



HB 593 / SB 294 - Veterans' Education Protection Act

The Problem:

Due to loopholes in federal law, for-profit schools are strongly incentivized to aggressively target veteran students for enrollment. The federal Higher Education Act 90/10 rule states that a for-profit school can have more than 90% of its revenues from the Title IV federal student aid programs.¹ The purpose of this rule is to ensure that federal student aid is not used to finance low quality schools that are unable to attract at least 10% of their revenue from private sources such as employers, individuals, and families.

However, the G.I. Bill and Defense Department tuition assistance are not included as sources of federal student aid calculated into the 90%. Because of this loophole, for-profit colleges can count the G.I. Bill and Defense Department tuition assistance as non-federal, private revenue, thereby receiving 100% of their revenues from federal funds.

The 90/10 rule is crucial to ensuring educational integrity because for-profit colleges should not be funded solely by federal taxpayers, and federal taxpayers should not be propping up low-quality schools. If a college offers a quality education at a competitive price, someone other than the federal government will be willing to pay for attendance at the school. One publicly traded for-profit recently affirmed the significance of employer investment, calling it an “indicator of our educational quality.”

Today the largest share of military educational benefit programs is going to for-profit colleges. On average, it costs taxpayers twice as much to send a veteran to a for-profit college (\$7,972) than a public college (\$3,914). This is a bad investment for the individual and for taxpayer dollars.²

Additionally, for-profit schools target returning service members when their tour of duty is completed. Many schools partner with lead-generator sites to collect information about veterans, while others create websites with military sounding names to attract service members. For-profit school recruiters frequently visit wounded warrior centers and VA hospitals to recruit prospective students.

Legislation - Protecting Veterans from Low-Quality Schools

In 2020, legislation will be introduced closing the loophole to clarify that the 10% of a for-profit institution's revenue is not from federal funds and institutional debt. The legislation would not apply to schools that do not operate in Maryland, do not enroll Maryland students, have non-profit status, do not receive Title IV funding, do not have tuition costs that would be covered by maximum Pell Grant amount, and are ineligible to receive post-9/11 benefits.

¹ Title IV of the Higher Education Act of 1965 [20 USC 1094(a)(24)]: section 487(a)

² http://marylandconsumers.org/penn_station/folders/about/test_2/For-Profit_School_Report_-_for_website.pdf



Maryland Consumer Rights Coalition

An institution cannot enroll new Maryland students in a program if it has not met this requirement in two out of the previous three years or if for two consecutive years the institution exceeds this requirement.

Through closing this loophole, Maryland would not only protect veteran students, but also minority and low-income students by disincentivizing predatory for-profit schools from specifically targeting these students.