Bill would limit for-profit colleges' access to federal funds

By Bobby Caina Calvan, Reveal

The White House this week put its weight behind legislation seeking to rein in for-profit schools siphoning hundreds of millions of taxpayer dollars annually by preying on veterans and military personnel eligible for the GI Bill and military tuition assistance programs.

Using Veterans Day as a backdrop, the Obama administration announced its support for a Democratic bill dubbed the Protecting Our Students and Taxpayers Act of 2015. The proposal would close loopholes and reinstate tougher eligibility rules for federal education money.

In remarks at Arlington National Cemetery, President Obama noted the importance of the GI Bill in fulfilling the country's promise to repay the sacrifice of veterans.

"That's why we've helped more than 1.5 million veterans and their families pursue an education under the Post-9/11 GI bill," he said. "That's why we worked to make sure that every state now provides veterans and their families with in-state tuition. … And today, the veterans' unemployment rate is down to 3.9 percent – even lower than the national average."

The legislation seeks to transform the so-called 90/10 rule into an 85-to-15 split, forcing schools to rely less on federal funds if they want to continue participating in federal student aid programs. Under existing law, a for-profit college must get at least 10 percent of its revenue from nonfederal student aid funds to qualify for the Department of Education's loan and grant programs.

But the GI Bill and military tuition assistance programs are not counted as part of that 90 percent, a loophole the proposed legislation seeks to close.

“This loophole has created a perverse incentive for some for-profit colleges to seek out and aggressively – and, sometimes, deceptively – enroll service members and veterans to skirt the law,” Ted Mitchell, the Obama administration’s undersecretary for education, said in statement.

“The intent of the law is simple: Quality for-profit programs should be able to secure funding that is not solely from the federal government,” he said.

In addition, the White House announced that it has an agreement in place with the Department of Veterans Affairs and the Federal Trade Commission for measures that “strengthen enforcement against schools that engage in deceptive or misleading advertising, sales, or enrollment practices towards Veterans.”

A Reveal investigation published in June showed how the University of Phoenix, for one, sidestepped an executive order by Obama meant to prevent for-profit colleges from gaining preferential access to military bases.

Since taking effect in 2009, the Post-9/11 GI Bill has served more than 1.5 million veterans and provided $57 billion for tuition, books and other education-related expenses.

This money has become an important source of revenue for many for-profit schools. The country’s largest for-profit school, the University of Phoenix, has reaped more than $1.2 billion in GI Bill money since 2009. Last year alone, it received $345 million to educate Iraq and Afghanistan veterans, along with $20 million in tuition assistance from the Pentagon.

Last month, the Department of Defense barred university officials from recruiting at military installations and placed

the school on probation. Until that probation is lifted, the university is forbidden from enrolling new students under the Pentagon's tuition assistance program.

The switch from 10 to 15 percent would not be new. Congress instituted the 85/15 standard in 1992 after investigations uncovered evidence of fraud and abuse. Six years later, that rule was relaxed to the current 90/10 standard.

"This high threshold allows far too much federal money to funnel to an industry that often provides a greater return on taxpayer investment to its administrators and investors than it does to its students," said Sen. Dick Durbin of Illinois, who joined three other Senate Democrats in sponsoring the bill.

It may seem like a small change. But last year, a *Reveal* investigation found that nearly 300 schools reportedly fall in the gap between 85 and 90 percent.

Another 133 for-profit schools would violate the 90/10 cap if the GI Bill loophole were closed. These schools were almost completely subsidized by taxpayers, receiving more than 90 percent of their revenue from a combination of Pell Grants, Stafford Loans, GI Bill funds for veterans and Department of Defense tuition assistance to active duty military.

"It is imperative that we remove the dollar sign from the backs of veterans and servicemembers by closing this egregious loophole," said Walter Ochinko, policy director for the nonprofit organization Veterans Education Success.

The proposed legislation faces a near-certain death if its sponsors and the White House cannot get some Republicans to sign on.

"We haven't had any in the past, and no indication that will change. However, we are always hopeful and Senator Durbin thinks that this is an issue both parties should be able to

get behind," Durbin's spokeswoman, Christina Mulka, said in an email.

Similar House measures have failed.

The Senate Bill, co-sponsored by Sen. Jack Reed of Rhode Island, Sen. Richard Blumenthal of Connecticut and Sen. Elizabeth Warren of Massachusetts, would:

- Kick off for-profit schools after a year of noncompliance with the 85/15 formula, instead of allowing them two years under the current 90/10 law.
- Bar schools from what the senators consider accounting tricks that calculate unpaid school-sponsored student loans as revenues, even if the loan goes unpaid. Only actual payments would be counted as revenue.

As part of its educational initiatives for veterans, the Obama administration also announced today that veterans and their dependents are now eligible for in-state tuition in all 50 states, as well as in the District of Columbia and Puerto Rico.

It also said the Department of Veterans Affairs is launching a redesigned website providing information on graduation rates and other factors to make it easier for veterans to compare schools.

In addition to his call for reinstating the 85/15 rule, Obama urged Congress to approve legislation that would require schools receiving GI Bill money to meet accreditation standards for certain programs, including law, teaching, nursing, criminal justice, psychology and health fields.

And the president pressed for passage of a bill that would reinstate GI Bill benefits to veterans enrolled in schools that shut down. The proposal followed the implosion of Corinthian Colleges, which filed for bankruptcy protection earlier this year. Once one of the country's largest for-

profit schools, it left about 16,000 students looking for other options when it shuttered its 30 remaining campuses.