU alumni thriving in each individual wellbeing element, they are also thriving in more wellbeing elements than their peers.



* Recent Associate Degree Holders Nationally (n=468)





Great Experiences: Career Education Experience

4

PAGE

Perceptions of Educational Quality

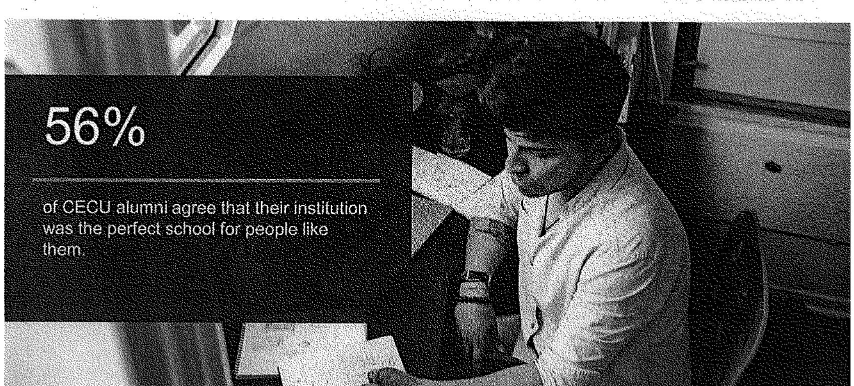
The **majority** of all CECU alumni are satisfied with both the education and training they received from their school, and how well the **school prepared them for their career,** and would **recommend** the school to others.

59%	57%	52%
Satisfied† with their education at CECU	Satisfied† with how well CECU prepared them for their career	Would recommend† their institution to a friend, family member or colleague

†7-10 on 0-10 scale

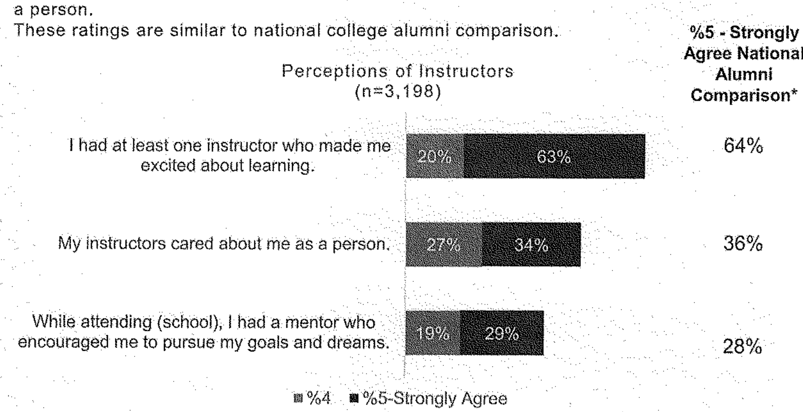
Alumni who are most positive about their experiences:

	Satisfied† with Education	Satisfied† with Career Preparation	Likely to Recommend†
Alumni age 49+ (n=576)	64%	62%	59%
Alumni who transferred or obtained education from another school (n=1,324)	65%	62%	58%



Support Experiences

CECU alumni have **positive perceptions of academic support** experiences while obtaining their education. A large majority agree they had an **instructor who made them excited** about learning. Six in 10 (61%) agree that their **professors cared** about them as a person.
These ratings are similar to national college alumni comparison.



One in five CECU alumni strongly agree with all three support experiences and are classified as having "felt supported." CECU alumni who felt supported were more likely to have more favorable perceptions of their education and more likely to be engaged in their current work.

Receiving **support** leads to:

- **3.2X** higher satisfaction
- **1.8X** higher workplace engagement
- **3.9X** higher belief education was worth the cost

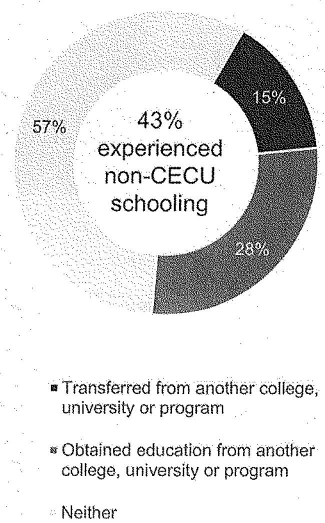
* Recent Associate Degree Holders Nationally

Students With Prior Higher Ed Exposure

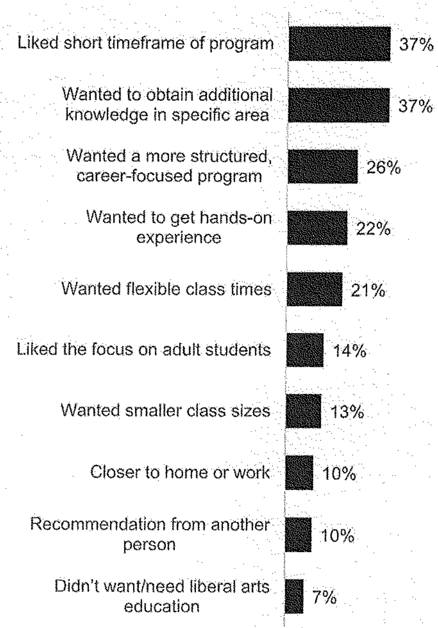
CECU alumni who transferred to, or had experienced education from another institution prior to, CECU see value in CECU's programs because of the **short timeframe of the program**. They also wanted to **learn specific knowledge** and have a **structured career-focused program**. Others came to CECU because they wanted a structured, career-focused program.

Those who had previous higher ed experience are more satisfied with their CECU education than those who only attended CECU, perhaps indicating a better fit for these students.

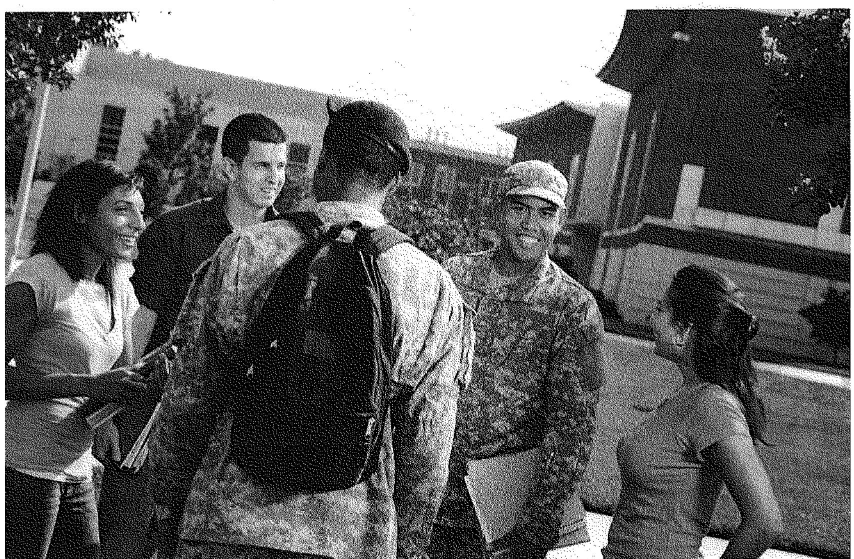
Transferred to or Attended Another School Before CECU School
Total CECU Alumni
(n=3,192)



Primary Reason Transferred/ Changed to CECU School
(Transferees or Attended Another School n=1,324)



* Recent Associate Degree Holders Nationally (n=468)

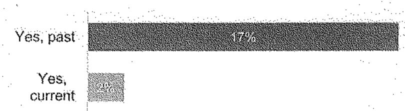


Great Impact: Key Subpopulations 5

Military Service Members and Veterans

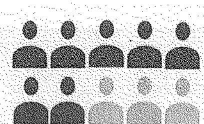
Military members and veterans find success after attending CECU schools. The vast majority are satisfied with their education, and would recommend it. They are fulfilled at work: three of four have a job related to their schooling, and have jobs that interest them and allow them to pursue their interests – much stronger outcomes than their peers.

Served in Military (n=3,154)



Annual Median Personal Income (Past or Present Military, n=709)
Pre-CECU: $43,158
Post-CECU: $60,179

+39% Increase



Seven in 10 Military Members and Veterans:

71%

Satisfied† with their education at CECU

76%

Say their degree/certificate is related to their work

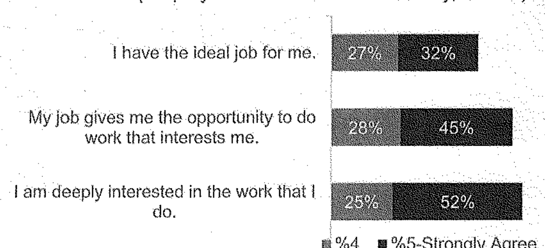
&

63%

Would recommend† their institution to a friend, family member or colleague

†7-10 on 0-10 scale

Workplace Fulfillment
(Employed Past or Present Military, n=536)

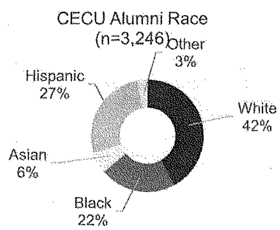


%4 + %5	National Alumni Comparison*
59%	39%
73%	56%
77%	58%

ecent Associate Degree Holders Nationally (n=468)

Minority Students

The majority of black and Hispanic graduates are well satisfied with their CECU education. They feel their education was worth the time spent, and are earning 60% more than before attending CECU. They also report greater workplace fulfillment than their peers.



Annual Personal Income (Median)	Black Alumni (n=660)	Hispanic Alumni (n=406)
Pre-CECU	$25,685	$27,762
Post-CECU	$41,575	$44,071
Increase	**+62%**	**+59%**

Perceptions of CECU Education (■ %4 Agree ■ %5 Strongly agree)	Black Alumni (n=660)			Hispanic Alumni (n=406)		
	%4 Agree	%5 Strongly agree	Total	%4 Agree	%5 Strongly agree	Total
(School) was the perfect school for people like me.	24%	37%	**61%**	24%	34%	**58%**
I had at least one instructor at (School) who made me excited about learning.	18%	65%	**83%**	18%	66%	**84%**
My education from (School) was worth the time I spent.	39%	22%	**60%**	37%	20%	**58%**
Satisfied overall with their education			**59%**			**63%**

Workplace Fulfillment (■ %4 Agree ■ %5 Strongly Agree)	Black Alumni (n=660)			Hispanic Alumni (n=406)			National Alumni Comparison*
	%4 Agree	%5 Strongly Agree	Total	%4 Agree	%5 Strongly Agree	Total	
I have the ideal job for me.	27%	26%	**53%**	27%	28%	**55%**	39%
My job gives me the opportunity to do work that interests me.	28%	40%	**68%**	23%	44%	**67%**	56%
I am deeply interested in the work that I do.	23%	51%	**74%**	23%	50%	**73%**	58%

* Recent Associate Degree Holders Nationally (n=468)

Methodology 6

Methodology

CECU METHODOLOGY AND NATIONAL ALUMNI COMPARISON

Methodology – the CECU 2018 Student Survey

Results for the CECU alumni study are based on web surveys conducted Sept. 25-Oct. 19, 2018. The sampling frame consisted of 102 member organizations, some with multi-campus systems under parent entities, who are members of CECU, representing about 679 campus locations in the U.S. Gallup randomly selected 40 member organizations and invited them to participate. Nine member organizations, representing 75 campuses agreed to participate and sent Gallup alumni contact information to use in the study. Each institution or individual campus was asked to provide Gallup email addresses of alumni who graduated between 2008 and early 2018 (at least six months prior to the study date). CECU companies sent out pre-notification emails, which were followed by survey email invites sent by Gallup. Gallup sent up to five email reminders to alumni to encourage participation. Interviews were conducted via the web, in English only.

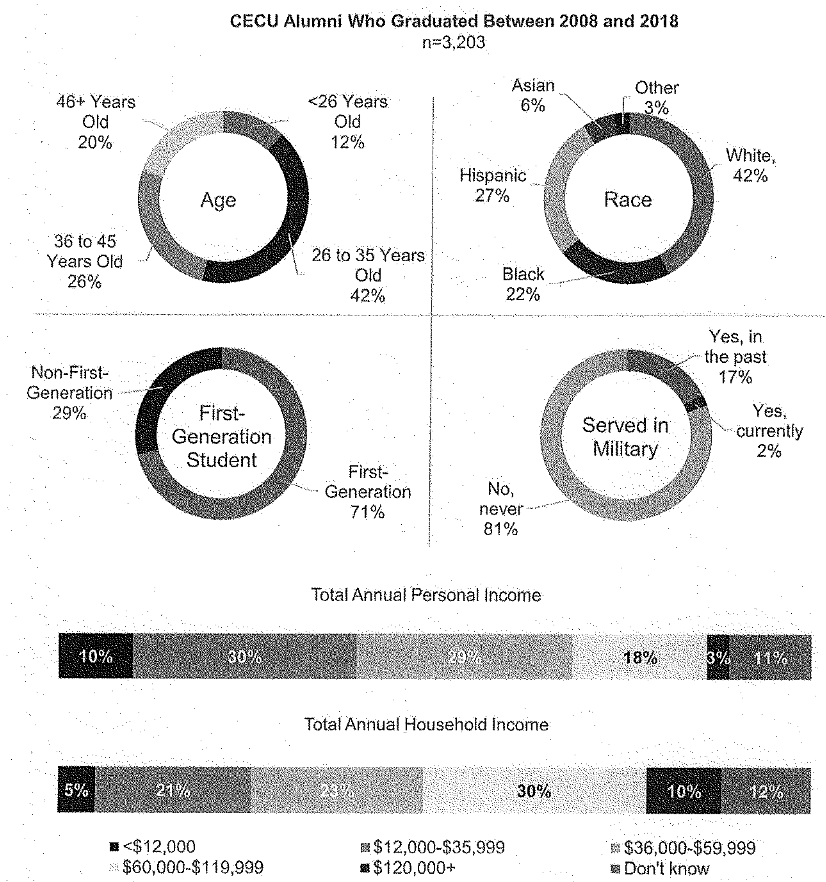
A total of 3,882 alumni responded to the survey, but due to incomplete responses, these data represent 3,203 CECU alumni who graduated between 2008 and early 2018. Data were weighted to match the known demographic distribution (gender, race and Hispanic ethnicity) of recent graduates of the 102 CECU companies based on National Center for Education Statistics (NCES) data.

For results based on the total sample of CECU Alumni, the margin of sampling error is ±1.7 percentage points at the 95% confidence level.

National Comparison

- For the purposes of this report, data from CECU are compared with data collected in the Gallup-USA Funds Associate Degree Graduates study, a nationally representative study of U.S. adults who have obtained an associate degree as their highest level of education. The Gallup-USA Funds Associate Degree Graduates study is based on web surveys conducted March 19-May 11, 2015, with a random sample of 2,548 individuals aged 18 and older, with Internet access, living in all 50 U.S. states and the District of Columbia.
- Some differences may exist between the national comparison points included in this report and national estimates that Gallup has previously released because this report focuses on graduates who received their associate degrees from 2007–2015. The comparison group included in this scorecard is:
  - **National Comparison Group:** Associate degree holders who graduated 2007-2015 surveyed via the Gallup-USA Funds Associate Degree Holders Study, which includes those who reported they have an associate degree from a two-year institution in the U.S. as defined by the U.S. Department of Education. Graduate represented public and private and both for- and not-for-profit institutions. The comparison sample includes 498 graduates.

Demographics



Note: Due to rounding, percentages may sum to 100% +/-1%

About Us

Gallup

Gallup delivers analytics and advice to help leaders and organizations solve their most pressing problems. Combining more than 80 years of experience with its global reach, Gallup knows more about the attitudes and behaviors of employees, customers, students and citizens than any other organization in the world. For more information, visit **www.gallup.com** or **education.gallup.com**.

CECU

The Career Education Colleges and Universities (CECU) is a voluntary membership organization of accredited, postsecondary schools, institutes, colleges and universities that provide career-specific educational programs. CECU has about 500 member campuses that educate and support millions of students for employment in over 200 occupational fields. CECU member institutions provide the full range of higher education programs, including masters and doctorate degrees, two- and four-year associate and baccalaureate degree programs, and short-term certificate and diploma programs.

Some of the occupational fields for which CECU institutions provide programs include: information technology; allied health; business administration; commercial art; radio and television broadcasting; and culinary and hospitality management.

Most CECU member institutions participate in federal student financial assistance programs under Title IV of the Higher Education Act. In order to participate, they must be licensed by the state in which they are located, accredited by a nationally recognized accrediting body, and approved by the U.S. Department of Education. Many CECU member schools and colleges also participate in other federal, state and local education and workforce training programs.

Copyright

Copyright Standards

Credit Supply and the Rise in College Tuition: Evidence From the Expansion in Federal Student Aid Programs: https://www.govinfo.gov/content/pkg/CPRT-116HPRT38005/pdf/CPRT-116HPRT38005.pdf

[Additional submission by Mr. Takano follows:]

Questions for the Record
House Committee on Education and Labor
2175 Rayburn House Office Building
April 3, 2019
9:00 A.M.

Higher Education and Workforce Investment Subcommittee Hearing:
"Strengthening Accountability in Higher Education to Better Serve Students and Taxpayers"

Representative Mark Takano (CA-41)

Letter for the Record:

I would like to submit the following letter for the record from Professor Stephanie Cellini on her concerns with flawed research that was submitted during the hearing on the Bennett Hypothesis and a recent report from the Career Education Colleges and Universities (CECU), titled "Toward a Better Future: Exploring Positive Outcomes of Attending Career Colleges and Universities."

THE GEORGE WASHINGTON UNIVERSITY
WASHINGTON, DC

Trachtenberg School of Public Policy & Public Administration

April 22, 2019

The Honorable Susan Davis, Chair
The Honorable Lloyd Smucker, Ranking Member
Higher Education and Workforce Investment Subcommittee
Committee on Education and Labor
U.S. House of Representatives
2176 Rayburn House Office Building
Washington, D.C. 20515

Dear Chair Davis and Ranking Member Smucker:

I am writing to express my concern about two reports that were referenced in the subcommittee hearing, "Strengthening Accountability in Higher Education to Better Serve Students and Taxpayers" on April 3, 2019. In that hearing, Ranking Member Smucker introduced to the record a report released by Career Education Colleges and Universities (CECU), titled "Toward a Better Future: Exploring Positive Outcomes of Attending Career Colleges and Universities" and another from the conservative James G. Martin Center for Academic Renewal titled, "The Bennett Hypothesis Turns 30."

These reports are both severely flawed and clearly biased towards the interests of the groups that released them. Relying on these reports will lead to critical misunderstandings about what the academic literature has found on these topics. I am an economist and tenured professor of public policy, public administration, and economics who has studied both for-profit colleges and the Bennett Hypothesis extensively for more than 13 years. I am disappointed and disheartened that Ranking Member Smucker based his comments on such flawed reports.

Turning first to the CECU/Gallup report on student outcomes in career colleges, the most critical flaw is that it relies on data from a very small set of colleges and students are that are very clearly not representative of the broader set of career colleges in CECU or in the U.S. more generally. These colleges and students are positively selected, meaning that they are likely to have much better outcomes than the average institution or the average student.

Importantly, the methods section notes that only 40 of 102 CECU member institutions were selected to participate, and—even more concerning—just 9 of these institutions actually agreed to participate. As should be obvious, the 9 institutions that would agree to participate in such a survey of their alumni would likely be those that anticipated positive outcomes for their students and results that would benefit CECU.

Next, it is not clear whether CECU/Gallup contacted all alumi at these 9 institutions, but it seems unlikely. Rather, they may have provided lists of their most successful graduates (rendering the results moot for the vast majority of students.) In an alarming lack of transparency for any survey, response rates are not reported. What we do know is that only 3,203 students responded with complete answers. Again, these students are likely to be positively selected—those who are happy to share their employment and earnings information because they are doing relatively well compared to their counterparts. It is also worth noting that only graduates were surveyed, making the results irrelevant to the very high proportion of students who do not complete degrees or certificates in for-profit institutions.

The second major flaw of the CECU report is that the survey uses a problematic comparison group that heavily skews the results in favor of CECU students. The comparison group only includes associate's degree holders, which may not be a valid or relevant comparison for the types of degrees held by the CECU students in the sample. The CECU report never reveals which programs the career college surveyed students were enrolled in. If for example, all of the CECU students were enrolled in bachelor's degree programs, but the control group was just associate's degree students, the differences they find could be driven solely by the degree and not the colleges themselves. Added to this problem, the CECU students graduated between 2008 and 2018, but the comparison group graduated between 2007 and 2015. Therefore, on average, comparison students therefore were entering a weaker economy when they left school—again, skewing results in favor of finding better outcomes for CECU students than for the comparison group. Finally, the comparison group includes only 468 students, a sample size that is too small to draw meaningful comparisons.

The third major flaw is that the quality of the data analysis is far below the standard of current research in the field. The analyses are purely correlational and do not come close to proving causality. For example, the gain in earnings reported on p. 5, could be driven entirely by natural wage growth over time—rather than any value added by the college—as most students work while attending. In another shocking omission on that page, the report does not present similar earnings statistics for the comparison group. Moreover, the earnings analyses omit the nearly 30 percent of students in the sample who have zero earnings (likely due to unemployment). Averages would be much lower if these students were included.

There are numerous other problems with this report—too numerous to possibly cover here. In short, it does not adhere to best practices in survey design and statistical analysis. The results cannot be trusted or relied upon to accurately represent the outcomes of students in these nine institutions—much less for-profit colleges more generally or "all alumni" as inferred by Ranking Member Smucker.

In contrast, over the last two decades, economists have generated a substantial body of research on student outcomes in for-profit colleges using large randomized samples and cutting-edge methods to surmount problems of selection and bias. Those of us working in this area go to great lengths to ensure that we can control for differences in the types of students (by sex, race, income, age, etc.) who enroll in different types of institutions. Using advanced econometric techniques, carefully matched control groups, and very large sample sizes, these studies come very close to generating causal estimates of the impact of the school itself on earnings and employment, outside of any influence of demographics, student characteristics, or natural wage growth over time. These studies consistently find worse outcomes for students in for-profit colleges relative to students in other sectors.

For example, in my own paper with Nicholas Turner (Federal Reserve Board of Governors) published in the *Journal of Human Resources*[i], we draw on the Department of Education's data on more than one million students matched with tax records from the U.S. Treasury. We find that certificate-seeking students in for-profit institutions are 1.5 percentage points less likely to be employed and, among those who are employed, have 11 percent lower earnings after attendance than students in public institutions. Combining employment and earnings effects, we find that for-profit students earn about $2,100 less per year post-college than public sector students. These results hold for both men and women and for seven of the top ten fields of study. Even relative to individuals attending no college, our research finds that the earnings gains from attending a for-profit certificate program are not enough to pay off the student loan debt accrued by the average student.

In another paper with Cory Koedel (U. of Missouri) in the *Journal of Policy Analysis and Management*, we survey the academic literature on for-profit student outcomes.[ii] We describe two random assignment experiments and nine quasi-experimental studies that compare the labor market outcomes of for-profit students to a control group of students in other sectors and can reasonably control for demographics, socioeconomic status, and location. A consistent pattern emerges from these studies: the effects of for-profit attendance on earnings range from negative to null. When coupled with the much higher debt incurred for for-profit education relative to public, the literature clearly indicates that the average student would be better served in a public institution.

Moving beyond the topic of for-profit student outcomes, Ranking Member Smucker brought up the topic of the Bennett Hypothesis. In his remarks, he entered into the record a report by Jenna A. Robinson of the conservative James G. Martin Center for Academic Renewal titled, "The Bennett Hypothesis Turns 30." Like the CECU report, this report also appears to suffer from substantial bias.

Notably, the report does not give any weight to the quality of the methods, context, quality of the publication, or sample sizes used by each study. Older descriptive studies on a single university were given as much weight as cutting edge studies in top journals using national samples that can come closer to identifying the causal impact of aid on tuition. Further, the author interprets citations as a measure of "academic influence," but clearly the newer studies (many of them using better methods) will have fewer citations since they have simply been around for less time. For example, she notes that my own work had 11 citations, but today the citation count is 138.

My reading of the literature is that there is no compelling evidence of a causal relationship between federal student aid and tuition for public and non-profit colleges. The literature remains mixed, as even a reading of Robinson's report will show, despite the erroneous conclusions she draws.

Most importantly, academics would likely agree that there is just one sector where the Bennett Hypothesis has been shown to come into play. This one sector drives the positive findings in Robinson's report—it is the for-profit sector. Here I would also note that Ranking Member Smucker mischaracterized it as the "nonprofit" sector in the hearing.

My paper with Claudia Goldin (Harvard U.) assessing the for-profit sector is one of the prime examples (cited by Robinson) that some version of the Bennett Hypothesis likely holds for the for-profit sector only. In the paper, published in the *American Economic Journal: Economic Policy*,[iii] we compare the tuition of for-profit colleges that receive Title IV federal aid to the many for-profit colleges that do not participate in Title IV programs. We find that for-profit colleges that receive federal student aid charge tuition that is 78 percent higher than for-profit institutions with similar programs that do not participate in Title IV programs. Our findings suggest that Title IV-eligible for-profit institutions raise gross tuition above the cost of education, as reflected in the tuition of the non-Title IV institutions. Further, the magnitude of the tuition premium (about $3,900) is roughly equal to average student grant awards and our estimate of student loan subsidies under Title IV.

The effect we find is likely driven by the unique incentives of for-profit colleges. Without the need to re-invest profits into the organization (as nonprofits must), and without the mission of keeping costs low to promote higher education in a state (as public institutions have), for-profit colleges have a greater incentive than schools in other sectors to behave strategically in order to capture federal aid dollars. These colleges have an increased incentive to enroll low-income students and maximize federal aid dollars to generate profits for owners or shareholders. In fact, an earlier paper of mine in the *Journal of Policy Analysis and Management*,[iv] found that for-profit college openings were correlated with increases in the per-student maximum Pell Grant and Cal Grant awards. The relationship between grant aid and for-profit growth was particularly strong in counties with high adult poverty levels where more students were eligible for aid.

In short, our research points to the exceptionality of the for-profit sector in driving the evidence on the Bennet Hypothesis. Our work suggests the need for increased scrutiny and accountability measures for the for-profit sector in particular. In light of the academic research on for-profit colleges, it is critical for the federal government to create nuanced policy that addresses differences in behavior by institutional sector and protects students and taxpayers.

I would be happy to answer any question you may have on this paper or my other work on the economics for-profit higher education. Please do not hesitate to contact me if I can be of further assistance.

Sincerely,

Stephanie Riegg Cellini

Stephanie Riegg Cellini
Associate Professor of Public Policy and Public Administration, and of Economics
George Washington University
scellini@gwu.edu

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[i] Cellini, S.R. and N. Turner. 2019. "Gainfully Employed? Assessing the Employment and Earnings of For-Profit College Students Using Administrative Data," *Journal of Human Resources*, 54(2): 342-370. http://jhr.uwpress.org/content/early/2018/01/25/jhr.54.2.1016.8302R1.abstract

[ii] Cellini, S.R. and C. Koedel. 2017. "The Case for Limiting Federal Student Aid to For-Profit Colleges," *Journal of Policy Analysis and Management: Point/Counterpoint*, 36(4): 934-942. https://onlinelibrary.wiley.com/doi/10.1002/pam.22008

[iii] Cellini, S.R and C. Goldin. 2014. "Does Federal Student Aid Raise Tuition? New Evidence on For-Profit Colleges," *American Economic Journal: Economic Policy*, November 2014, 6(4): 174-206. https://www.aeaweb.org/articles?id=10.1257/pol.6.4.174

[iv] Cellini, S.R. 2010. "Financial Aid and For-Profit Colleges: Does Aid Encourage Entry?" *Journal of Policy Analysis and Management*, 29(3): 526-552.
https://onlinelibrary.wiley.com/doi/10.1002/pam.20508

[Additional submission by Ms. Trahan follows:]

LEGAL SERVICES CENTER OF HARVARD LAW SCHOOL
CENTRO DE SERVICIOS LEGALES
122 Boylston Street
Jamaica Plain, Massachusetts 02130-2246
TEL: (617) 522-3003 • FAX: (617) 522-0715

April 1, 2019

Committee on Education and Workforce
U.S. House of Representatives
2716 Rayburn House Office Building
Washington, D.C. 20515

Members of the Education and Workforce Committee:

We direct the Project on Predatory Student Lending at the Legal Services Center of Harvard Law School, where we represent students against the for-profit college industry and its enablers in government. We are extremely concerned with the current administration's failure to protect student borrowers from predatory, federally-funded for-profit schools and the Department of Education's complete disregard for students' rights. We also stress the importance of protecting students' right to assert borrower defenses and to get their federal loans discharged based on schools' wrongdoing.

Federal funding of predatory schools comes at a tremendous cost. Each year, the federal government awards tens of billions of dollars to for-profit colleges through the federal student loan program, even though these companies are not delivering any value to students and are not being held accountable. Students who attend predatory schools have little hope of ever repaying their student loans. The burden of this debt is borne by them individually, by their families, and their communities, and ultimately by taxpayers. The impact of this bogus debt on communities and the economy is profound.

Although the Department of Education has the ultimate authority to determine which schools are eligible to receive federal student aid, the current administration has focused all of its efforts on deregulating the for-profit college industry. There has been no reckoning for the harm done to students who have been ripped off by this industry. Students of color, single mothers, and veterans continue to be among the targets of these companies, which are pocketing federal student loan dollars as part of a moneymaking scheme. And the number of shuttered schools, including Corinthian Colleges, ITT Tech, Education Corporation of America, Vatterott College and Dream Center, continues to tally up, leaving hundreds of thousands of students devastated, with worthless degrees, no career prospects, and mountains of student debt.

We ask the Committee to take immediate action to hold the Department of Education accountable to student borrowers and immediately discharge the federal student loans debts of students who were scammed by predatory for-profit schools. It is time to bring an end to the financial and emotional suffering experienced by students to allow them to go on with their lives. And it is time to ensure taxpayer dollars are applied toward schools that provide opportunity and employment for their students, instead of lining the pockets of profit-driven companies that misrepresent themselves as educational institutions.

To illustrate the predatory practices of for-profit schools, the harm caused to students, and the need to safeguard against them, we share the experience of Kristina Jefferson, a former student of the recently-closed Virginia College.[1]

In 2014, Kristina learned about Virginia College through commercials where actors described their life struggles and how the school helped them get on their feet. One commercial that vividly stuck out to her was about a black woman riding a bus. The woman in the commercial was homeless with two children, and the ad says that the woman decided to go to Virginia College to study medical assisting, and it bettered her life. After attending Virginia College, the woman got a job, her life improved, and she had more stability. Ultimately, she didn't have to ride the bus anymore. This resonated with Kristina because she understood this struggle; Kristina relied heavily on the bus for transportation, and she also wanted to better her life. This racially-targeted marketing campaign was just the beginning of the scam Kristina experienced.

Based on that commercial, Kristina decided to go to Virginia College for medical assisting. But it failed to deliver on its promise of career prospects and never helped her get a job in the medical field. Kristina wasn't one to give up, and had taught herself to do hair over the years. In 2018, she decided to hone her skills and get licensed. Once again, she saw some enticing Facebook advertisements and decided to enroll in the cosmetology program at Virginia College.

Virginia College guaranteed that Kristina would find a job after finishing the program, and Kristina held out hope that she would get back on her feet like the woman in the commercial. Kristina was living with her mother and was not financially independent. The bus, ironically the motivator for her to enroll in the first place, because a source of stress and misery. Kristina had to take the bus to school, which required her to wake up at 4:00 a.m. to get to school on time. She even had to walk on the highway as part of her commute. The school promised to help get her a job and an easier commute, but did nothing to make good on those promises.

Although she attended her classes, Kristina did not receive the instruction she needed to be successful in the cosmetology field. The instructors were uninterested in teaching and mostly taught by showing videos. Kristina was especially disappointed when it came time to learn how to do makeup. Instead of working with products and tools, the instructor gave the class a paper

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[1] Kristina shared her story in her own words on our website, at http://www.legalservicescenter.org/my-student-loan-truth-kristinas-virginia-college-story/ (Mar. 25, 2019).

printout of a face and they used colored pencils, their own makeup, or the school's outdated makeup to color in the face. This level of instruction was insufficient for Kristina to become adequately trained for the cosmetology profession.

Virginia College promised to provide Kristina the things anyone would expect from a school: job placement services, sufficient instruction, and credits that would transfer to another institution if needed. But, in Kristina's words, "they didn't keep any of those promises. They didn't even keep the school open."

It is crucial to remember that Kristina was relying on federal student loans to enroll in this predatory for-profit school. When enrolling, she met with the financial aid office, but they did not explain what was happening: they didn't even tell her how much she was borrowing in federal student loans – more than $30,000. This aggressive obfuscation of high cost is typical at predatory for-profit schools. Virginia College also had a nasty surprise for Kristina toward the end of her time at Virginia College: she was told she had a balance she had to pay in order to receive her certificate. This egregious shakedown is all too common at for-profit schools, which use students to pocket federal loans at great cost to both students and taxpayers. The campus closed before she could complete her program.

Kristina was trying to better her life by pursuing the training it told her she needed to start a career. This would allow her financial independence and mobility. Virginia College failed Kristina. In her words:

> "They really ruined my life, and it's not right. I had goals. The school closing just made it harder for me. I have to start all over now. I was told that my credits were transferable, but it's not true. Basically, my transcript is worthless. It's just a bunch of words. It's not right."

Kristina's loans should be discharged because the school cheated her, but the Department of Education has made this simple truth an impossible warren of bureaucracy that inevitably prevents relief for all applicants. The Department should be accountable for its failure to protect students from schools like Virginia College, and for failing students again when they seek relief from unjust and unaffordable federal student loans. Thank you for your attention to this matter.

Sincerely,

/s/ Toby Merrill
Toby Merrill

/s/ Eileen Connor
Eileen Connor

NATIONAL EDUCATION ASSOCIATION
nea.org
Great Public Schools for Every Student

1201 16th St., N.W. | Washington, DC 20036 | Phone: (202) 833-4000

Lily Eskelsen García
President

Rebecca S. Pringle
Vice President

Princess R. Moss
Secretary-Treasurer

John C. Stocks
Executive Director

April 2, 2019

Education & Labor Committee
United States House
Washington, DC 20515

Dear Representative:

On behalf of our 3 million members and the 50 million students they serve from pre-kindergarten through college, we would like to submit for the record the following comments in connection with the April 3 hearing, "Strengthening Accountability in Higher Education to Better Serve Students and Taxpayers."

NEA members believe all students must have access to an education that prepares them to be employees, entrepreneurs, and leaders in a global community. This means protecting students from the predatory practices of for-profit colleges and universities. Too often, these institutions promise an education they do not deliver, instead leaving students with significant, high levels of debt, often in the absence of earning a diploma or completing a program.

It is no coincidence that such institutions target vulnerable populations with limited options and few resources, including students of color, low-income students, veterans, first-generation college students, and other underrepresented groups.

We believe the 2014 Gainful Employment regulation must be codified to hold career programs accountable for charging too much and failing to deliver, and ask that the 90/10 rule be restored to 85/15, reinstating to 85 percent the cap on how much revenue for-profit colleges can receive from federal sources.

Accreditation by reputable accreditors must continue to be a condition for participation in federal financial aid programs, and accreditors must be free from conflicts of interest that could affect their ability to judge institutions' integrity, quality, and transparency.

We must ensure safeguards are in place at for-profit institutions that protect students from fraud and abuse. Furthermore, when institutions victimize students, there must be an efficient system for providing restitution, restoring eligibility for Pell Grants, and clarifying students' eligibility for class-wide discharge of student loans.

Thank you for this opportunity to share our concerns about accountability standards. Our nation has an obligation to protect students from institutions that take advantage of them, denying them opportunities to discover their talents and achieve their potential.

Sincerely,

Marc Egan

Marc Egan
Director of Government Relations
National Education Association

[Questions submitted for the record and their responses follow:]

COMMITTEE ON EDUCATION
AND LABOR
U.S. HOUSE OF REPRESENTATIVES
2176 RAYBURN HOUSE OFFICE BUILDING
WASHINGTON, DC 20515-6100

April 12, 2019

Ms. Barbara E. Brittingham, Ph.D.
President
New England Commission of Higher Education
3 Burlington Woods Drive, Suite 100
Burlington, MA 01803

Dear Dr. Brittingham:

I would like to thank you for testifying at the April 3, 2019, Subcommittee on Higher Education and Workforce Investment hearing on "Strengthening Accountability in Higher Education to Better Serve Students and Taxpayers."

Please find enclosed additional questions submitted by Committee members following the hearing. Please provide a written response no later Wednesday, April 24, 2019, for inclusion in the official hearing record. Your responses should be sent to Claire Viall of the Committee staff. She can be contacted at the main number 202-225-3725 should you have any questions.

We appreciate your time and continued contribution to the work of the Committee.

Sincerely,

ROBERT C. "BOBBY" SCOTT
Chairman

Enclosure

Health, Employment, Labor, and Pensions Subcommittee Hearing
"Examining Surprise Billing: Protecting Patients from Financial Pain"
Wednesday, April 3, 2019
9:00 a.m.

REPRESENTATIVE SUSAN A. DAVIS (CA)

1. During the questioning, you indicated that your agency has been collecting and reviewing loan repayment rates over the past year, a topic my office is interested in exploring more. Please provide a summary of what you have found, where institutions fall on repayment. Based on the data you've collected, what do you consider to be strong performance? What characteristics, if any, have you found contribute to low loan repayment rates?
2. In its current rulemaking, the Department has proposed weakening substantive change regulations, and requiring accreditors to approve some changes, such as written agreements, on an expedited timeline though agency staff. I am worried that a lack of oversight when an institutions makes changes could lead to loopholes in quality oversight. Please provide a record of the number of substantive changes applications your agency has received over the past three years by type of change and how many its approved. How many applications has your agency received on written arrangements comprising more than 25 percent of a program?

REPRESENTATIVE STEVEN WATKINS (KS)

Through their earned benefits from years of military service, student veterans have a multitude of choices available to them for their higher education and career ambitions. And rightfully so. Career education colleges like Wichita Technical Institute in my hometown of Topeka are a pathway for so many veterans to achieve their American dreams.

So it troubles me that some career colleges and universities that provide a leg up for so many students are vilified simply because of their for-profit tax status.

And to that regard, I ask unanimous consent to enter into the record an article by Daniel Elkins of the Enlisted Association of the National Guard expressing support on behalf of so many veterans for an all-of-the-above higher educational institution landscape.

https://thehill.com/blogs/congress-blog/education/436809-we-must-support-veterans-and-not-politicize-their-education

Veterans should be free to choose the best educational path available based on merit, whether it be public, private, non-profit or for-profit institutions.

Now, along these lines, I understand accrediting agencies are required to have standards to assess any given institution's success with respect to student achievement.

1. Dr. Brittingham, can you provide an example of a student achievement standard and how it's applied, particularly when you accredit diverse types of institutions?

COMMITTEE ON EDUCATION
AND LABOR
U.S. HOUSE OF REPRESENTATIVES
2176 RAYBURN HOUSE OFFICE BUILDING
WASHINGTON, DC 20515-6100

April 12, 2019

Ms. Melissa Emrey-Arras
President
New England Commission of Higher Education
U.S. Government Accountability Office
10 Causeway Street, Room 575
Boston, MA 02222

Dear Ms. Emrey-Arras:

I would like to thank you for testifying at the April 3, 2019, Subcommittee on Higher Education and Workforce Investment hearing on "Strengthening Accountability in Higher Education to Better Serve Students and Taxpayers."

Please find enclosed additional questions submitted by Committee members following the hearing. Please provide a written response no later Wednesday, April 24, 2019, for inclusion in the official hearing record. Your responses should be sent to Claire Viall of the Committee staff. She can be contacted at the main number 202-225-3725 should you have any questions.

We appreciate your time and continued contribution to the work of the Committee.

Sincerely,

ROBERT C. "BOBBY" SCOTT
Chairman

Enclosure

Health, Employment, Labor, and Pensions Subcommittee Hearing
"Examining Surprise Billing: Protecting Patients from Financial Pain"
Wednesday, April 3, 2019
9:00 a.m.

Representative Gregorio Kilili Camacho Sablan (MP)

1. The Department of Education is responsible for overseeing the financial stability of institutions participating in federal financial aid programs. It has the authority to put financially unstable institutions on heightened cash monitoring and demand they post letters of credit. Under this Administration, we have seen three major for-profit closures with the most recent taking place just last month. Frankly, I'm concerned that this Department isn't learning from its mistakes. What tools does the Department of Education have to intervene with financially troubled institutions?

Representative Mark Takano (CA)

1. Could GAO clarify its findings on the limitations of the cohort default rate metric as an accountability tool, and its matter for congressional consideration for addressing them?

COMMITTEE ON EDUCATION
AND LABOR

U.S. HOUSE OF REPRESENTATIVES
2176 RAYBURN HOUSE OFFICE BUILDING
WASHINGTON, DC 20515-6100

April 12, 2019

Mr. Nicholas Hillman, Ph.D.
Associate Professor
University of Wisconsin-Madison
1000 Bascom Mall, Room 249
Madison, WI 53706

Dear Professor Hillman:

I would like to thank you for testifying at the April 3, 2019, Subcommittee on Higher Education and Workforce Investment hearing on "Strengthening Accountability in Higher Education to Better Serve Students and Taxpayers."

Please find enclosed additional questions submitted by Committee members following the hearing. Please provide a written response no later Wednesday, April 24, 2019, for inclusion in the official hearing record. Your responses should be sent to Claire Viall of the Committee staff. She can be contacted at the main number 202-225-3725 should you have any questions.

We appreciate your time and continued contribution to the work of the Committee.

Sincerely,

ROBERT C. "BOBBY" SCOTT
Chairman

Enclosure

Health, Employment, Labor, and Pensions Subcommittee Hearing
"Examining Surprise Billing: Protecting Patients from Financial Pain"
Wednesday, April 3, 2019
9:00 a.m.

Representative Gregorio Kilili Camacho Sablan (MP)

1. My district in the Northern Mariana Islands has among the highest enlistment rates per capita in our country. Many use their GI Bill benefits to pursue their education themselves or transfer them to their spouses or children. However, I'm very concerned with the track record of for-profit schools leaving veterans without degrees and non-transferable credits. A Senate report from 2014 found that 66 percent of veterans who attended for-profit colleges using their GI bill benefits left the program without a degree. Four of the 10 schools described in the report failed to provide job placement services that allowed students to repay loans they took out to supplement the GI bill. Beyond closing the "90/10" loophole so GI Bill funds and Department of Defense Tuition Assistance are counted as private dollars on the 10 percent side of the ratio, what more can Congress do to protect veteran students and keep bad actors accountable?

[Ms. Brittingham response to questions submitted for the record follow:]

Questions for the Record
House Committee on Education and Labor
2175 Rayburn House Office Building
April 3, 2019
9:00 A.M.

Higher Education and Workforce Investment Subcommittee Hearing:
"Strengthening Accountability in Higher Education to Better Serve Students and Taxpayers"

Representative Susan Davis (CA-53)

Questions for Ms. Brittingham

1. During the questioning, you indicated that your agency has been collecting and reviewing loan repayment rates over the past year, a topic my office is interested in exploring more. Please provide a summary of what you have found, where institutions fall on repayment. Based on the data you've collected, what do you consider to be strong performance? What characteristics, if any, have you found contribute to low loan repayment rates?

   For several years our Commission has been reviewing institutions with relatively high default rates (i.e., institutions for which the default rate exceeds 15% for three successive years or 20% in the most recent year reported). Institutions are asked to report on how they handle student debt and financial counseling for students. We believe that asking for this reporting has helped institutions pay more attention to this important matter. Note that our Commission's rates are more conservative than the levels set by the US Department of Education (which have the drastic consequence of threatening an institution's ability to award federal financial aid). This year, five institutions met that trigger. All were two-year institutions, four community colleges and one independent institution.

   This year, the Commission reviewed the repayment rates, which we believe have the potential to provide better information, as they will indicate that students are actually making at least a little progress in paying down their loans, not simply avoiding default. Based on that review, going forward, the Commission will review institutions with loan repayment rates below 40% for two consecutive cohorts and those with loan repayment rates below 25% for any single cohort. If that trigger would have been in place this year, we would have reviewed five institutions. These institutions are not wealthy themselves and tend to serve students who are also less wealthy. We will continue to monitor those trigger points to see if we wish to adjust them.

   Going forward, I am hopeful that the Department of Education can provide additional information on loan repayment rates. Repaying just $1 seems like minimal information, and we would like to know if students make continuing progress paying down their loans.

2. In its current rulemaking, the Department has proposed weakening substantive change regulations, and requiring accreditors to approve some changes, such as written agreements, on an expedited timeline though agency staff. I am worried that a lack of oversight when an institutions makes changes could lead to loopholes in quality

oversight. Please provide a record of the number of substantive changes applications your agency has received over the past three years by type of change and how many its approved. How many applications has your agency received on written arrangements comprising more than 25 percent of a program?

The Commission has considered 181 substantive changes in the past three years and has approved 155 of them. Draft substantive change proposals are reviewed by staff prior to Commission consideration. Guidance by staff often results in significant changes in the proposals before submission or, in some cases, the decision by the institution not to submit the substantive change proposal because it is unlikely the Commission would approve it.

The types of proposals considered by the Commission in the past three years include: 26 new branch campuses or instructional locations; 41 higher or lower degrees; 11 relocations of instructional locations or the institution; 11 competency-based degrees or courses; 38 distance education proposals; 5 other substantive changes; 20 contractual relationships; 12 mergers or acquisitions; 7 changes in scope; 2 changes in ownership; 6 offering a joint or dual degree with a non-regionally accredited institution; and 2 closures of an instructional location with a teach-out.

Important to know here:

1. Our Commission reviews every contractual relationship involving courses and degrees (i.e., not just the ones at or above 25%). Some are with non-profits, which I mention because the concern expressed is generally around for-profit providers. When a contractual relationship is approved, we send a small team to the institution once the arrangement is in place to ensure that it meets the Commission's *Standards for Accreditation.*

2. For offering programs by distance education, offering degrees at a higher or lower level than previously offered, and competency-based education degrees, it is Commission general practice to review three or more such changes before "general approval" is given for such programs.

[Ms. Emrey-Arras response to questions submitted for the record follow:]

GAO U.S. GOVERNMENT ACCOUNTABILITY OFFICE

441 G St. N.W.
Washington, DC 20548

April 17, 2019

The Honorable Robert C. "Bobby" Scott
Chairman
Committee on Education and Labor
House of Representatives

Dear Mr. Chairman:

Thank you for inviting me to testify on April 3, 2019 at the Subcommittee on Higher Education and Workforce Investment hearing on "Strengthening Accountability in Higher Education to Better Serve Students and Taxpayers." I have enclosed our responses to the questions for the record submitted by Committee members following the hearing. If you or your staff have any additional questions, please contact me at (617) 788-0534 or emreyarrasm@gao.gov.

Sincerely yours,

Melissa Emrey-Arras

Melissa Emrey-Arras, Director
Education, Workforce,
and Income Security Issues

Enclosure: Responses to questions for the record

ENCLOSURE

Questions for the Record
House Committee on Education and Labor
2175 Rayburn House Office Building
April 3, 2019
9:00 A.M.

Higher Education and Workforce Investment Subcommittee Hearing:
"Strengthening Accountability in Higher Education to Better Serve Students and Taxpayers"

Representative Gregorio Kilili Camacho Sablan (Northern Marina Islands)

1. The Department of Education is responsible for overseeing the financial stability of institutions participating in federal financial aid programs. It has the authority to put financially unstable institutions on heightened cash monitoring and demand they post letters of credit. Under this Administration, we have seen three major for-profit closures with the most recent taking place just last month. Frankly, I'm concerned that this Department isn't learning from its mistakes. What tools does the Department of Education have to intervene with financially troubled institutions?

GAO Response: When schools do not receive a passing composite score, or do not meet one or more of the other financial responsibility standards, the Department of Education (Education) may use one or both of the following oversight tools depending on the specific circumstances:

- Heightened cash monitoring: Education can place schools under heightened cash monitoring (HCM), which increases the reporting requirements for the school and postpones its ability to draw down federal student aid payments from Education until after funds are paid to students. Education has two levels of heightened cash monitoring, known as HCM1 and HCM2. Schools placed on HCM1 must disburse funds to students before they draw down federal student aid from Education. HCM2 is a higher level of oversight, for which Education requires schools to disburse funds to students and then submit documentation of their eligibility to Education for review before it releases federal student aid funds to the school. This delays a school's ability to access federal student aid for 30 to 60 days after disbursing these funds to students, according to Education officials we spoke with. Education officials explained that schools are not typically placed on HCM2 solely due to financial responsibility concerns; instead, HCM2 is used for more serious compliance issues, such as fraud.
- Letter of credit: Education can require schools to submit a letter of credit to protect the department against potential liabilities for student refunds, loan cancellation costs, and other costs associated with a school closure. Schools obtain the letter of credit from a bank, which charges them a fee for this service—typically a percentage of the value of the letter of credit. A letter of credit must be worth at least 10 percent of the school's federal student aid funds from its most recent fiscal year, although the amount may be more, depending on the circumstances. For example, Education may increase the letter of credit if a school fails more than one of the financial responsibility standards, according to agency officials.

<u>Representative Rep. Mark Takano (CA-41)</u>

1. Could GAO clarify its findings on the limitations of the cohort default rate metric as an accountability tool, and its matter for congressional consideration for addressing them?

<u>GAO Response</u>: The Department of Education (Education) may rescind a school's ability to participate in federal student aid programs if a significant percentage of its borrowers—generally, 30 percent or more of borrowers for 3 consecutive years or more than 40 percent in 1 year—default on their student loans within the first 3 years of repayment. This calculation is called the cohort default rate. However, in 2018 we reported that this rate has limitations as an accountability tool. Some schools managed their 3-year cohort default rate by hiring consultants that encouraged borrowers with past-due payments to put their loans in forbearance, an option that allows borrowers to temporarily postpone payments and bring past-due loans current.

Although Education officials and student loan experts said that forbearance is intended to be a short-term option, our analysis of Education data found that 20 percent of borrowers who began repaying their loans in 2013 had loans in forbearance for 18 months or more. Spending this much time in forbearance reduces the potential for borrowers to default within the 3-year period, thus helping improve schools' cohort default rate. We found borrowers that spent 18 months or more in forbearance defaulted more often in the fourth year of repayment, when schools are not accountable for defaults, suggesting long term forbearance may have delayed—not prevented—default.

To examine the impact of long-term forbearance on schools' 3-year default rates, we recalculated schools' cohort default rates by excluding borrowers who were in forbearance for 18 months or more and who did not default during the 3-year period. We found that over 260 additional schools—receiving a combined $2.7 billion in Direct Loans and Pell Grants in academic year 2016-2017—would potentially have had a default rate high enough to put them at risk of losing access to federal student aid programs.

The reduced effectiveness of cohort default rates as a tool for holding schools accountable creates risks to the federal government and taxpayers, who are responsible for the costs associated with high rates of default. Since the way the cohort default rate is calculated is specified in federal law, any changes to its calculation would require legislation to be enacted amending the law. We suggested that Congress consider strengthening schools' accountability for student loan defaults, for example, by 1) revising the cohort default rate calculation to account for the effect of borrowers spending long periods of time in forbearance during the 3-year period, 2) specifying additional accountability measures to complement the cohort default rate, for example a repayment rate, or 3) replacing the cohort default rate with a different accountability measure. In the 115th Congress, proposals had been introduced to revise, supplement, or replace the cohort default rate, though none of the legislation was enacted.

[Mr. Hillman response to questions submitted for the record follow:]

4/22/2019

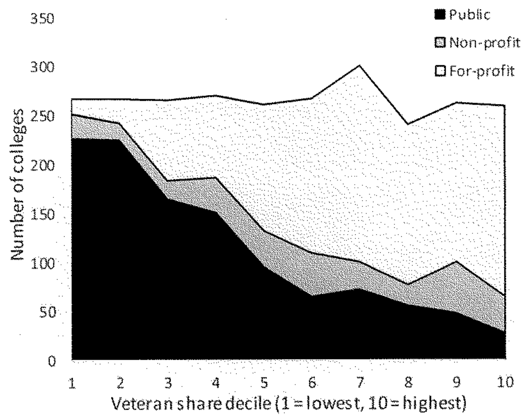
Representative Sablan:

Thank you for your question and concern for veterans attending for-profit colleges. In Fiscal Year 2017, the Post-9/11 GI Bill awarded over $11 billion to over 750,000 individuals.[1] The average annual benefit is approximately $15,000, which veterans, service members, or their dependents can use to cover tuition and non-tuition expenses at educational institutions or training establishments.[2] This is a sizable investment and is two-times larger than the maximum Pell Grant. For-profit colleges have been especially effective at enrolling veterans for their benefits, as approximately 20% of all veterans enroll in this sector despite the fact that the sector accounts for less than 10% of all students.[3]

As you noted in your question, these benefits are not currently counted as federal student aid in the "90/10" rule. I believe GI Bill benefits should count in the numerator since the purpose of this aid (like Department of Education aid counted in the numerator) is to help students pay for tuition, fees, living arrangements, and books/supplies. Counting GI Bill benefits in the numerator would go a long way in terms of protecting veterans; reducing the threshold to 85/15 (or even lower) would further protect these students because colleges with the highest 90/10 ratios also have the poorest loan repayment outcomes, indicating many of the worst actors are concentrated at the high end of this scale.[4] In addition to closing this loophole, four additional steps could help protect veterans from bad actors:

1) **Improve accountability and oversight of online/distance education.** One-fifth of veterans enroll exclusively online and these fully-online students are over-represented in the private sector, particularly among for-profits.[5] These would not be concerns if distance education had similar outcomes as face-to-face or hybrid offerings, but the research evidence is clear that online delivery has poorer outcomes.[6] This is especially the case among online for-profit colleges where labor market outcomes are poorer in this sector. One promising way to address this concern is through strengthening state authorization where online providers go through greater scrutiny and oversight to ensure their programs are well designed, monitored, and evaluated for military veterans' educational needs.

2) **Enforce and improve gainful employment rules.** The research consensus is that for-profit colleges are, on average, associated with poorer labor market and loan repayment outcomes.[7] Although gainful employment is not targeted toward military veterans, the concern about how veterans fare in for-profit colleges warrants greater attention to the role gainful employment regulations have on colleges serving high proportions of veterans. As the following figure shows, for-profit colleges enroll the largest shares of GI Bill beneficiaries. Each decile includes approximately 260 colleges arrayed by the proportion of GI Bill beneficiaries enrolled, where the left-most decile has the lowest share and the right-most decile has the highest share. For-profit colleges account for the vast majority of colleges enrolling the highest shares of GI Bill beneficiaries, meaning efforts to strengthen and improve gainful employment should also affect the colleges where veterans are likely to be enrolled.



3) **Monitor and penalize rent-seeking.** At the hearing, a brief discussion about the "Bennett Hypothesis" came up and it is worth re-stating what the best and most germane evidence says about this relationship. First, for-profit colleges participating in Title IV aid programs charged 78% higher tuition than comparable for-profits not participating in Title IV programs, suggesting access to aid encouraged the institutions to significantly increase tuition.[8] Second, Post-9/11 GI Bill induced for-profits to raise tuition in response to Congressional maximum limits – private colleges in states below the maximum raised tuition, while those above the maximum lowered tuition, evidence of price discrimination.[9]

4) **Reward institutions that serve veterans well.** Public colleges – and community colleges in particular – are associated with better persistence rates for GI Bill recipients than other sectors. In fact, this positive relationship disappears and is not significant among GI Bill recipients at for-profits.[10] Given the emerging evidence that student support services and investment in instruction both have positive boosts on degree completion, building the capacity for colleges serving high shares of veterans could be an effective way to promote degree completion.[11]

End notes

[1] Dortch (2018). The Post-9/11 BI Bill: A Primer https://fas.org/sgp/crs/misc/R42755.pdf

[2] Ibid

[3] NPSAS:2016 https://nces.ed.gov/datalab/index.aspx?ps_x=bfdbmn4f

[4] Lee & Looney (2019) Understanding the 90/10 Rule: How reliant are public, private, and for-profit institutions on federal aid? https://www.brookings.edu/wp-content/uploads/2019/01/ES_20190116_Looney-90-10.pdf

[5] NPSAS:2016 https://nces.ed.gov/datalab/index.aspx?ps_x=bhdbmp41

[6] Protopsaltis & Baum (2019) Does Online Education Live Up To Its Promise? https://mason.gmu.edu/~sprotops/OnlineEd.pdf and Bettinger et al (2017) Virtual Classrooms: How Online College Courses Affect Student Success. American Economic Review, 107(9).

[7] See Cellini & Turner (2018) Gainfully Employed? Assessing the Employment and Earnings of For-Profit Colege Students Using Administrative Data. Journal of Human Resources. Armona, Chakrabarti, & Lovenheim (2018) How Does For-Profit College Attendance Affect Student Loans, Default, and Labor Market Outcomes? Federal Reserve Bank of New York Staff Report No. 811. Scott-Clayton (2018). The Looming Student Loan Default Crisis is Worse Than We Thought https://www.brookings.edu/wp-content/uploads/2018/01/scott-clayton-report.pdf

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[Whereupon, at 1:22 p.m., the subcommittee was adjourned.]

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