United States Senate

<u>HEALTH, EDUCATION, LABOR, AND PENSIONS COMMITTEE</u>

Tom Harkin, Chairman

Is the New G.I. Bill Working?:

For-Profit Colleges Increasing Veteran Enrollment and Federal Funds

Majority Committee Staff Report

July 30, 2014

Executive Summary

Almost three years ago the HELP Committee determined that eight of the top 10 recipients of veterans' educational benefits under the Post-9/11 GI Bill benefits were large, publicly traded companies that operate for-profit colleges. A new analysis shows that in the program's fourth year, enrollment of veterans in for-profit colleges has again increased sharply, in tandem with a steep decline in the share of veterans' enrolling in public institutions, even though overall student enrollment in for-profit colleges has declined. Taxpayers continue to spend twice as much on average to send a veteran to a for-profit college although HELP Committee analysis shows that up to 66 percent of the overall students who enrolled at these for-profit colleges in 2008-09 withdrew without a degree or diploma. Additionally, some companies operating for-profit colleges appear to be increasingly dependent on Post-9/11 GI Bill funds to comply with federal requirements intended to ensure that these companies do not become overly reliant on federal education resources.

- For-profit colleges received $1.7 billion in Post-9/11 GI Bill benefits during the 2012-13 academic year – almost as much as the total cost of the program just four years earlier.

- Eight of the top 10 recipients of Post-9/11 GI Bill benefits are large, publicly-traded companies that operate for-profit colleges. These eight companies have received *$2.9 billion* in taxpayer dollars to enroll veterans in their for-profit colleges over the past four years, including 23 percent of all Post-9/11 GI Bill benefits ($975 million) in 2012-13.

- Amongst the top recipients of Post-9/11 GI Bill benefits is Corinthian Colleges, Inc. Corinthian received $186 million in Post-9/11 GI Bill funds from 2009 to 2013, yet recently announced it was in such severe financial distress that it would close or sell all campuses. In all, seven of the eight companies are currently under investigation by state attorneys general or federal agencies for deceptive and misleading recruiting or other possible violations of federal law.

- While the total number of veterans attending all colleges on the Post-9/11 GI Bill grew rapidly between 2009-10 and 2012-13, both the number of veterans attending for-profit colleges and the amount of benefits these colleges received increased more than in other sectors of higher education.

- The percentage of veterans attending a public college has declined precipitously, from 62 percent in 2009 to just 50 percent in 2013. During the same period, the percentage of veterans enrolling in for-profit colleges increased from 23 to 30 percent of total enrollees.

- Although overall student enrollment has decreased at each of the eight top for-profit GI Bill beneficiaries, their enrollment of veterans has dramatically increased during the same period.

- Taxpayers are paying twice as much on average to send a veteran to a for-profit college for a year compared to the cost at a public college or university ($7,972 versus $3,914).

- The federal government does not currently track how veterans are performing at different types of colleges. However, overall student outcomes provided by the companies to the HELP Committee for students enrolling between 2008 and 2009 give ample reason for concern. At the for-profit colleges currently receiving the most benefits, up to 66 percent of students withdrew without a degree or diploma.

- Between 39 and 57 percent of the programs offered by four of the companies receiving the most Post-9/11 GI Bill benefits would fail to meet the proposed gainful employment rule, suggesting that the students who attend these institutions do not earn enough to pay back the debt they take on.

- Some large companies that operate for-profit colleges appear to be taking advantage of a loophole to use Post-9/11 GI Bill funds to comply with the federal requirement that no more than 90 percent of revenues come from federal student aid.

Introduction

In 2008, recognizing that a new generation of Americans who had served the country in Iraq and Afghanistan were facing challenges with post-military education and employment, Congress and the American people renewed a commitment first made to those who served in World War II by passing a new GI Bill to provide taxpayer dollars for veterans to attend college.

The Post-9/11 Veterans Educational Assistance Act of 2008 (Post-9/11 GI Bill) enacted on June 30, 2008, provides all servicemembers, including reserve troops, who serve a minimum of 90 days active duty after September 10, 2001, up to $19,200 a year in education benefits for four years.[1] Additionally, recognizing that the demands of military life have repercussions on the ability of family members to obtain higher education, some longer-serving veterans may share this educational benefit with spouses and children. By providing increased financial support and raising public awareness, the Post-9/11 GI Bill was intended to lower financial barriers for veterans seeking higher education and to encourage non-profit, public and for-profit colleges to better focus on the needs of returning veterans.

Post-9/11 GI Bill benefits first became available to eligible veterans in August 2009. In December, 2010 and again in September 2011, the staff of the Senate Health, Education, Labor and Pensions (HELP) Committee, chaired by Senator Tom Harkin, released data showing that a disproportionate share of new Post-9/11 GI Bill benefits were flowing to for-profit colleges owned by large, publicly-traded corporations.[2] This issue was of particular concern because, despite questionable outcomes for students attending these colleges, it was costing taxpayers more than twice as much to send a veteran to a for-profit college than it cost to send the same veteran to a public college.[3]

Further, due to a loophole in current law, veterans are unusually attractive students for for-profit colleges. First, veterans eligible for Post-9/11 GI Bill benefits offer for-profit colleges a guaranteed stream of federal revenue but, unlike the students attending the colleges with federal student loans, do not present a risk of subsequent default. In addition, the Higher Education Act requires that all proprietary (for-profit) colleges demonstrate compliance with the "90/10 rule" meaning that at least ten percent of revenues must come from sources other than federal financial aid funds authorized by Title IV of the Higher Education Act. However, as currently written, federal military educational benefits including Post-9/11 GI Bill benefits are not counted as federal financial aid and in fact are counted on the "10" side of the revenue calculation.

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[1] Full funding of the educational benefit is determined by length of service pursuant to the 100% eligibility tier. Additional funding could be provided for public institutions, dependent on in-state tuition costs. *See* U.S. Department of Veterans Affairs, "Education and Training" (May 15, 2014), available at http://www.benefits.va.gov/gibill/resources/benefits_resources/rates/ch33/ch33rates080113.asp.

[2] U.S. Senate, Committee on Health, Education, Labor and Pensions, *For Profit Higher Education: The Failure to Safeguard the Federal Investment and Ensure Student Success*, Washington: Government Printing Office, July 30, 2012 ("2012 Report"); U.S. Senate, Committee on Health, Education, Labor and Pensions, *Benefitting Whom? For-Profit Education Companies and the Growth of Military Educational Benefits*, Washington: Government Printing Office, Dec. 8, 2010 ("2010 Report").

[3] 2012 Report, Appendix 11

The current 90/10 rule was enacted in 1992 and is intended to ensure that for-profit schools are not overly reliant on federal money as a source of revenue. Recently, the Department of Education delayed financial aid disbursements to Corinthian Colleges, Inc. for 21 days after the company continually failed to address concerns that it was falsifying job placement data used in marketing claims to prospective students and allegations of altered grades and attendance.[4] Following this delay, Corinthian announced it was ceasing operations, demonstrating acute dependence on federal revenues even though the company booked profit of $51.4 million in fiscal 2013. This example makes clear the need to maintain and strengthen current law.

Because Post-9/11 GI Bill benefits can be counted towards the ten percent side of the revenue calculation, enrolling large numbers of veterans is increasingly critical for some for-profit colleges to be able to comply with the 90/10 rule. Unfortunately, the failure to count military educational benefits as federal financial aid not only subverts the intent of a law designed to ensure the financial integrity of for-profit colleges by ensuring the schools are not entirely dependent on federal dollars, but it actually incentivizes these companies to aggressively market to and recruit veterans.[5] As Mrs. Hollister Petraeus, head of the Office of Servicemember Affairs at the Consumer Financial Protection Bureau, testified in September 2011, the loophole "creates an incentive to see servicemembers as nothing more than dollar signs in uniform, and to use some very unscrupulous marketing techniques to draw them in."[6]

In response to issues raised in hearings and reports, and in response to increasing complaints heard from veterans attending these schools, on April 27, 2012, President Obama issued Executive Order 13607, Establishing Principles of Excellence for Educational Institutions Serving Service Members, Veterans, Spouses, and Other Family Members. While the Executive Order has resulted in a number of positive changes, it is not yet possible to determine student outcomes across federal military and veterans educational benefit programs, including, the Post-9/11 GI Bill. While it was a goal of the Executive Order, there is no federal data that determines if veterans using Post-9/11 benefits to attend college are completing degrees and diplomas or to compare how veterans attending one type of college are performing relative to veterans attending another type of school.

[4] Corinthian College, Inc., June 19, 2014 Form 8-K, via EDGAR, accessed July 2014.

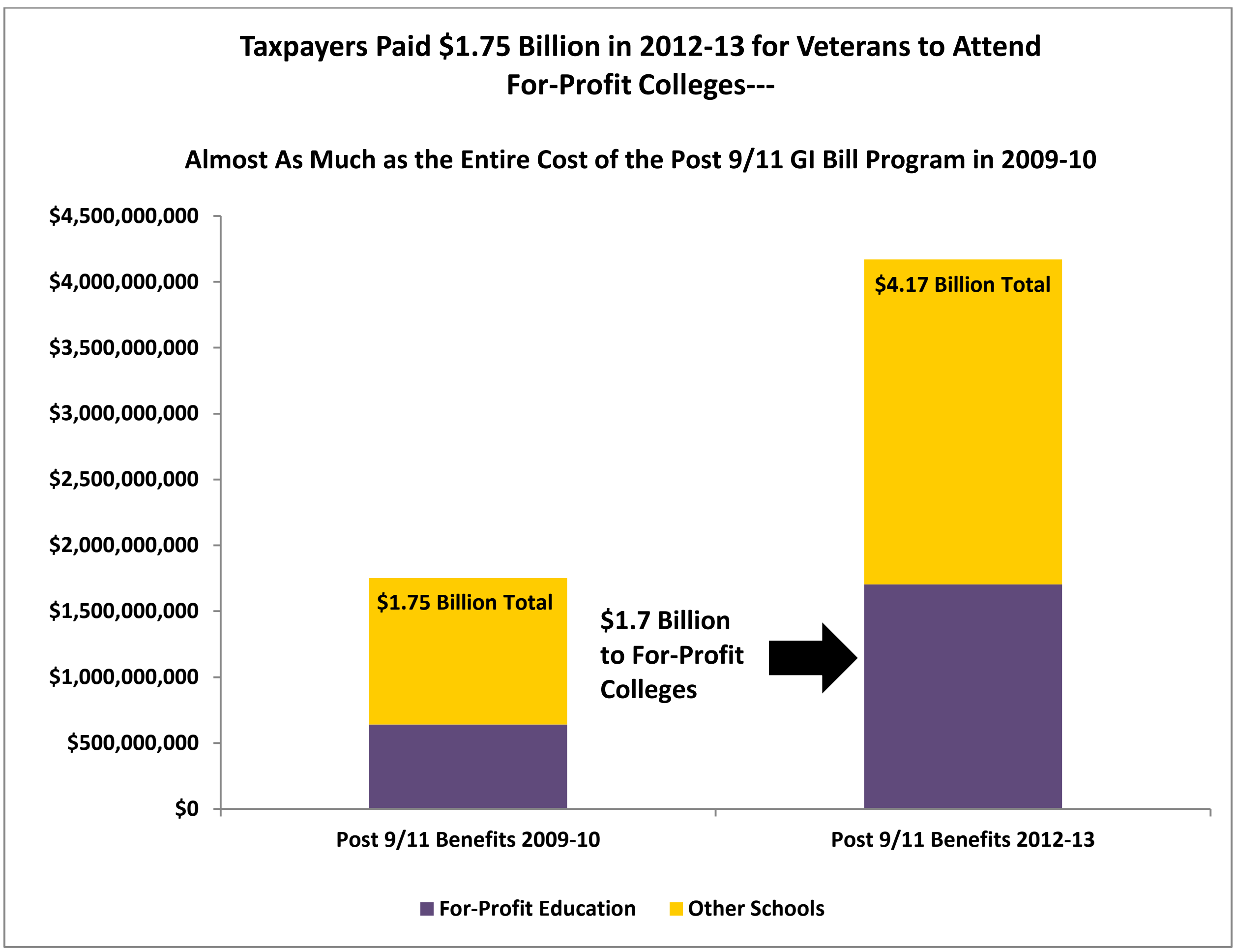
[5] The Department of Defense also supports servicemembers' education through the long standing Tuition Assistance program (which allows servicemembers to being taking postsecondary education classes while on duty), and operates the MyCAA program to help spouses of servicemembers develop portable career opportunities. However while these programs are also used as a means to comply with the 90/10 regulation, the most recent data available for these programs is from 2011.

[6] Testimony before Subcommittee on Federal Financial Management, Government Information, Federal Services and International Security, U.S. Senate Committee on Homeland Security and Governmental Affairs, Sept. 22, 2011.

Amount of Benefits Paid to For-Profit Colleges Continues to Skyrocket

Based on data provided by the Department of Veterans Affairs and the Congressional Research Service, analysis by the staff of the HELP Committee demonstrates that the amount of Post-9/11 benefits has increased dramatically across all sectors of higher education over the four years of the program. In 2009, $1.75 billion was paid out in Post-9/11 GI Bill benefits, but by 2012-13 that amount had increased to $4.17 billion.[7] Between 2009-10 and 2012-13, the total number of veterans using the program increased from 330,000 to 697,500. The number of veterans enrolling at non-profit colleges increased slightly from 15 to 17 percent. But the number of veterans attending public colleges decreased precipitously from almost 62 percent in 2009 to 50 percent in 2012. The number of veterans enrolling in for-profit colleges increased from 23 to 31 percent.[8]

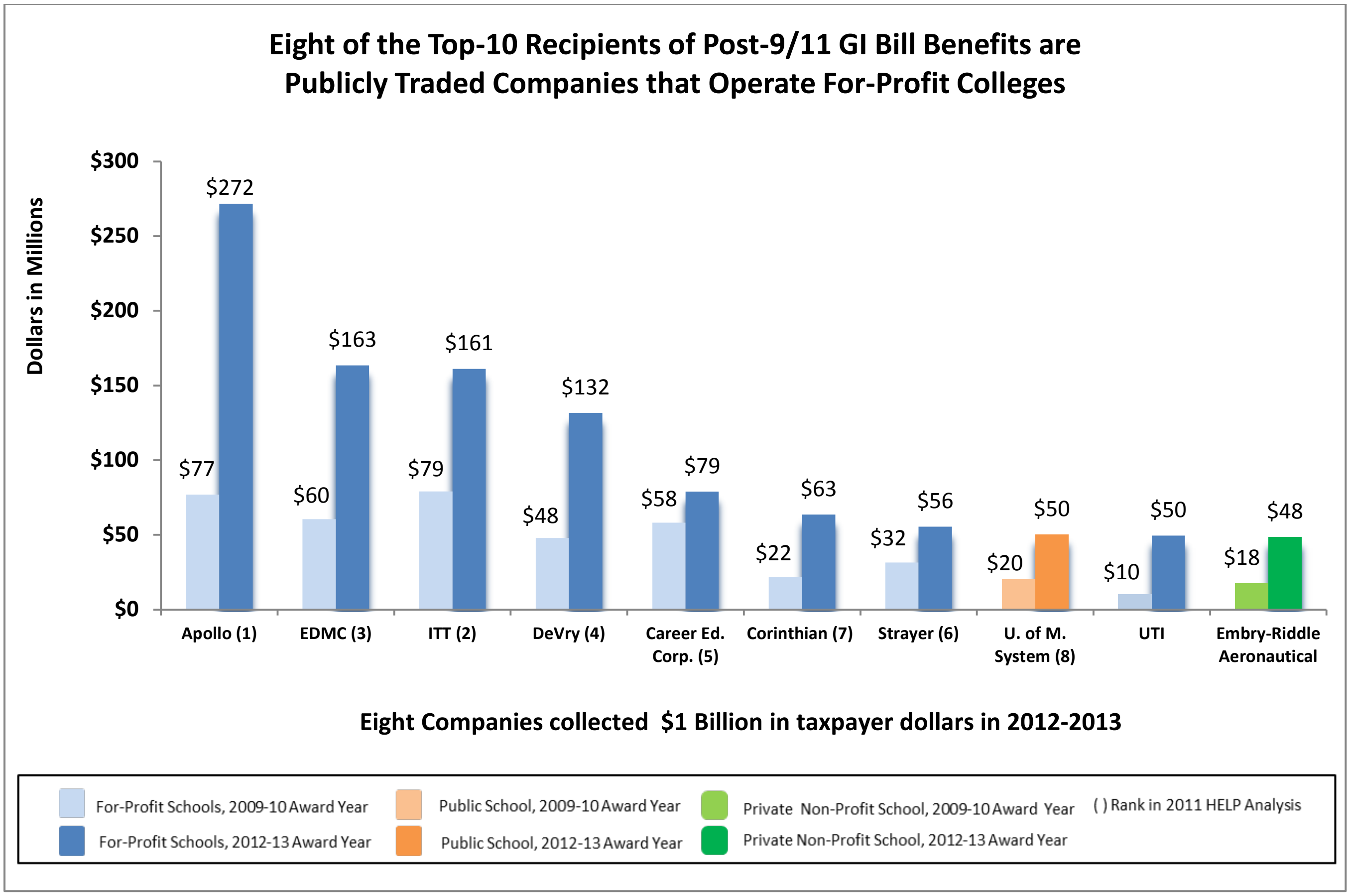
The *amount* of taxpayer dollars paying for veterans to attend for-profit colleges meanwhile has skyrocketed from $640 million in the 2009-10 school year to $1.7 billion last year. In fact, in 2012-13, taxpayers spent almost as much to send veterans to for-profit colleges as they spent on the entire program just four years ago.



[7] This amount includes only actual tuition benefits and does not include supplemental yellow ribbon funds provided by schools, housing allowances or other benefits.
[8] *See* 2012 Report, Appendix 1.

Large Public Companies Continue to Receive the Most GI Bill Benefits

When the top beneficiaries of the Post-9/11 GI Bill program are examined, once again, eight of the top-10 recipients of benefits are large, publicly traded companies that operate for-profit colleges.



Corinthian Colleges Inc. (Corinthian), currently on the verge of ceasing operations, almost tripled the amount of Post-9/11 GI Bill benefits it received between 2009-10 and 2012-13. Apollo Group, owner of the University of Phoenix received $272 million in Post-9/11 benefits in 2012-3, more than triple the amount received in 2009-10. In fact, seven of the eight top recipients of Post-9/11 GI Bill dollars are the same publicly traded for-profit education companies that were top benefit recipients in 2009 and 2010. Together, the eight publicly traded companies received $975 million in taxpayer dollars to enroll veterans just in 2012-13. This represents 23 percent of all Post-9/11 benefits paid in 2012-13.

Growing Investment in Veterans at For-Profit Colleges Not Supported by Outcomes

For-profit colleges can sometimes best meet the needs of non-traditional students, including veterans. The schools offer online options or convenient campus locations, a structured approach to coursework, and the flexibility to stop and start classes quickly and easily. However, serious concerns exist regarding whether the majority of students that enroll in these schools are completing diplomas or degrees and obtaining jobs that lead to economic advancement. As noted above, in the absence of a federal data, it remains impossible for anyone other than the companies and colleges themselves, which track the information closely, to determine how veterans are performing.

Overall student outcome data provided to the Senate HELP Committee provides reason for concern.[9] Using information provided by the companies, the HELP Committee established that in 2008-09 as many as 60 percent of the total students who enrolled in some of the companies receiving the largest amounts of GI Bill benefits left the school within a year of enrolling and without a degree or diploma.

Overall Student Outcomes for Companies and Systems Receiving the Most Post-9/11 GI Bill Benefits in 2012-13

2008-2009 Student Outcomes	Bachelor's Students Withdrawn	Associate Students Withdrawn
Apollo (University of Phoenix)	50.3%	66.4%
Ed. Mgmt. Corp. (Art Institute, Argosy)	61.9%	63.7%
ITT	44.5%	53.1%
DeVry	56.4%	54.3%
Career Ed. Corp. (Sanford Brown, CTU)	51.4%	61.7%
Corinthian (Everest, Heald, WyoTech)	59.2%	66.5%
Strayer	34.1%	48.8%
University of Maryland System	22.0% [10]	N/A
Embry-Riddle Aeronautical	29.6% [11]	N/A
UTI	N/A	32.1%

While a number of companies operating for-profit colleges, including the University of Phoenix, Strayer, Kaplan, and Bridgepoint, have put policies into place since 2010 that are specifically directed at improving outcomes, none of the other companies receiving the largest amounts of Post-9/1 benefits have made public similar policies, and serious questions remain regarding how many students, including veterans, who enroll in these schools actually complete the programs.[12]

In 2011, the Department of Education finalized a regulation requiring that many of the programs offered by for-profit colleges and community colleges be required to demonstrate that the programs they offered prepare students for gainful employment in a recognized occupation. After a court challenge resulted in one prong of this regulation being struck down, the Department of Education proposed a revised rule that similarly looks to whether students who complete programs have enough income to pay down the debt they take on, and whether students enrolled in a particular program are defaulting at a high rate.[13]

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[9] The student outcome data was provided to the Senate HELP Committee by each company pursuant to the committee's document request of August 5, 2010. 2012 Report, Appendix 3 (Methodology), at A3-5-6.

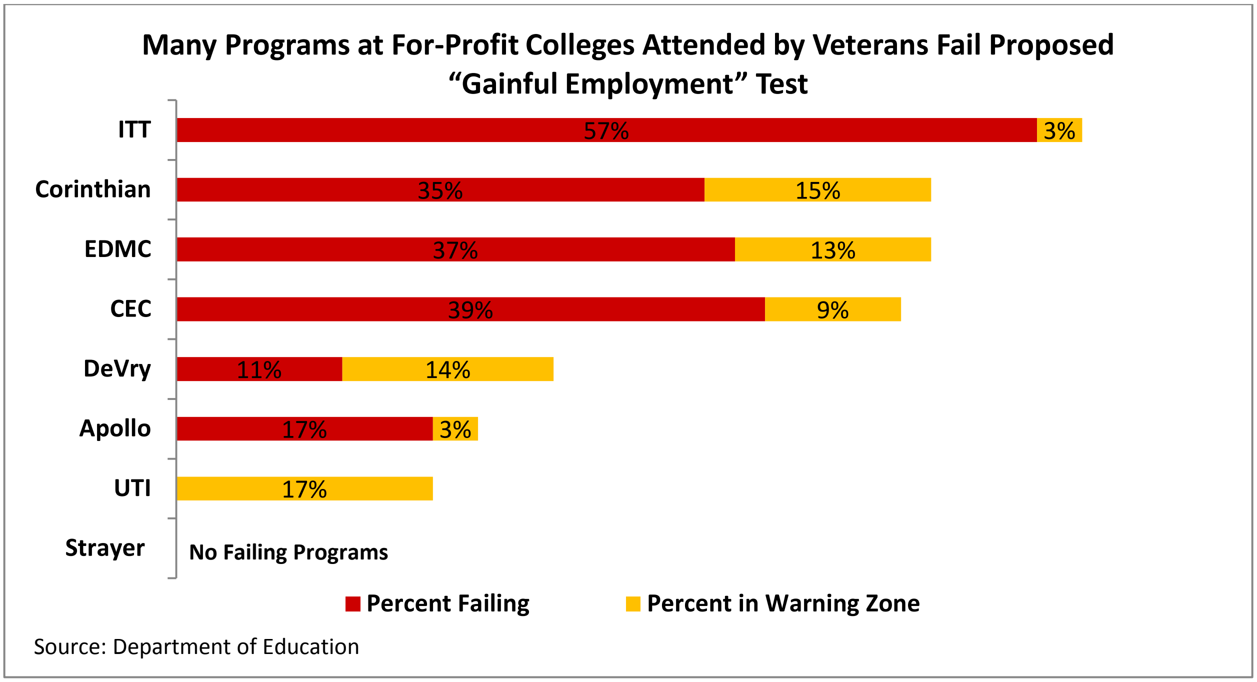
[10] Student outcomes for companies operating for-profit colleges are based on information provided by the companies to the Senate HELP Committee. Withdrawal rates are based on all students who enrolled between July 1, 2008 and June, 30 2009 as of mid-2010. Non-profit and public college outcomes based on Fall 2012 Department of Education retention data and includes only first-time students.

[11] UTI does not offer 4-year degree. University of Maryland and Embry Riddle do not report retention rates for 2-year programs to the Department of Education.

[12] *E.g.*, Kaplan instituted the Kaplan Commitment in September 2010, permitting students to take five weeks of classes without incurring obligations and allowing students to withdraw in that period while only paying a minimal application fee. 2012 Report at 561. The University of Phoenix under Apollo Group also instituted in 2010 a University Orientation Program, allowing withdrawal within the first three weeks of a course without incurring costs. *Id.* at 274. It is unclear if these programs have improved overall completion rates but have certainly led to decreases in overall enrollment.

[13] The proposed rule includes two complimentary tests. The debt-to-earnings measurements evaluate the amount of debt students incur for a program compared to their annual and discretionary earnings after completing the programs. Programs pass with an annual earnings rate less than or equal to 8% or a discretionary income rate less

Because the Department of Veterans Affairs assessment of the quality of programs can be limited, the gainful employment rule will be an important threshold to ensure that veterans are enrolling in programs and colleges that will provide the education and the skills they are seeking. Though not currently finalized or in effect, when the proposed gainful employment regulation is applied to programs operated by the eight companies receiving the most benefits, concerns with the quality of the programs offered by these companies are reinforced.



At ITT, Corinthian, EDMC and CEC, between 35 and 57 percent of programs would fail to demonstrate that they prepare students for employment in a recognized profession. However, all programs that fall within the gainful employment definition pass the proposed test at Strayer.[14]

Are For-Profit Colleges a Good Investment for Taxpayers?

One of the criticisms of for-profit colleges is that the programs they offer are expensive when compared to similar programs at community colleges and even elite state universities. Post-9/11 GI Bill spending indicates that taxpayers are paying far more to send veterans to for-profit colleges than to public colleges.

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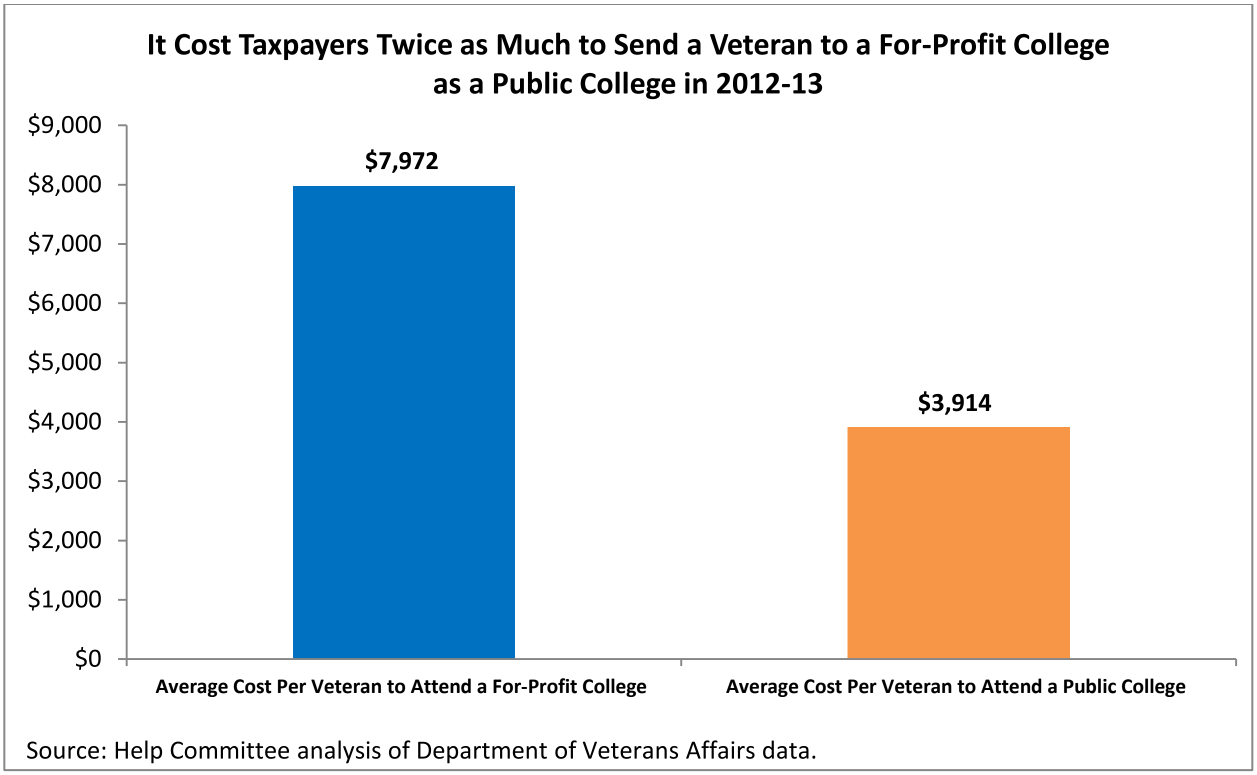
than or equal to 20%. The second test is the program cohort default rate, which evaluates the default rate of former students enrolled in a program. Programs pass with a rate of less than 30%. Notice of Proposed Rulemaking, 79 Fed. Reg. 16426, 16427 (Mar. 25, 2014).

[14] Embry Riddle has no programs eligible for consideration under the gainful employment regulation. UMUC has two programs, and both programs pass the proposed test.



The average cost for taxpayers to send a veteran to a for-profit college is twice the amount as sending the veteran to a public college: $7,972 at a for-profit college and $3,914 at a public college.[15]

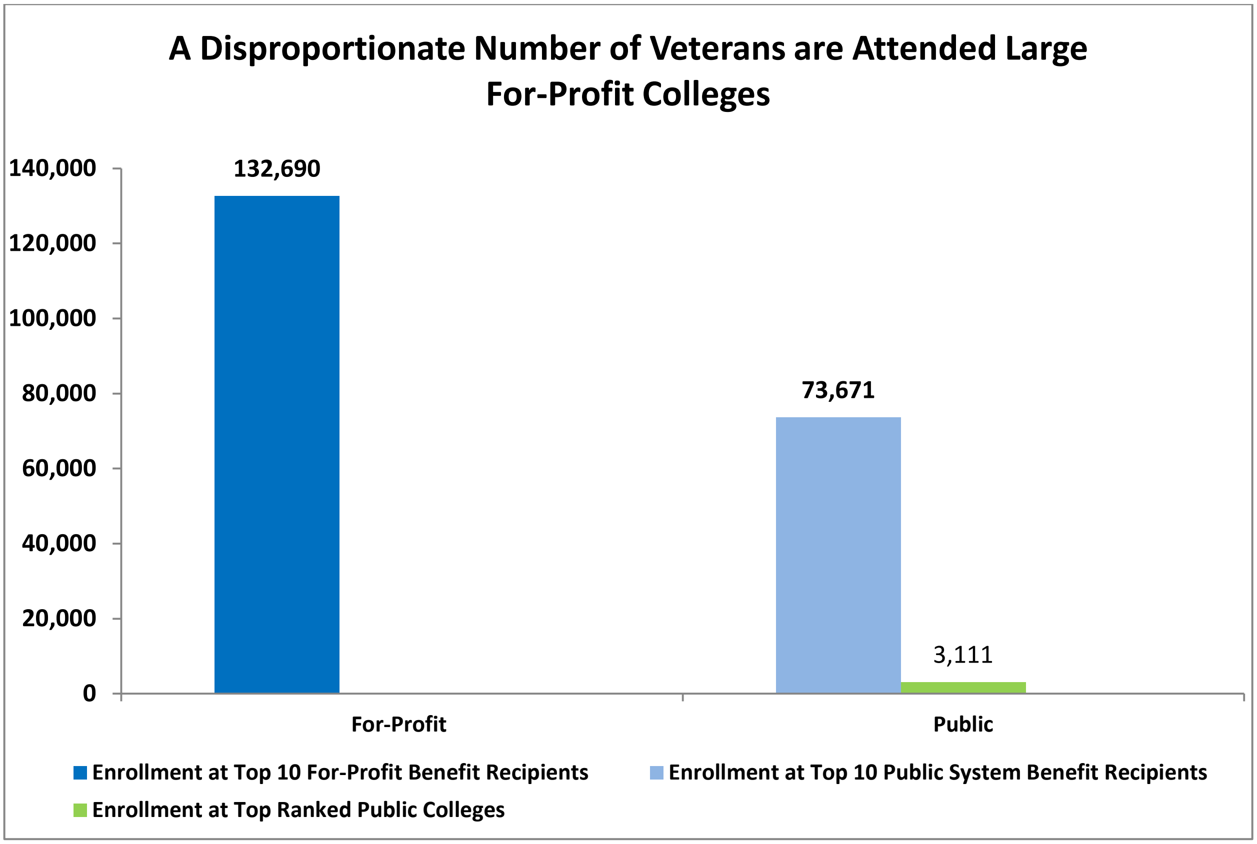
Moreover, some of the for-profit colleges that are costing taxpayers the most are among those with the most questionable overall retention rates for students, including ITT and EDMC which cost taxpayers more than $10,000 a year per veteran on average.

Average Cost to Attend Top Post-9/11 GI Bill Recipients

Company	Veterans Attended 2012-13	Average Cost
ITT	13,028	$12,362
EDMC	14,459	$11,304
UTI	4,517	$10,968
ECPI	4,178	$10,200
Corinthian	6,427	$9,877
Career Ed.	9,221	$8,565
DeVry	16,293	$8,082
Kaplan	6,198	$6,419
Apollo	43,455	$6,250
University of Texas System	5,758	$5,962
Strayer	9,328	$5,954
Embry-Riddle Aeronautical University	8,153	$5,935
Bridgepoint	8,583	$4,532
University of Maryland System	12,602	$3,993

[15] The average cost to send a veteran to a non-profit college in 2012-13 was $8,293, slightly more on average than a for-profit college, a trend that has been consistent throughout the four years of the program. *See* Appendix 1.

Veterans are enrolling in public university systems. For example, the Georgia State system, the Ohio State system, the State University system of New York, and the Arizona State system are top recipients of benefits amongst public colleges. However, when veteran enrollment at these large state systems, some of which offer high-profile online programs, is compared to veteran enrollment at top for-profit recipients, data demonstrates that still almost twice as many veterans are enrolling in for-profit colleges compared to top benefit receiving public college systems.[16]



Although overall student enrollment has decreased between 2010 and 2013 at every one of the eight for-profit education companies amongst the top recipients, the companies have uniformly increased veteran enrollment anywhere from 95 to 657 percent.

Company	Veteran Enrollment 2009-10	Veteran Enrollment 2012-13	% Increase
Apollo	15,007	43,455	190%
Devry	6,211	16,293	162%
EDMC	5,080	14,459	185%
ITT	6,677	13,028	95%
Strayer	4,673	9,328	100%
Career Ed. Corp.	5,715	9,221	61%
Corinthian	1,952	6,427	229%
UTI	597	4,517	657%
Total	45,912	116,728	154%

[16] See Appendix IV for the top ten public system Post-9/11 GI Bill recipients.

Is Deceptive and Misleading Recruiting of Veterans Continuing?

The fact that so many veterans are continuing to enroll in high-cost, for-profit colleges with questionable outcomes raises questions regarding whether aggressive deceptive and misleading marketing efforts are continuing. Among the top for-profit recipients of Post-9/11 GI Bill funds, seven of the eight companies are currently under investigation for deceptive and misleading recruiting or other possible violations of state and federal law. Investigations are being undertaken by state Attorneys General and by federal agencies including the Department of Justice, the Securities and Exchange Commission (SEC), the Federal Trade Commission (FTC) and the Consumer Financial Protection Bureau (CFPB).[17]

Career Education Corporation, Corinthian, EDMC, and ITT are all under investigation by a bipartisan group of Attorneys General for unfair, deceptive or misleading recruiting practices.[18] Furthermore, the California Attorney General found Corinthian Colleges to be unlawfully displaying the official seals of military departments without the proper disclaimer on recruitment materials, implying a connection or even endorsement of Corinthian's outreach efforts to veterans.[19] ITT and Corinthian are also under investigation by the CFPB regarding the advertising, marketing, and origination of their private student

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[17]Apollo Group is under investigation by the Attorneys General of Florida, Massachusetts, and Delaware. Apollo Group, Inc., Aug. 31, 2013 Form 10-K (filed Oct. 22, 2013), via EDGAR, accessed July 2014. These probes concern a wide range of the company's business, including recruitment and financial aid.

ITT is under investigation by the CFPB and the Attorneys General of Massachusetts and Kentucky (on behalf of a 12-state inquiry). ITT, Dec. 31, 2012 Form 10-K (filed Feb. 22, 2013), via EDGAR, accessed July 2014; Jan. 27, 2014 Form 8-K, via EDGAR, accessed July 2014. While the CFPB probe is focused on advertising, marketing, and student loans, the investigations by the Attorneys General are broad inquiries into marketing, student outcomes, recruitment, and financing. ITT is also under investigation by the SEC.

EDMC is under investigation by the City Attorney of San Francisco and the Attorneys General of Florida, Kentucky, Massachusetts, New York, and Pennsylvania (on behalf of a 12-state inquiry). EDMC, June 30, 2013 Form 10-K (filed Sept. 3, 2013), via EDGAR, accessed July 2014; Jan. 24, 2014 Form 8-K, via EDGAR, accessed July 2014. These investigations center on recruitment, financial aid, and student outcomes. EDMC is also under investigation by the SEC.

Career Education Corporation is under investigation by the Attorneys General of Colorado, Connecticut (on behalf of a 13-state inquiry), Florida, and Massachusetts. CEC, Dec. 31, 2013 Form 10-K (filed Feb. 27, 2014), via EDGAR, accessed July 2014. These investigations revolve around recruitment, student outcomes, licensing results, and financial aid. Career Education is also under investigation by the SEC.

DeVry is under investigation by the FTC and the Attorneys General of Illinois and Massachusetts. DeVry, Jan. 28, 2014 Form 8-K (filed Feb. 4, 2014), via EDGAR, accessed July 2014; Apr. 15, 2013 Form 8-K, via EDGAR, accessed July 2014. The FTC probe is focused on advertising, marketing, and sale of educational and accreditation products or services, whereas the Attorneys General are investigating false claims made in prior investigations about student loans and financial aid.

Corinthian Colleges is under investigation by the CFPB and the Attorneys General of California, Florida, Illinois, Iowa (on behalf of a 16-state inquiry), Massachusetts, New York, and Wisconsin. Corinthian Colleges, June 30, 2013 Form 10-K (filed Sept. 3, 2013), via EDGAR, accessed July 2014; Jan. 27, 2014 Form 8-K, via EDGAR, accessed July 2014. While the CFPB probe is focused on advertising, marketing, and student loans, the Attorneys General investigations are far broader and evaluate enrollment, student outcomes, corporate organization and employment, securities, accreditation, and the company's earlier decision to sell certain campuses. Corinthian is also under investigation by the SEC.

UTI is under investigation by the Attorney General of Massachsuetts. UTI, Mar. 31, 2014 Form 10-Q (filed Apr. 29, 2014), via EDGAR, accessed July 2014. The investigation centers on false claims made during prior investigations related to student loans and financial aid.

[18] *Id.*

[19] Complaint at 19-20, California v. Heald College, No. CGC-13-534793 (Cal. Super. Oct. 10, 2013).

loan programs, while DeVry is under investigation by the FTC and the Attorneys General of Illinois and Massachusetts regarding its advertising and marketing practices.[20] EDMC also recently settled with the City Attorney of San Francisco for $4.4 million, over marketing tactics that allegedly underestimated program costs for students and inflated job placement figures for graduates at the Art Institute of San Francisco.[21] Multiple companies are simultaneously under investigation by the Securities and Exchange Commission.[22]

Meanwhile, the amount of money for-profit education companies spend on marketing and recruiting continues to increase. HELP Committee staff documented that in 2009, fifteen publicly traded for-profit education companies spent an average of $248 million a year on marketing and recruiting. Of the four publicly traded companies (Apollo, Corinthian, Strayer, and Bridgepoint) that publicly report this information, spending on marketing has actually increased 11 percent since 2010. Corinthian in particular has increased the amount it spends on marketing and recruiting, from $328 million in 2010 to $396 million in 2013, an increase of 20 percent. At the same time, the company increased the number of veterans it enrolls from 1,952 to 6,427 during the same period. In fact, although Corinthian has announced plans to cease operations and close or sell its remaining campuses, the company is reportedly continuing to recruit and enroll veterans at military bases in California.[23]

Stories from veterans who were the recipients of false promises also continue to emerge. David Pace, a veteran recently profiled on the PBS Newshour, served twenty years in the Navy, and was told by a recruiter from the University of Phoenix that his military experience would translate into academic credit and allow him to graduate in eighteen months, leaving him with enough Post-9/11 GI Bill money to pursue a master's degree.[24] A year into the program, Pace was told he would need to take ten additional classes to graduate.[25] In total, it took Pace three years to graduate from the University of Phoenix, which exhausted his entire military educational benefit.[26] And despite the approximately $50,000 in GI Bill funds spent to obtain a business degree, Pace has been unable to find work other than the same kind of physical labor jobs he was already performing.[27]

Another veteran, Daphanie Johnson, was serving in Iraq when her supervisor told her about the convenience of online courses and how she could use her GI Bill benefits to pay for them.[28] Upon the completion of her deployment she enrolled in Career Education Corporation-owned American Intercontinental University (AIU) and was assured by AIU staff that her GI Bill benefits would cover her tuition.[29] Johnson was forced to take out loans to complete her degree and found herself seriously in debt upon graduating, with very few job prospects. AIU then persuaded her to enroll in their MBA

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[20] *Supra* note 17.
[21] *Id.*
[22] *Id.*
[23] Leo Shane III, "Colleges are for sale but they continue to recruit on bases," Marine Corps Times (July 18, 2014), available at http://www.marinecorpstimes.com/article/20140718/EDU/307180061/Colleges-sale-they-continue-recruit-bases.
[24] "Is GI Bill benefitting for-profit colleges instead of helping veterans?" (PBS NewsHour, July 7, 2014).
[25] *Id.*
[26] *Id.*
[27] *Id.*
[28] Press Release, Veterans' Student Loan Relief Fund, Pensacola Resident and Iraq War Veteran, Daphanie Johnson, Receives Grant to Pay Down Student Loan Debt Accumulated Attending a For-Profit College (July 1, 2014) (on file with author).
[29] *Id.*

program, after telling her that it would help improve her job prospects. Johnson now has more than $73,000 in debt and has been unable to even get an interview for a job in her field.[30]

Are the For-Profit Colleges That Enroll Veterans Financially Sound?

In addition to the recent failure of Corinthian, a company that received $186 million in Post-9/11 benefits from 2009 to 2013, at least two additional companies that enroll veterans are facing scrutiny regarding their financial integrity. ITT failed to file its annual disclosure, due March 3, 2014, with the SEC and has failed to provide its financial statements to the Department of Education as required on June 30, 2014.[31] The company's failure to file is largely the result of the PEAKs quasi-private loan program under which a third-party lender made $300 million in loans to ITT students that the company agreed to guarantee in the case of default. ITT has stated that the default rate for the PEAKS program and a similar 2009 student loan risk sharing agreement is 64 percent, and that "the performance of the student loans have significantly under-performed expectations and the default rates have far exceeded anything we modeled or observed in available historical data for similar student loans."[32] In addition to payments previously made, the company projects that it will pay an additional $227.7 million to satisfy its guarantee obligations for both the PEAKs program and its 2009 student loan risk sharing agreement.[33] ITT has further violated a number of conditions in their credit agreements and have amended these agreements to provide for the issuance of an $80 million letter of credit, should they be required to post such a letter with the Department of Education.[34] Finally, the company has pursued a sale and leaseback of 24 of its campuses to raise money to help pay liabilities that the company incurred as part of the 2009 student loan risk sharing agreement.[35]

EDMC, which is 43 percent owned by Goldman Sachs Capital Partners, currently has a financial responsibility score that requires the company to post a letter of credit with the Department of Education equivalent to 10 percent of the federal student aid funds they receive. The company has total debt of $1.3 billion, the majority of which is owed to private equity firm KKR (formerly Kohlberg Kravis Roberts).[36] Because of the company's significant debt level, it recently violated loan covenants and was forced to seek a waiver until September 15, 2014, to resolve its financial difficulties.[37]

Some For-Profit Colleges Are Reliant on Post-9/11 GI Bill Benefits to Comply with the 90/10 Rule

As some large, publicly traded, for-profit education companies face increasing financial management challenges and simultaneously an increased dependence on federal financial aid, the companies also appear increasingly dependent on the receipt of Post-9/11 benefits in order to comply with the 90/10 rule. In 2012, the HELP Committee determined that for-profit colleges were rapidly becoming more

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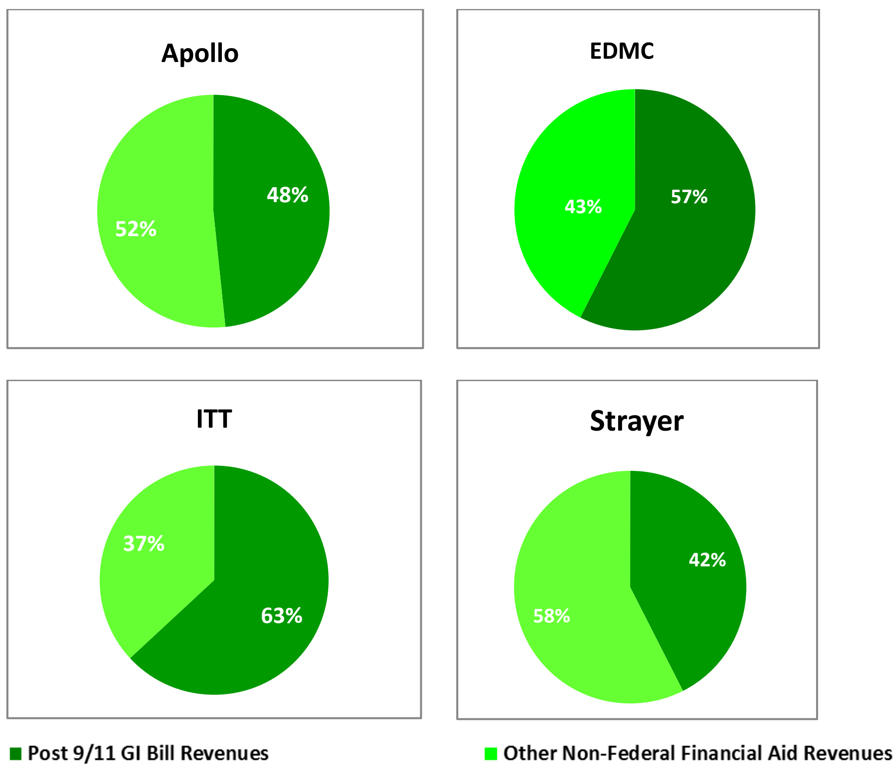
[30] *Id.*
[31] ITT Educational Services, June 30, 2014 Form 8-K (filed July 2, 2014), via EDGAR, accessed July 2014.
[32] ITT Earnings Conference Call, Q4 2013 (Jan. 30, 2014).
[33] ITT Educational Services, May 22, 2014 Form 8-K, via EDGAR, accessed July 2014.
[34] ITT Educational Services, June 30, 2014 Form 8-K (filed July 2, 2014), via EDGAR, accessed July 2014.
[35] ITT Educational Services, May 8, 2014 Form 8-K (filed May 15, 2014), via EDGAR, accessed July 2014.
[36] Josh Kosman, "Goldman Sachs, KKR flunk in college investment," *The New York Post* (July 11, 2014), available at http://nypost.com/2014/07/11/goldman-sachs-kkr-flunk-in-college-investment/.
[37] *Id.*

reliant on federal financial aid and were engaged in a number of regulatory evasions in order to comply with the 90/10 rule.[38] In fact, based on revenues reported to the SEC, at least four companies appear to be receiving close to or more than half of their reported non-federal financial aid revenue on the 10 side of the equation from Post-9/11 GI Bill benefit funds.

For-Profit Colleges are Required to Have 10 Percent of Revenues from Sources Other Than Federal Financial Aid

At 4 Companies an Estimated 43 to 63% of the "10" Percent Comes From Post-9/11 GI Bill Benefits



While the majority of military education benefits come from the Post-9/11 Bill, these companies also receive military education benefits as a result of enrolling active duty service members eligible for tuition assistance and those eligible for previous GI Bill benefits. Thus, in at least some instances, several large for-profit education companies are likely even more dependent on federal dollars than demonstrated above. The fact that companies are simultaneously overly dependent on Title IV federal financial aid dollars, and are in practice receiving a significant share of additional revenues from *other* federal sources makes clear the need to close the loophole and require all federal education money be counted on the 90 side of the 90/10 equation.

Conclusion

The original GI Bill, approved just weeks after D-Day, educated nearly eight million Americans and helped transform this nation. The Post-9/11 Veterans Educational Assistance Act of 2008 is intended to

[38] 2012 Report at 136-49.

offer veterans, spouses, and other family members that same opportunity to receive the education and learn the skills they need to advance economically. Concerns with implementation of the first GI Bill led to reforms including an early version of the 90/10 rule that required no school could enroll more than 90 percent veterans. Similarly, it is not clear that some of the companies obtaining these benefits under this new GI Bill offer veterans a quality educational opportunity or offer taxpayers good value.

Given the predatory marketing and recruitment of servicemembers and veterans and the troubling outcomes documented throughout the Senate HELP Committee's two year-long investigation into the for-profit college sector, it is clear that much more needs to be done to ensure that servicemembers and veterans are using their federal benefits at schools that provide genuine opportunity for advancement. It is critical that the federal government establish and make public how servicemembers and veterans are faring throughout the higher education system. Further, it is essential that statutory provisions like 90/10 rule be strengthened to better protect our veterans and servicemembers and properly account for all the federal dollars these schools are receiving from taxpayers and that additional steps be taken to address aggressive marketing. It is our responsibility as a country to serve those who serve us and to preserve the purpose of the GI Bill – to provide veterans with sound educational opportunities that lead to economic security and advancement. Only then will the Post-9/11 GI Bill prove to be the success that the post-World War II GI Bill has been.

Appendix I:
Methodology

Calculations are based on data provided by the Veterans Affairs Administration. Information for 2009-10 was provided to the Senate HELP Committee. Information for 2009-11 was provided to Senate Veterans Affairs Committee and information for 2011-12 and 2012-13 was provided to the Congressional Research Service. Benefit calculations generally track the award year but exact dates vary from year to year. For years 2009-10 and 2010-11, HELP Committee staff reallocated a number of colleges to the correct sector (i.e., non-profit, public, for-profit, foreign, training program). For 2011-12 and 2012-13, data provided did not include the sector and all sector identifications were performed by HELP Committee staff using the Department of Education Integrated Postsecondary Education Data System and other sources.

Data includes only tuition benefits paid under the Post-9/11 GI Bill program. It does not include benefits paid by the VA under the Montgomery GI Bill, the DOD Tuition Assistance program or MyCAA spousal education program for active-duty servicemembers, or Yellow Ribbon funds paid by various colleges to help veterans offset costs not covered by the GI Bill. Analysis also does not include additional benefits paid in the form of monthly housing allowances, annual books and supplies stipends or one-time rural benefit payments.

In order to determine the top recipients of Post-9/11 GI Bill benefits, in the public sector, colleges were grouped according to the state system and benefits for multiple campuses were cumulated. Thus, for example, the Ohio State system includes 13 four-year state universities, 24 branch campuses, and 23 two-year community colleges. Similarly, in the for-profit sector, colleges owned by the same corporation were grouped together and benefits cumulated.

Student outcomes and withdrawal rates for students attending for-profit colleges are based on information provided by for-profit education companies to the Senate HELP Committee, pursuant to the document request of August 5, 2010.[39] Student retention rates for Embry Riddle and the University of Maryland system are based on information reported to the Department of Education but are based on only first-time students and may not capture students who entered and left the schools between one year and the next.

The share of the 90/10 attributable to Post-9/11 GI Bill benefits is a good faith estimate. In order to determine the share of the 10 portion of the 90/10 calculation attributable to benefits received through the Post-9/11 GI Bill, HELP Committee staff applied the 90/10 ratio reported by the companies to the SEC for fiscal year 2013 to total revenue reported. Revenue amounts are likely slightly higher than the actual 90/10 number, which are not yet available from the Department of Education due to allowed exclusions from revenue under the rule. Additionally, for three of the four companies the fiscal year and the academic year do not precisely correspond.[40] Because ITT has yet to release its 2013 financial data, the figures used to calculate the 90/10 amount attributable to Post-9/11 GI Bill benefits for the company are based on 2012 financial data and 2011-2012 GI Bill amounts. The numbers for Apollo are based only on the University of Phoenix, as 90/10 and Revenue numbers were not available for Western International University.

[39] For additional information, *see* 2012 Report, Appendix 3 (Methodology) and the Student Outcomes charts in Appendix 15 (Retention and Withdrawal).
[40] Apollo's fiscal year ends August 31; EDMC's fiscal year ends June 30; ITT's fiscal year ends December 31; and Strayer's fiscal year ends December 31.

Appendix II:
Post-9/11 Benefits by Sector 2009-2013

2009-10 Academic Year					
Sector	**No. of Veteran's**	**Amount Paid**	**% of Benefits**	**Cost per Vet.**	**% of Vets**
Private Non-Profit	49,470	$416,022,759	23.7%	$8,410	15.0%
Public	203,790	$696,687,673	39.8%	$3,419	61.8%
For-Profit	76,746	$639,831,862	36.5%	$8,337	23.3%
TOTAL	**330,006**	**$1,752,542,294**			

2010-11 Academic Year					
Sector	**No. of Veteran's**	**Amount Paid**	**% of Benefits**	**Cost per Vet.**	**% of Vets**
Private Non-Profit		$589,973,604	23.4%	$12,956	16.3%
Public		$981,439,854	39.0%	$6,221	56.6%
For-Profit		$946,922,378	37.6%	$12,587	27.0%
TOTAL		**$2,518,335,836**			

2011-12 Academic Year					
Sector	**No. of Veteran's**	**Amount Paid**	**% of Benefits**	**Cost per Vet.**	**% of Vets**
Private Non-Profit	93,662	$901,929,783	23.4%	$9,630	16.9%
Public	292,817	$1,297,604,178	33.7%	$4,431	52.9%
For-Profit	158,212	$1,587,632,203	41.3%	$10,035	28.6%
Training Program	7,444	$48,916,552	1.3%	$6,571	1.3%
Foreign	1,214	$10,646,986	0.3%	$8,770	0.2%
TOTAL	**553,349**	**$3,846,729,702**			

2012-13 Academic Year					
Sector	**No. of Veteran's**	**Amount Paid**	**% of Benefits**	**Cost per Vet.**	**% of Vets**
Private Non-Profit	121,510	$1,007,795,925	24%	$8,294	17.4%
Public	347,772	$1,361,126,856	33%	$3,914	49.9%
For-Profit	213,702	$1,703,711,468	41%	$7,972	30.6%
Training Program	13,082	$86,711,395	2%	$6,628	1.9%
Foreign	1,456	$11,134,351	0.3%	$7,647	0.2%
TOTAL	**697,522**	**$4,170,479,994**			

Appendix III:
Total for 2012-13 Top 10 recipients

Institution	2009-10	2010-11	2011-12	2012-13	Total Post-9/11 Benefits
Apollo	$76,895,744	$133,098,416	$269,492,010	$271,588,435	$751,074,604
ITT	$79,151,267	$99,185,976	$162,531,839	$161,047,190	$501,916,271
EDMC	$60,482,056	$112,841,496	$150,085,662	$163,438,855	$486,848,068
DeVry	$47,891,778	$95,681,048	$119,375,981	$131,672,718	$394,621,524
Career Ed.	$58,184,671	$71,473,684	$75,826,474	$78,977,616	$284,462,445
Strayer	$31,611,483	$48,599,822	$74,385,455	$55,536,320	$210,133,080
Cointhian	$21,678,329	$38,572,467	$62,248,390	$63,479,727	$185,978,913
University of Maryland System	$20,323,071	$30,991,824	$48,263,964	$50,314,630	$149,893,489
Embry-Riddle Aeronautical University	$17,546,550	$28,305,532	$44,418,574	$48,386,610	$138,657,266
UTI	$10,097,810	$14,763,807	$30,682,400	$49,542,566	$105,086,583
Subtotal For-Profit Institutions	**$385,993,136**	**$614,216,716**	**$944,628,211**	**$975,283,426**	**$2,920,121,489**
Total	**$423,862,757**	**$673,514,071**	**$1,037,310,749**	**$1,073,984,666**	**$3,208,672,244**

Additional Institutions Amongst Top 10 Recipients Between 2009-2013

Institution	2009-10	2010-11	2011-12	2012-13	Total-Post 9/11 Benefits
ECPI	$15,572,033	$23,558,753	$42,156,490	$42,614,320	$123,901,596
Kaplan	$17,277,166	$26,672,515	$35,239,088	$39,784,996	$118,973,764
Bridgepoint	$8,671,386	$16,598,389	$37,721,283	$38,898,096	$101,889,154
University of Texas System	$20,190,312	$24,638,597	$20,798,052	$34,329,109	$99,956,069

Appendix IV:
Top 10 Public System Post-9/11 GI Bill Benefit Recipients in 2012-13

Public System	Number of Veterans	Total Tuition and Fees
Maryland- State University System	12,602	$50,314,630
Ohio- State University System	8,040	$40,587,952
Florida- State University System	9,189	$39,653,079
New York- State University System	9,544	$36,708,153
Texas- University of Texas System	5,758	$34,329,109
Pennsylvania- State University System	2,619	$30,533,936
Georgia- University of Georgia System	6,637	$30,497,342
Arizona- State University System	3,089	$28,087,213
Virginia- Community College System	10,491	$25,375,999
California- State University System	5,702	$23,568,609
Total	**73,671**	**$339,656,021**

Top 10 For-Profit Sector Post-9/11 GI Bill Benefit Recipients in 2012-13

For-Profit Institution	Number of Veterans	Total Tuition and Fees
Apollo	43,455	$271,588,435
EDMC	14,459	$163,438,855
ITT	13,028	$161,047,190
DeVry	16,293	$131,672,718
Career Ed.	9,221	$78,977,616
Corinthian	6,427	$63,479,727
Strayer	9,328	$55,536,320
UTI	4,517	$49,542,566
APEI	11,784	$44,944,229
ECPI	4,178	$42,614,320
Total	**132,690**	**1,062,841,975**

Appendix V:
All Four Years of Data

This Appendix is available online at - <u>http://harkin.senate.gov/help/forprofitcolleges.cfm</u>

Appendix VI:
Comparison of Compliance with Proposed Gainful Employment Regulations (Summary)

	ITT	Corinthian	EDMC	CEC	DeVry	Apollo	UTI	Strayer
TOTAL FAIL:	57%	35%	37%	39%	11%	17%	0%	0%
TOTAL ONLY WARNING ZONE:	3%	15%	13%	9%	14%	3%	17%	0%
Total Programs	37	457	418	296	80	116	12	24
Total Fail:	21	162	153	115	9	20	0	0
Total Only Warning Zone:	1	68	54	28	11	3	2	0

The complete dataset is available online at: is available online at - http://harkin.senate.gov/help/forprofitcolleges.cfm