REMARKS OF

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BEFORE THE

COMMITTEE ON HEALTH, EDUCATION, LABOR AND PENSIONS

U.S. SENATE

REQUEST FOR INPUT ON THE TOPIC OF:

REAUTHORIZING THE HIGHER EDUCATION ACT: HIGHER EDUCATION ACCOUNTABILITY

FEBRUARY 15, 2018
Chairman Alexander:

Thank you for inviting Student Veterans of America (SVA) to submit our remarks on your white paper, “Higher Education Accountability.”

Established in 2008, SVA has grown to become a force and voice for the interests of veterans in higher education. With a myriad of programs supporting their success, rigorous research on ways to improve the landscape, and advocacy throughout the nation, we place the student veteran at the top of our organizational pyramid. As the future leaders of this country, fostering the success of veterans in school is paramount in their preparation for productive and impactful lives.

As you prepare to reauthorize the Higher Education Act (HEA), we will discuss the importance of 90-10 reform in holding institutions accountable while simultaneously protecting taxpayer money. SVA is an outcome-driven organization focused on supporting military service-affiliated students at schools committed to delivering excellence. This is, and always will be, our focus regardless of whether the institution is public, nonprofit, or proprietary. We differentiate schools based on outcomes, not by sector.

Proprietary schools often distinguish themselves in advertisements and marketing as “different.” For example, Ashford University’s ‘About Page’ proclaims, “One of Ashford University’s strengths is that we aren’t what many people would consider a typical university.” Similarly, Walden University touts how the institution “envisions a distinctively different 21st-century learning community…” There is no shortage of examples of proprietary programs that market this distinction. These distinctions, however, are not outcome-based, but instead focus on the environment of the college and learning community. Unfortunately, institutions do not link these distinctions to graduation rates or career outcomes for their students, particularly those taking on debt that must be repaid.

A typical argument of proprietary institution champions is that the only difference between nonprofit and proprietary institutions is tax status, and thus this small distinction should not result in these institutions of higher learning receiving differing treatment. Other voices in the education space, including Mark Kantrowitz, argue that other institution types rely heavily on federal student aid, including 42 percent of institutional revenue for private non-profit colleges and 82 percent of institutional revenue for public colleges.

These arguments fail to recognize that public and nonprofit institutions operate in a more heavily regulated environment than their proprietary counterparts. Public and nonprofit institutions feature a decentralized governing structure combined with limitations on spending focused on education and public/charitable purposes. This contrasts with proprietary schools being controlled by owners who have the ability to spend money largely without constraints or outside oversight, including spending for self-benefit.

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3 Walden University, Who We Are, https://www.waldenu.edu/about/who-we-are (last visited Feb. 2, 2018).
6 Id.
7 Id.
In fact, one of the only components of externally measured institutional accountability at proprietary institutions is the 90-10 Rule. The 90-10 Rule is a federal law that prevents proprietary institutions from receiving more than 90 percent of their revenues from Department of Education (ED) Title IV Federal Student Aid. Similar to the Department of Veterans Affairs’ (VA) 85-15 Rule, which precludes more than 85 percent of a program’s students from receiving VA funding, the original ED provision included an 85 percent cap on the revenue that proprietary schools could obtain from Title IV funding. As the white paper explains, the rule was modified to 90-10 in 1998.

The motivation behind the 90-10 Rule is proprietary institutions should not be completely dependent on public federal funding when they are not accountable to the public. In order to prove quality of education, the standards assume proprietary institutions should be able to secure at least one tenth of their funding from sources other than the public.

Other funding avenues include scholarships, employer’s tuition reimbursement or direct payment for the employees, and parents or students paying out of their own pockets. If a proprietary institution is as good as it claims, at least one out of every 10 students should be willing to pay or to secure private funding. If an institution cannot meet this requirement, this inability calls into question the institution’s quality, and public funds should not be the backstop for a market failure on the part of the institution to attract paying customers.

On December 1, 2017, Virginia Foxx (R-NC), the chairwoman of the House Committee on Education and the Workforce, and Brett Guthrie (R-KY), the chairman of the Higher Education and Workforce Development subcommittee, introduced the Promoting Real Opportunity, Success, and Prosperity through Education Reform (PROSER) Act. PROSPER Act Section 491 contains subsection (l) Elimination of Non-Title IV Revenue Requirement. This subsection eliminates the 90-10 Rule. In other words, it suggests that proprietary colleges with no distributed governance or public oversight should have access to taxpayer dollars without even minimal market success.

The proposal would provide full subsidy with taxpayer dollars to proprietary institutions that cannot attract even one private dollar of funding for every 99 public dollars, let alone 10 percent or 15 percent of their funding, and requires no oversight by the public – no outcome requirements, no justification for use of funds outside of educational goals of the institution, and no review of spending by the proprietary owners who would now be able to have 100 percent of their funding come from taxpayer dollars.

Although Republicans have been critical of the 90-10 Rule, most proprietary institutions do not struggle to meet this threshold. Only four institutions (Xtreme Career Institute, Arkansas Beauty School – Little Rock, Pittsburgh Career Institute, and American School of Business) of 1,872 proprietary institutions generated more than 90 percent of their revenues from Title IV sources, according to ED data for the 2015-2016 award year. However, 252 institutions did receive between 85 and 90 percent of funding from the federal government.

Reviewing publicly available outcome data, including student loan repayment rates, graduation rates, average income rates for graduates, and costs of the programs delivered by these four schools demonstrates no reason to widen their access to public taxpayer dollars. For example, only 24 percent of students at Pittsburgh Career Institute are paying down their debt as compared to a national median of 47 percent. Students may be

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9 Id.
11 Id.
experiencing issues paying off their debt because after attending, Pittsburgh Career Institute students earn only a median salary of $24,300 (national median is $34,300).  

One of the motivating reasons for proprietary schools to recruit veterans is that funding provided by VA, including GI Bill benefits, and funding provided by the Department of Defense (DoD) including Tuition Assistance benefits, are not counted as federal funding for purposes of the 90-10 rule, instead substituting for private payments. SVA and other veteran service organizations have repeatedly called for 90-10 reform, arguing that institutions that would otherwise fail to attract private payment for tuition would instead target veterans because they had funds enabling proprietary schools to take in $9 for every $1 of GI Bill or DoD Tuition Assistance benefits.

This motivation may be one reason some underperforming schools target veterans with advertising. GI Bill and DoD funding were not originally delineated as part of the 90 percent because the benefits structure was different, and institutions were thus not targeting servicemembers and veterans. With regard to this seemingly innocuous oversight, Congressional staff also said, “[c]ounting Defense Dept. funding for servicemen’s education as part of the money that’s supposed to come out of consumers’ pockets violates the purpose of the original legislation.”

This original intent, like many tax loopholes, has now been leveraged by those not originally intended to benefit, and it is time to address this oversight.

Instead of wholesale eliminating the 90-10 Rule as the white paper and current draft of the PROSPER Act suggest, reforming the 90-10 Rule actually helps achieve several of the goals identified in recent HELP Committee hearings, including ensuring strong accountability and a limited federal role, simplifying and improving financial aid, and empowering students and families to make informed decisions.

Institutional buy in and risk sharing are critical components of HEA reform, and SVA is supportive of these efforts. However, we support a stronger emphasis on market principles. By strengthening the 90-10 Rule, consumers will benefit; institutional accountability will improve because institutions eligible for federal student aid, GI Bill benefits, and DoD benefits will not receive sole support from taxpayers. In addition, market competition will be strengthened because private funders will be required for an institution to thrive. Such monetary support will only follow from providing high quality education and positive student outcomes.

Another main goal of HEA reauthorization is to streamline the student aid process. As part of the ONE Loan Program, annual and aggregate limits are placed on undergraduate, graduate, and parent borrowers. Financial aid administrators are also able to set lower loan limits for certain borrower categories. If individuals pursuing higher education are being limited in how much they can borrow to ensure responsible lending and to encourage repayment, why should institutions not face certain funding requirements to ensure effective and efficient use of resources?

For the fiscal year ending on December 31, 2015 (July 31, 2015 for American School of Business), Xtreme Career Institute received $327,782 in Title IV revenue; Arkansas Beauty School – Little Rock received $710,958 in Title IV revenue; Pittsburgh Career Institute received $2,267,302 in Title IV revenue; and American School of

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14 Id.

15 Id.


Business received $658,622 in Title IV revenue.\textsuperscript{18} Providing such large amounts of federal funding to problematic institutions contravenes proposals for a limited federal role and responsible use of taxpayer funds.\textsuperscript{19}

Transparency is a critical thread weaved throughout HEA discussions. The proposed College Dashboard is supposed to include critical data like an institution’s enrollment, completion, financial aid availability, and cost. As Mamie Voight, the vice president of policy research at the Institute for Higher Education Policy, said during the Accountability and Risk to Taxpayers hearing on January 30, 2018, “we are in a situation where we are data rich but information poor.” How much Title IV funding an institution is receiving would be something prospective students and families will be interested in.

The ability to attract private money signifies an institution’s quality and can be helpful in making an enrollment determination. SVA looks forward to working with members of the Senate Committee on Health, Education, Labor and Pensions and the House Committee on Education and the Workforce on HEA reform.


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Cassandra Vangellow joined the professional staff of Student Veterans of America as a member of the government affairs team. Ms. Vangellow works on higher education issues within executive and legislative branch policy.

Ms. Vangellow received her Bachelor of Science degree in Journalism with a concentration in Political Science from the University of Florida. She graduated from the Georgetown University Law Center in 2017 and is admitted to the New York State Bar as a practicing attorney.

Ms. Vangellow, the daughter of a public school administrator, worked in one of the foremost public school districts in New York State for multiple years. Her portfolio included work on a nationally recognized anti-bullying campaign. In her legal studies, Ms. Vangellow worked at the Securities and Exchange Commission’s Division of Enforcement and Georgetown’s Institute for Public Representation (IPR). While at IPR, Ms. Vangellow focused on children’s privacy issues.

As the daughter of a former Navy officer, Ms. Vangellow is passionate about bettering the academic climate for all service-affiliated students.