

# IMPROVING EDUCATIONAL OUTCOMES FOR OUR MILITARY AND VETERANS

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## HEARING

BEFORE THE

FEDERAL FINANCIAL MANAGEMENT, GOVERNMENT  
INFORMATION, FEDERAL SERVICES, AND  
INTERNATIONAL SECURITY SUBCOMMITTEE

OF THE

COMMITTEE ON  
HOMELAND SECURITY AND  
GOVERNMENTAL AFFAIRS  
UNITED STATES SENATE

ONE HUNDRED TWELFTH CONGRESS

FIRST SESSION

SEPTEMBER 22, 2011

Available via the World Wide Web: <http://www.fdsys.gov>

Printed for the use of the  
Committee on Homeland Security and Governmental Affairs



U.S. GOVERNMENT PRINTING OFFICE

72-482 PDF

WASHINGTON : 2012

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THURSDAY, SEPTEMBER 22, 2011

U.S. SENATE,  
SUBCOMMITTEE ON FEDERAL FINANCIAL MANAGEMENT,  
GOVERNMENT INFORMATION, FEDERAL SERVICES,  
AND INTERNATIONAL SECURITY,  
OF THE COMMITTEE ON HOMELAND SECURITY  
AND GOVERNMENTAL AFFAIRS,  
*Washington, DC.*

The Subcommittee met, pursuant to notice, at 1:34 p.m., in Room SD-342, Dirksen Senate Office Building, Hon. Thomas R. Carper, Chairman of the Subcommittee, presiding.

Present: Senators Carper and Brown.

Senator CARPER. I was going to say this hearing should come to order, but this is about the quietest crowd I have seen, Senator Webb, in quite a while. I think we are just going to lead off here and we will forego our opening statements and just come right to you.

Thank you so much for being here with us today. Thanks a lot for your service to our country all those years, and for your service today. It is just an honor to be your colleague. Thank you for coming today.

### TESTIMONY OF HON. JIM WEBB, A UNITED STATES SENATOR FROM THE STATE OF VIRGINIA

Senator WEBB. Thank you very much, Mr. Chairman, and I want to say I appreciate your taking the time to hold this hearing. I think you and I both, as military veterans, got a good bit of our own education taken care of by Uncle Sam and we know how valuable that can be in terms of building the rest of somebody's professional life.

We are here today to try to make sure that the GI Bill that we passed can continue in the form that we passed it and still address some of these issues that are now challenging the program.

I understand one of the primary purposes of this hearing is to examine the 90/10 rule in place for for-profit schools and how it would be modified or could be modified to better serve veterans and active duty military students. I would like to commend you and Senator Harkin for your focus on that issue and look forward to the outcome of this hearing.

This year marked the second anniversary of the implementation of the Post-9/11 GI Bill. I introduced this legislation on my first day in office, starting with a simple concept, having spent 4 years

(1)

of my earlier life as committee counsel in the House Veterans Committee, and that was that we owe those people who have served since September 11, 2001 the same type of quality educational benefits that those who served in World War II received, which was to have their tuition paid for, their books bought, and to receive a monthly stipend which is a much more generous benefit than those who served in Vietnam had received.

I am very proud to say that we were able to do that and it continues to be a great investment in the future of our country through the people who have served, and as of August the 1, our GI Bill had helped to educate 587,000 beneficiaries. I am very proud of that statistic.

And as the Chairman will remember, the passage of this legislation was not a simple process, but I think it has turned out to be a very, very good thing for the country and for our veterans. When we look at World War II, for every dollar that was spent on the World War II GI Bill, \$7 were generated for our economy because of the successful careers that people were able to have after they had gone through more schooling.

I am here today to ensure that we continue that concept. For-profit schools, by statistics that have been given to me by my staff, have collected more than one-third of all of these Post-9/11 GI Bill benefits over the 2009 to 2010 school year. But they train one-quarter of our veterans.

We have all received letters from Veterans of Foreign Wars (VFW), Amvets, Paralyzed Veterans, Student Veterans of America, Blue Star Families, VetFirst, Military Association of America, all stating their concern about this trend line, and if they have not been entered in the record, I would ask that they be entered into the record during this hearing.

Senator CARPER. They will be.

Senator WEBB. The World War II GI Bill, history shows, had a similar problem. In 1951, a Government Accountability Office (GAO) report found that a 1,700,000 veterans had enrolled in courses offered by for-profit schools, 5,000 of which sprang up after the creation of the GI Bill, and about 20 percent of the people who had gone to those schools had completed their course. There was, to quote from that report, no information available as to the number of graduates who actually were able to be placed in jobs for which they had been trained.

Congress, at that time, responded to concerns of waste, fraud, and abuse by establishing specific standards for on-the-job training programs and made them subject to State education approving agencies.

But the abuses of the World War II program, especially among for-profit vocational schools, led to follow-on restrictions of that program and to even stricter restrictions under the program established after the Korean Conflict, and then eventually to the somewhat parsimonious GI Bill given to those who served during the Vietnam War, which began with a \$50 a month straight stipend, at its height reached \$340 a month just straight stipend, no tuition paid for, no books, none of the things that the people who came back from World War II had and none of the things that people in our Post-9/11 GI Bill now have.

Data we have been given shows that eight out of the top 10 recipients of Post-9/11 GI Bill benefits in 2010–2011 were for-profit education companies. These eight for-profit education companies, out of a larger pool of for-profits, collected a billion dollars, 24 percent of all the benefits.

For-profits at large collected 37 percent of GI Bill funds, according to the data given to my office, and they trained only 19 percent of the veterans.

I would like to point out that this problem is not necessarily the growth of the for-profit sector. There are for-profit institutions that are providing our non-traditional population a great service, but with this amount of Federal dollars being spent in this sector, we owe it to the taxpayers and to our veterans to carefully monitor and provide adequate oversight.

Money that goes to a for-profit for tuition does not really go to the veteran. It enables the veteran to get an education. So fixing this problem is not taking anything away from the veteran. In fact, it is ensuring the continuation of the program.

My goals are first to ensure that we are providing a high quality education to our veterans, and giving them access to critical information that will help them make their own informed decisions. Total cost of program, transferability of credits, default rates, graduation rates, job placement rates upon graduation are a few ways to ensure transparency.

Second and most important, I hope we can look more closely at the role that our State Approving Agencies (SAA) play in approving educational programs in order to ensure that the Department of Veterans Affairs (VA) is being aggressive in their own executive capacity to further strengthen these requirements.

I believe this is, at bottom, a leadership issue that can be best addressed through the structure of the Department of Veterans Affairs and I hope you will encourage that process during your hearing.

I know you will be receiving testimony today from many who are knowledgeable about the 90/10 rule and these other issues, and I again thank you for holding this hearing and for allowing me to testify. Thank you, Mr. Chairman.

Senator CARPER. Not at all. Thank you for being the author of the Post-9/11 GI Bill and for working with us and providing really great leadership to try to make sure that the promise, the potential of that GI Bill and preparing folks when they come back from Iraq and Afghanistan or some other place—

Senator WEBB. Thank you very much.

Senator CARPER [continuing]. Have the opportunity to actually complete their education, get a job, become productive members of our society. So thank you so much.

With that, I am going to invite the next panel to come forward, and as you come forward, I am going to go ahead and begin an opening statement.

#### **OPENING STATEMENT OF SENATOR CARPER**

Senator CARPER. As we hold this hearing, our Nation's debt stands at over \$14.6 trillion. Ten years ago, it stood at less than

half that amount, around \$5.7 trillion. If we remain on our current course, our debt may double again by the end of this decade.

Currently, the Joint Select Committee on Deficit Reduction is working to provide us with a roadmap to reduce our cumulative Federal deficits over the next decade by more than \$1.2 trillion. I believe that it's imperative that we do better than that, and we have had, as recently as last year, a couple of different deficit commissions, including one led by Erskine Bowles and Alan Simpson who provided what I thought was a pretty good roadmap to get us on the right path out of this fiscal morass. In the end, I hope that it is the roadmap that we will still end up using.

With that goal in mind, the Subcommittee repeatedly has asked the question. Is it possible to get a better result for less money in almost every Federal program, or at least a better result for the same amount of money.

Oftentimes I have said in this hearing room that Americans believe that we operate under a culture of spendthrift here in Washington, and those people are not entirely wrong. We need to establish a different kind of culture—a culture of thrift. We need to look in every nook and cranny of Federal spending: defense program, domestic spending, tax expenditures, and find places where we can do more with less or more with the same amount of money. This Subcommittee has spent the last 6 years under Democrat and under Republican leadership, to explain this mission.

Most of us in this room today, however, understand that we simply cannot cut our way out of debt, tax our way out of debt, or save our way out of debt. We must also grow our way out of debt, and we can do so, in part, by making investments, smart investments in research and development, in infrastructure, and also in education, investments in education that will enable Americans to become more productive workers so we can compete with the rest of the world.

For years, the GI Bill helped us to achieve this goal by raising the skill levels of hundreds of thousands of Americans who have served in our military and were returning to civilian life. Senator Webb alluded to the fact that he has received help from taxpayers to get an education.

I went to Ohio State University as a Navy ROTC Midshipman to get my undergraduate education after the Vietnam War. Came back to the United States and moved from California to Delaware, got an M.B.A. at the University of Delaware on the GI Bill, and as he suggested, it was not a lot of money. I was happy to have every dime of it. But I think we received about 200 bucks a month at that point in time.

And when you compare that with the GI Bill benefits that are enured to those coming home from Iraq or Afghanistan today, it is a whole lot different, and I think it is a change for the better.

But for years, the GI Bill helped us to achieve this goal by raising the skill levels of hundreds of thousands of Americans who are coming home from serving abroad and returning to civilian life. However, in 2008, it became clear to Congress that after years of multiple tours of duty in Iraq and Afghanistan, the modern day military needed a modern day GI Bill to ease our troops' transition into civilian life.

That is where Jim Webb, newly elected Senator, came in and that is why we passed the Post-9/11 GI Bill that he authored, which pays for the tuition and housing costs of any member of the military who served more than 90 continuous days on active duty since September 10, 2001, and who has accrued some 36 total months of active duty service.

Since passing this bill, \$11.5 billion have been spent to send veterans back to school under this program. However, recent reports show that too many veterans have been subjected to highly questionable recruiting practices by some schools, subjected to deceptive marketing and substandard education instruction. Not in all, but in some of the schools that they attend, including some for-profit schools. And, I might add, some public schools and some private schools.

These problems highlight a key flaw in our higher education system. Currently, the incentives that some schools, for-profits, non-profits, privates, but especially the for-profits, I think are just misaligned.

These institutions are rewarded for enrolling more students—especially veterans with a fully paid for education—but these schools have too little incentive to make sure that their graduates are prepared to join the workforce and begin productive careers and productive lives.

Having said that, let me say as clearly as I can, that this is not an issue solely at for-profit schools. There are many public schools and some private colleges and universities that experience similar issues with extremely low degree completion rates, high default rates, and a poor record of serving our veterans. And to be fair, there are also a number of for-profit institutions that offer a quality education and schools that have a history of success with placing students in well-paying jobs.

We are here today because I believe that we have a moral imperative to ensure that these abusive practices, where they do occur, wherever they occur, are stopped so that those who have sacrificed for our country can obtain an education that will equip them with the skills that will enable them to find a good job, repay any college loans that they have incurred, and go on to live productive lives as productive citizens, both in the workforce and in their communities.

Today's hearing will focus on how we can fix this problem by better incentivizing schools to deliver a high quality education to our military and to our veteran population. We will examine what efforts have improved educational outcomes and enhanced the ability of veterans and our military to receive good-paying jobs upon the completion of their education. We will also examine what has not worked and why flawed Federal policies might encourage schools to continue with practices that do not serve students well. We have, I think, a terrific line-up of witnesses here today who I will introduce shortly. We look forward to a productive hearing, to a hearing more about this issue, and to learning more about this issue.

First I want to turn to a fellow who has just joined us at my right and that is Senator Scott Brown for any comments that he would like to add. Thank you.

**OPENING STATEMENT OF SENATOR BROWN**

Senator BROWN. Thank you, Mr. Chairman. I apologize for being late. We have been running around dealing with some issues back in the home district. I do have a statement. I will just offer it for the record due to my being tardy. I want to hear what the witnesses have to say. So I would submit my opening statement for the record.

Senator CARPER. OK, thanks so much.

Our first witness is Curtis Coy and he is the Deputy Under Secretary for Economic Opportunity in the Department of Veterans Affairs. In this role, Mr. Coy oversees all education benefits, loan guarantee services, and vocational rehabilitation and employment services for America's veterans.

Prior to his current position, Mr. Coy served, I believe, as Acting Deputy Commissioner, Chief Financial Officer (CFO) of the Food and Drug Administration (FDA). Another great job.

Additionally, from 2002 to 2009, Mr. Coy held the position of Deputy Assistant Secretary for Administration at the Department of Health and Human Services (HHS). Mr. Coy also served as an officer in the United States Navy, and before that, I believe he was an enlisted member of the U.S. Air Force.

He retired from the Navy in 1994 with the rank of Commander, and as a retired Navy Captain, my favorite rank in the Navy was Commander, Commander Coy, Commander Carper. Those were good days.

We have asked Mr. Coy to discuss how the Department of Veterans Affairs prevents against abuse of the Post-9/11 GI Bill and how we can better incentivize the provision of high quality education to our Nation's students.

Mr. Coy, we thank you for being here. And I believe accompanying you today is Keith Wilson. Mr. Wilson, are you also going to testify?

Mr. WILSON: I will.

Senator CARPER. Oh, good. Well, then once Mr. Coy has completed his comments, I will come to you and I will give an introduction for you as well. But, Mr. Coy, please proceed. Your entire testimony will be made part of the record and you are welcome to summarize if you wish.

**TESTIMONY OF CURTIS L. COY,<sup>1</sup> DEPUTY UNDER SECRETARY FOR ECONOMIC OPPORTUNITY, VETERANS BENEFITS ADMINISTRATION, U.S. DEPARTMENT OF VETERANS AFFAIRS ACCOMPANIED BY KEITH WILSON, DIRECTOR OF THE EDUCATION SERVICE, VETERANS BENEFITS ADMINISTRATION, U.S. DEPARTMENT OF VETERANS AFFAIRS**

Mr. COY. Yes, sir, thank you. Good afternoon, Chairman Carper, Ranking Member Brown. I appreciate the opportunity to appear before you today to discuss the Post-9/11 GI Bill and educational outcomes for Veterans and military students. I am accompanied today by Mr. Keith Wilson, as you indicated, who is the Director of the

<sup>1</sup>The prepared statement of Mr. Coy appears in the appendix on page 51.

Department of Veterans Affairs Education Service. My full written statement has been submitted for the record.

From August 1, 2009 to June 15, 2011, the VA paid approximately \$4.4 billion in tuition and fees and Yellow Ribbon program payments under the Post-9/11 GI Bill to institutions of higher learning. This amount does not include the monthly housing allowances and the books and supplies stipends paid directly to Post-9/11 GI Bill beneficiaries. During this period, approximately \$1.6 billion was paid to private, for-profit schools on behalf of more than 145,000 students. Students attending private, for-profit schools made up approximately 23.8 percent of the beneficiaries, while 36.4 percent of the tuition and fee dollars are paid on their behalf.

Under the 90/10 rule, proprietary institutions may not receive more than 90 percent of their revenue from funds under Title IV of the Higher Education Act (HEA) of 1965. While VA defers to the Department of Education (ED) on the 90/10 calculation, there is an argument for including the Post-9/11 GI Bill in the 90 percent limit on Federal funding or related proposals. Under the present structure, some institutions may be targeting Veterans because of the Federal education benefits they received and are treated the same way as private funds in the 90/10 calculation. VA believes Veterans should not be aggressively recruited by institutions, principally because of financial motives, and that Federal and State statutes and VA's oversight activities provide a strong monitoring in this area.

Modifications to the 90/10 rule could, however, provide additional tools to assist in this area. However, such a change could cause some schools to exceed the 90 percent threshold and be at risk of losing eligibility to receive Federal student aid. To ensure that Veterans are not adversely affected, the manner in which such a change would be implemented is important. VA would welcome the opportunity to work collaboratively with the Department of Education and the Subcommittee as it consider changes in this area. VA is aware of concerns raised regarding for-profit institutions and fraudulent activities.

Under existing VA statutes, for-profit institutions are held to the same standards and criteria as non-profit institutions for the purpose of approval for use of VA education benefits. VA believes veterans and their eligible dependents should be able to use and choose to use their education benefits at the academic institution—public, private, non-profit, or private for-profit—that best meets their specific needs and is approved by the State Approving Agency of jurisdiction.

As of August 1, 2011, standard degree programs offered at accredited public and private not-for-profit schools are deemed approved for VA educational benefits without separate SAA approval per Public Law (PL) 111–377. In other cases, SAAs evaluate programs offered by each academic institution to determine whether their quality and offerings are similar to other programs offered in the State. If they are not, the SAA will not approve the program. This takes into account compliance with State and VA statutes, including those pertaining to misrepresentation or deceptive marketing.

Additionally, Public Law 111–377 expanded VA's authority to utilize SAAs for oversight of programs and institutions. VA will

begin to use the SAAs for compliance reviews for this authority in fiscal year 2012. A primary focus of these SAA reviews will be to conduct compliance reviews and increased oversight for for-profit schools. It is important for vets and their eligible dependents to make informed decisions concerning their VA benefits. VA provides free consulting services and assists veterans in determining their aptitudes, interests, and abilities in locating an appropriate educational program.

Mr. Chairman, this concludes my statement. We look forward to working with the Subcommittee to provide the very best support possible to our veterans and beneficiaries as they pursue their educational goals. I would be pleased to answer any questions you or Senator Brown may have. Thank you, sir.

Senator CARPER. Not at all. Thank you very much for that testimony. Mr. Wilson, I understand that you are not here to testify, but you are here to respond to any questions?

Mr. WILSON. That is correct and I apologize for any confusion. I will not be providing testimony.

Senator CARPER. That is OK. We are glad that you are here. Mr. Wilson, just a real quick, little bio on you. I understand you are the Director of Education Service at the Department of Veterans Affairs. Is that correct?

Mr. WILSON. That is correct, Mr. Chairman.

Senator CARPER. And as Director there, I understand that you provide executive level oversight in development of policy, of planning, and integration of educational programs that are administered by the Veterans Benefit Administration.

And there are approximately half a million veterans, servicemembers, and other dependents pursue educational opportunities annually under the programs that Mr. Wilson administers. And I think you have been at the VA for about, what, 20 years and worked all over, actually, in a number of places around the country.

And also a Navy veteran and served 8 years, I am told, as an operational specialist. We thank you for that service and for being here today and your willingness to answer questions for us.

Since Senator Brown was good enough to not give a statement and to go right to the witnesses, I am going to give him the opportunity, if he would like to, to just lead off with the questions. Senator Brown.

Senator BROWN. Thank you, Mr. Chairman. So probably for both of you, I would think, as the lead agency on the GI Bill, it is the VA's special responsibility to ensure that post-service military benefits are used effectively. Obviously we would not be here today if these programs were serving all of our servicemembers and veterans effectively as they should be.

In previous hearings, and obviously today, we have had veterans groups, and we have some in our next panel, and they will highlight some of the concerns regarding the poor oversight and lack of counseling services, et cetera.

In your opinion—I will start with you, Mr. Coy—what do think the VA could do better, No. 1? And how long would it take to implement the changes you would suggest? And then, what type of support do you need from us?

Mr. COY. Thank you, Senator Brown. We take any of these allegations that our student vets are somehow being misrepresented or being charged inappropriately or any abuse that is there. I think one of the things that we are most proud of is, we have revamped our compliance and survey program for our State Approving Agencies.

Keith has some very specific details on the length and breadth and scope of that program, but we look—you had asked what we can do and how long it would take. We would very much look forward to working with the Subcommittee, the Department of Education, Department of Defense (DOD) for their tuition assistance program to implement any of these changes that the Committee may deem appropriate.

Senator BROWN. Mr. Wilson, do you have anything to add?

Mr. WILSON. A few comments, yes. Thank you. We have had a long-standing relationship with our State Approving Agencies since 1948, actually. It has been a very effective relationship. The State Approving Agencies, on many fronts, are essentially the boots on the ground when it comes to the GI Bill at the State level.

As occurs over time, we would like more. We would like more flexibility, additional resources, et cetera. And we were able to achieve additional efficiencies and more flexibility in terms of how we can use those State Approving Agencies under Public Law 111-377.

We are now able to use those State Approving Agencies for full-blown compliance surveys, much as we currently have been doing with our VA employees. And what that does is give us more resources to actually go into areas that we have concerns or want to provide additional oversight and take some good deep dives into these areas.

Our goal, beginning fiscal year 2012, is to provide a compliance survey at every for-profit institution every year. We have completed a large part of the training with the State Approving Agencies to do that, and come October 1, they will begin doing those compliance surveys in conjunction with our own staff, and then begin doing their work on their own.

Senator BROWN. According to some, and in Mr. Ryan Gallucci's testimony, the VFW has found that many of the SAAs are undermanned and under-trained. In one State, there is only one employee to carry out this function. They do it as collateral duty, not as a primary mission. And other States only have a handful of staff.

What I have heard from veteran students is that there seems to be a disconnect from the time that they actually apply and then get the funding, making sure the funding is properly credited, and they get the other benefits they are entitled to.

Why does there seem to be kind of a disproportionate amount of oversight from one State to another and one system to another? How do you resolve that? How do you do it better?

Mr. COY. I will let Keith elaborate, but our budget for the SAA contracts that we do every year is about \$19 million and that is in statute. There is a formula that is used to allocate those funds across the States and territories. Keith is more than willing to talk

about how we go about doing that allocation. He is certainly the expert there.

Mr. WILSON. The funding amount available for the SAAs is set by statute. Over the last several years, it has gone up from about \$12 million to the current level of about \$19 million. We have about 62 State Approving Agencies we contract with. Some States organizationally are split up separate so we will have more than one contract in some of the States.

The allocation of that money is divided up by active institutions essentially within the State. So basically, the number of schools that have active GI Bill participants will govern the amount of funding that they receive under those benefits.

If I could loop back and just touch on your comment about delays and benefits, et cetera, we are very proud of what we have been able to accomplish over the last couple of years in terms of standing up the Post-9/11 GI Bill. We are very current right now on processing claims. Largely processing of claims is unrelated to work in the SAA area.

We are processing enrollments in about 10 days right now for the fall enrollment. We have received about 350,000 enrollments for students, about 320,000 of those are already paid. So, but of course, that is one step. In order to make sure that our veterans are succeeding, the first thing we focused on is the necessity to make sure they are in school, they are being paid dependably, accurately, timely.

We believe they are there. We want to continue to increase our work on making sure that the outcomes, as a result of those enrollments, do occur.

Senator BROWN. So if somebody actually has problems that maybe you are not aware of, what is the best way for the individual student, veteran, to deal with it?

Mr. COY. Problems academically or problems from—

Senator BROWN. No, just the things we were talking about, the flow of the registration, the pay, the benefits, just implementation thereof.

Mr. COY. There is a variety of different areas. We have an 800 number that students can call.

Senator BROWN. Do you have it handy? Maybe at some point you can get it and we can just announce it because some people watch this, do they not?

Mr. WILSON. I would be happy to announce it.

Senator BROWN. OK.

Mr. WILSON. 1-888-GIBILL1.

Senator BROWN. OK, good.

Mr. WILSON. And individuals can also e-mail us directly from our Web site which is gibill.va.gov.

Senator BROWN. Great. Well, I have another round, but I will just defer to you, Mr. Chairman.

Senator CARPER. Before I ask my question, I am just going to try to make real clear what I am trying to do here, what I think we are trying to do here. We have a huge budget deficit, as we know, \$1.3 trillion this year, huge increase—a decade ago we had a balanced budget and a surplus. And here we are with these huge deficits and deficits as far as the eye can see.

And we know if want to be competitive with the rest of the world, which is getting tougher, they are different competitors these days. And it sort of like at the end of World War II or the end of the Vietnam War. But if we want to be competitive, we have to specialize, that is to say we have to out-educate, out-innovate, out-compete everybody else.

And part of doing that is making sure we do a better job in research and development that can be commercialized and turned into products we can sell around the world. Part of that is making sure we have an infrastructure, not just roads, highways and bridges, but rails, port, water, sewer, all kinds of infrastructure including broadband.

And the third is to make sure we have a workforce. Students coming out of our schools not just colleges and universities, but out of our high schools who can read, write, think, do math, familiar with technology. We have to do all those things. And we don't have a lot of money to spare given the size of our budget deficit, so we want to get a better result, a better result for the same amount of money, and hopefully maybe a better result for less money in terms of our workforce preparedness.

I think one of our next witnesses for our next panel, Ted Daywalt, who is the President of VetJobs, a fellow you know, stated in his testimony that veterans need to have better information available to them in order to make more informed decisions about which schools to attend.

I think you may have mentioned in your testimony, Mr. Coy, that the Department of Veterans Affairs offers counseling and guidance on your Web site about the options available to veterans. Let me just ask you, any idea, is this somehow required reading for all veterans seeking to use their GI Bill benefits? And to your knowledge you have exit counseling that the Department of Defense requires military personnel to participate in while transitioning to veteran status.

I remember when my squadron came home at the end of the Vietnam War to come back to California, and then when I separated in the middle part of 1973, as I am sure somebody, somebody said something to me about veterans benefits because I knew I was eligible for some financial aid through the GI Bill and I knew that we were eligible for like dental benefits of some kind for the first year or two.

But I do not recall really a kind of structured debriefing or a structured briefing with materials that we should take with us and commit to memory. I do not know. Maybe it is different today. Give us some idea of how does it work today and the stuff that is on your Web site on counseling and guidance, obviously it is available to veterans. Do we have any idea if they actually look at it and understand it?

Mr. COY. Yes, sir. We are very concerned about making sure that our veterans choose the right school. Keith and his organization send out letters at least twice a year, I believe, to veterans and they reference choosing the right school. In fact, Mr. Wilson here is the author of Choosing the Right School that is on the Web site and has received quite a bit of acclaim for doing just that.

With respect to sort of monitoring and watching students as they progress through, we do that through a number of different ways. Most certainly the schools' certifying officers and officials have a feel for that. This past June we started having schools report to us graduations and success rates and students that are on academic probation. We have a program that we can get counseling as soon as we know a student is having any difficulties or problems, whether it be in payments, whether it be in academics, and we can offer them that counseling through some of our Chapter 36 counseling.

In addition to that, we have started a pilot program at eight schools. We plan on expanding to another nine this coming year. That is called VetSuccess on Campus. In the program, we have put a full-time counselor on campus to provide any sort of counseling or help with respect to those vets that are on there. It is been very successful and very, very well-received at the schools and by our veteran students.

Senator CARPER. So those are schools like brick-and-mortar schools as opposed to those that are available maybe over the Internet?

Mr. COY. Yes, sir. There are eight pilot schools right now.

Senator CARPER. How many schools in the whole universe of schools where GI's can go?

Mr. COY. For Post-9/11 Bill, the latest numbers I have seen is about 6,000 schools. Is that correct, Keith?

Mr. WILSON. Yes.

Senator CARPER. So in terms of the meaningfulness of 8 or 17, that is just a drop in the bucket, isn't it?

Mr. WILSON. Absolutely, yes, sir. And it is a pilot program and we are putting it out there and we are looking at ways to, in fact, expand that program across-the-board.

Mr. COY. I guess finally to answer your other question directly, as you probably know, the President has called for a joint DOD and VA task force to take a look at the entire transition process and employment issues across the board. Both Keith and I have been asked to serve on that and, in fact, we left the task force meeting at an offsite to come here to testify. So there are a number of different things that are being worked right now. We are looking at a number of things in the future with respect to providing that sort of support to our vets on campus.

Senator CARPER. Good. Mr. Wilson, do you want to add anything?

Mr. WILSON. Just a couple points. We could not agree with you more concerning the veterans, servicemembers also, needing the right information to make decisions on schools. Our approach is early intervention and redundancy. We do direct mailings to individuals beginning one year into active service.

We direct mail to every individual once they have been on active duty. We do that again at 2 years, we do that at the 6-month mark prior to graduation, and then we do that again at separation, in addition to providing them the specifics on how to choose schools, questions that they should ask during the transition assistance briefing.

So we want to reach the individuals while they are still servicemembers because a lot of times, that is really when they are making the decisions on where they could potentially go to school.

Just from a personal level, I have an interest in that. My son, Noah, is with the 82d Airborne.

Senator CARPER. What is his name?

Mr. WILSON. Noah Wilson.

Senator CARPER. Noah?

Mr. WILSON. Yes, sir.

Senator CARPER. Like, Noah, I think it is starting to rain?

Mr. WILSON. Absolutely, yes. He has heard that once or twice.

The important thing, though, is reaching those individuals while they are on active duty because that is where they are forming their opinions on where they want to go to school. So we want to get that information to them early and often.

Senator CARPER. Good, all right. Senator Brown.

Senator BROWN. Thank you, Mr. Chairman. So I want to turn for a minute to the consumer education piece of what we are doing to ensure that veterans and servicemembers are, in fact, informed consumers. In your statement, you state that the VA is significantly expanding their engagement with students throughout their educational experiences, but I did not here any specific examples.

What are you doing in terms of expanding the services and how you are doing it and what has the response from the students been? If you could just walk us through that, I will start with you, Mr. Coy.

Mr. COY. Absolutely. We are very concerned about—

Senator BROWN. If somebody walks in, Hi, I just completed a tour of duty, I am eligible for benefits, what do you tell them on the way in?

Mr. COY. In the transition phase or on campus?

Senator BROWN. Transition and on campus.

Mr. COY. In the transition phase, as I indicated earlier, Senator, we are in the process of editing the entire transition process.

Senator BROWN. What happens now, though? Because during the during the transition you are doing something.

Mr. COY. Right now during the transition, we do a 4-hour presentation for departing servicemembers with respect to all of their benefits that they are eligible for within the VA. And so, that is a 4-hour presentation. We have another 2 hours of what we call DTAP, or transition assistance, for our disabled veterans so that adds on another 2 hours. And it lays out all of their educational benefits for each of the departing servicemembers.

Senator BROWN. Do they get a handout? Do they get a breakdown, a physical breakdown or is this just an in-class presentation, they have to take notes?

Mr. COY. Well, they get a copy of the presentation. There are a number of brochures that are given. Keith, can you be specific about the exact brochures?

Senator BROWN. Well, let me just kind of tell you what I am getting at. So I am in the Guard, and we have a pretty good educational program in Massachusetts for State schools and the like. And when our soldiers come home from doing their duty, they actually go through an out-processing or a demobilization where it is A to Z, mental health, physical, financial, et cetera, educational benefits and the like.

We not only give them that type of presentation, but we give them a packet with the actual hardcore numbers and a breakdown, because with all due respect, when the soldier has done his duty, his or her duty, they just want to get home. They want to take off the uniform, they want to have some relaxation time, however they do that, and they are not focused.

Then all of a sudden it is coming August and they say, Oh, my gosh, honey, you have to go to school, you have these great opportunities. And like, Oh, I got a nice briefing, but I do not remember a thing. So is there a packet, a presentation that is professionally done and easy to understand that they get?

Mr. COY. I would suggest that we are very much interested in making sure that our vets that are coming back have that information. With respect to the specific packet of information, there is a number of different brochures, as well as on the Web site. But in terms of a specific package that we hand out, I am not so sure that we provide that.

Senator BROWN. Yes, I would be curious to see whether, in fact, a handout—because I think it is important to know. I mean, the Web site is great, certainly, but how do they even ultimately know to go to the Web site to get that information? So I have noticed that there seems to be a little bit of a disconnect. So once they get on campus, then what?

Mr. COY. Once they get on campus, it depends on which campus they are at, certainly.

Senator BROWN. Well, the average campus.

Mr. COY. The average campus does not have a VetSuccess on-campus counselor. They have the school certifying official and we have—and the school certifying official is required to sort of keep track of those students. There is also counseling benefits that students are eligible for and we get them in touch with counselors in one of the 57 regional offices the VA has, as well as other counselors that are out-stationed across the board.

Keith, do you want to elaborate a little bit more?

Mr. WILSON. Just to amplify on a couple points. We mentioned earlier the redundancy in the information we provide veterans. We agree, when they are ready to separate, they want to go home. That is why we try to reach out earlier during the lifetime of their career to provide them GI Bill information earlier.

Just to touch on a couple of the things that Mr. Coy mentioned earlier in his testimony, what we have done with the schools is create more of a proactive relationship by having them provide us information that we previously did not have. For instance, we provide information on how to apply for benefits, et cetera, to veterans.

What we began requiring schools to report to us this fall are situations where the veteran may be under some type of challenge. Academically, they do not seem to be succeeding. Schools are required now to report to us when a student is placed on academic probation or when they are terminated for academic reasons.

What we do with that information is circle back to them once again and make them aware of the Chapter 36 counseling that Mr. Coy talked about earlier. We have the resources to sit down with these veterans, if they choose, and help them determine aptitudes,

interests, and abilities, and perhaps recommendations on some type of programs that fit.

So if a person chooses a school or a program, they are struggling, we want to try to redirect them into a program that may be a better fit so they can succeed.

Senator BROWN. And in extension of what the Chairman said about trying to get the best value for our dollar and find out how we can do it better, some of the figures about college loan debt and default rates are pretty alarming. What kind of counseling is the VA doing with veterans about the financial implications of their educational choices, specifically about the amount of in-kind debt that they are taking on? Either one of you.

Mr. WILSON. For debt, I am not aware of anything we specifically refer to concerning debt.

Senator BROWN. The educational choices you just noted, do you have the post—when they are at a point where they are—do you have a pre-enrollment that you, say, sit down with that soldier and say—that veteran, and say, Hey, you really cannot be a cook, but boy, you would be a great engineer? I mean, do you have that?

Mr. WILSON. It is not a requirement when one goes through the process. It is a mechanism that is made available to the individuals. Last year we had about 12,000 individuals that we provided this type of what we refer to as Chapter 36 counseling.

Senator BROWN. I am all set, Mr. Chairman. Thanks.

Senator CARPER. If I could, I want to go back to one of my earlier questions where we were talking about the guidance or support that is offered to GIs, particularly those that are coming home to return to civilian life. Has any of this guidance or support, is it required for all vets using the GI Bill? Do they have to participate? Do they have to attend? Do they have to acknowledge that they have gone through certain transitioning before they are allowed to participate in the program?

Mr. COY. I will answer that, I guess, a couple different ways. The information that Mr. Wilson talked about in terms of sending the information to those servicemembers while they are still on active duty, so all of them get that information.

With respect to the Transition Assistance Program, which is the counseling session that is sponsored by the Department of Labor (DOL), it is a 2½ to 3-day session with respect to the entire gamut of servicemembers getting out. That is currently not really a mandatory attendance required. The Marines make it mandatory, but the rest of the services do not make it mandatory.

Senator CARPER. Well, why do you suppose the Marines do and the others do not?

Mr. COY. That would be a subjective judgment, but I think that is how Marines are structured. They want all their troops to go to the Transition Assistance Program and they make it so.

Senator CARPER. And another part of what we are doing here in this Subcommittee is trying to make sure the Department of Defense actually is able to produce auditable and audited financials, and they do not and they do not even expect to be auditable until like maybe 2017.

We always like to say, what you cannot measure, you cannot manage. So we are working on it real hard. Secretary Panetta is

providing great leadership there to put a fire under their people. The Marines are actually trying to be first on the beach in that regard as well, and they are trying to lead the way and show the other services how it is done. I hope they are going to be successful because we need that.

I am very much encouraged to hear what you say they are doing, and maybe we can look to them to provide a model to the Army, the Air Force, and the rest of their Navy brothers and sisters. A question for Mr. Coy. Maybe for Mr. Wilson. I am going to come back to the issue of the State Approving Agencies.

As I understand it, these agencies for each State are the only entity that make firm decisions about whether a veteran can use GI Bill benefits to pay for their tuition for specific school programs, and as I understand, the State Approving Agencies are formed and staffed by State governments, not by the Federal Government, by State governments.

Any idea how many programs currently are approved by a State Approving Agency, but are not part of an accredited institution? Any idea there?

Mr. COY. I do not have that information in front of me. Senator Carper. I am going to just ask you to answer that for the record, if you will. How many programs currently are approved by State Approving Agencies, but are not part of accredited institutions, if you would. You may not be able to answer this one either, but I will ask it again. How do State Approving Agencies' certification requirements change from State to State? Can you just help me with that?

Mr. COY. We have recently put out a guide for State approving officials. We also have a VA State Approving Agencies joint peer review process that we meet with them once a year to provide that consistency. Keith, do you want to give a little bit more meat on that?

Mr. WILSON. The compliance surveys and the approval criteria that State Approving Agencies apply are actually codified in Federal statute. So in terms of the things that they are looking at from a Federal perspective, it is exactly the same in every State. Now, that would be supplemented by anything the States individually would have codified within State statutes, which the State Approving Agencies, of course, also could enforce.

Senator CARPER. And do you have a situation where some of these State Approving Agencies are probably doing a pretty good job, well-staffed, people who know what they are doing that are religiously executing their responsibilities and some of them are not? Do we have any idea if that is case?

Mr. WILSON. We do. I would say the vast majority of State Approving Agencies are very well-trained, highly motivated individuals that do a superb job. As with any group of individuals, we have those that we really consider our go-to people and people we work with to improve their performance.

We conduct an annual performance review on every one of them.

Senator CARPER. This is a question for both of you, if I could. If I am a veteran coming home using the Post-9/11 GI Bill and I have a complaint about the school, with whom do I address this concern? Is it my regional VA office? Is it the State Approving Agency? How

does the VA track these complaints and how do you share them with the Department of Defense and the Department of Education? Any idea of how many complaints you have shared with the DOD and the Department of Ed since the creation of the Post-9/11 Bill? Can you just help me with that outline of questioning, please?

Mr. WILSON. Sure. If students have concerns about their school, there are several ways they can reach us. No. 1, they can call us on our 888-GIBILL1 number. No. 2, they can e-mail us. No. 3, when we go out and do compliance surveys at these schools, the schools are required to tell the students, The VA is going to be there, and they can meet face to face with our compliance survey people that go out to the schools.

Additionally, beginning in fiscal year 12 our customer satisfaction survey that goes out to every one of our 800,000 students has had additional information in it where they report to us specific responses concerning their experience with their school.

Previously, that survey was more on how well we were meeting their needs in terms of timely payment. We have expanded that to begin diving down into their experiences with their school.

Senator CARPER. Thank you for that. Senator Harkin and I were joined at a press conference earlier this morning on the subject that relates very much to what we are looking at today. A fellow named John Elliott, an Army veteran, an Iraq veteran, he told us about applying for benefits, in this case, at a proprietary school.

It ended up the school claimed that they were signed up with the VA and that he could get his education through the school using the GI Bill. It turned out to be not true. And then they ultimately sent him a bill for \$9,600 for tuition to pay back for the benefits. But yet, the school said clearly that, "We work in conjunction with the GI Bill, we work with VA." However it was not true, and they ended up dunning him \$9,600. The night before this morning's press conference, he got word from the school, proprietary school, that his \$9,600 in debt was forgiven.

Well, let me just ask you and sort of following onto that, are these State Approving Agencies that we are talking about in charge of cracking down on schools that incorrectly claim, like the one I just described, that incorrectly claim that they are eligible to accept veterans assistance benefits? Whose job is to crack down on an institution like that, whether they are proprietary, public, or private?

Mr. WILSON. Yes, Mr. Chairman. Ultimately, it is the VA's responsibility. The State Approving Agencies act as our agents in this area. They do have the enforcement authority by law in this area, but they are acting as our agent, so it is a cooperative relationship. Specifically on the individual you are referring to, I do know about the specifics of that case. I am a little bit reluctant to talk about it obviously publicly, but I would be happy to talk a little bit one-on-one. There are a little bit more issues involved.

Senator CARPER. Good.

Mr. WILSON. But I would be happy to talk to you about that.

Senator CARPER. All right, appreciate that.

Mr. WILSON. But ultimately, it is the State Approving Agency's authority to pull approval when those situations do occur. They do exercise that authority. We have had specifically one situation re-

cently where we have pulled approval. That approval is still under suspense, so we do exercise that authority.

Senator CARPER. All right. Any idea—and you may have to answer this for the record since the implementation of the Post-9/11 GI Bill, how many schools have been barred from receiving GI Bill payments? And what was the nature, just in general, what was the nature of these violations that may have led to these actions?

Mr. COY. We were just talking. I think this fiscal year we have one school that we barred from getting GI Bill payments.

Senator CARPER. And tell me again how many schools are there that are eligible for GI Bill reimbursement, how many?

Mr. COY. I think we mentioned about 6,000.

Senator CARPER. So out of 6,000, one has been barred?

Mr. WILSON. If I could amplify a little bit?

Senator CARPER. Please.

Mr. WILSON. We are aware of specifically one case this fiscal year. One of the things that we have recognized is that nationally we didn't do a good job of collecting information.

Senator CARPER. So you did do a good job or did not?

Mr. WILSON. What we did—

Senator CARPER. No, no, I just misunderstood what you said.

Mr. WILSON. I'm sorry.

Senator CARPER. I could not tell if you said we did a good job or we did not do a good job nationally.

Mr. WILSON. One thing that we did not do a good job nationally on is collecting information at the national level specifically on the compliance, et cetera. Up until this fiscal year, that information was stored, collected independently within each of the States on however they did it within their State. So it made it difficult for us to respond to those type of questions from a national perspective, from a programmatic perspective.

We do, beginning this fiscal year 2011, we started collecting that information nationally and the one school that we mentioned is the one that we are specifically aware of in fiscal year 2011.

Senator CARPER. Well, I would just urge you to look harder. Let us talk for a little bit before we wrap up and move to our second panel about the incentives for veteran recruitment. And as I mentioned earlier, I believe our higher education incentives are misaligned. Too often we incentivize schools to recruit high quantities of students without necessarily incentivizing those same schools to provide a high quality of education.

I think that is especially true with our veterans, and I would like to refer to something that Holly Petraeus said in her statement that you also discussed, I think, when you were talking about the 90/10 rule. There is an op-ed that she wrote in today's New York Times. And she is the wife of a veteran, David Petraeus, and the mother of a veteran, Stephen. But Ms. Petraeus stated that, under the 90/10 rule, a for-profit school has to make sure that it obtains at least 10 percent of its overall revenue from a source other than the Department of Education funds. And therefore, no more than 90 percent of a school's revenues contracting can come from Federal student aid, in this case through the Department of Education.

However, because revenues from the Post-9/11 GI Bill or the DOD Tuition Assistance Program (TAP), which is assistance that

accrues to active duty personnel, military personnel, those are not counted as Federal student aid. And they are treated as other revenues, really equivalent to private dollars.

I am going to paraphrase what Ms. Petraeus stated, but something to this effect. For every servicemember that a for-profit college recruits who will be using DOD Tuition Assistance or GI Bill funds, the for-profit college can then go out and enroll nine other students who are using Federal student aid from the Department of Education. This has given some for-profit colleges an incentive to see servicemembers as nothing more than dollar signs in uniform, and they use some very unscrupulous marketing techniques to draw them in.

My next question would be, do you agree with this statement by Mrs. Petraeus about the negative incentives that we have created under the current 90/10 rule?

Mr. COY. Thank you. We certainly recognize that an argument could be made to include the GI Bill and Tuition Assistance Programs under the 90 percent rule, and we would be happy to work most certainly with the Subcommittee. I think our most significant concern would be if there was a policy change, a change of this nature, how it would be implemented and what effects it may or may not have on our veterans.

Short of that, we would be absolutely delighted to work with the Subcommittee, Department of Education, and Department of Defense to implement such a policy if that is what was decided upon.

Senator CARPER. Mr. Wilson, do you want to add anything to that?

Mr. WILSON. I think that is a very good summary. We are actively engaged with DOD and Department of Education talking specifically about this.

Senator CARPER. What incentives does the Department, your Department, the Department of Veterans Affairs, have in place to motivate schools not just to recruit veterans, but to provide them with a quality education that leads to good-paying jobs?

Mr. WILSON. I am having a little bit of a difficult time getting my head around that because there are so many things at work here. Ultimately, we consider that a school should be honored to be able to train these individuals. These are our best and brightest in the country. I think everybody recognizes that. They deserve the best education this country has to offer.

Our experience has been that most institutions have the same philosophy on that. We do have statutes in place that hold all schools to the same level of accountability statutorily.

One of the things that we are looking at, as Mr. Coy talked about in the task force, is going beyond. One of the things that we are specifically looking at is how do we identify best practices, where are the schools, what are they doing to maximize the veterans' experience on campus and doing a good job of handing them off to become employable individuals who do become employed. That is core to what we are talking about in this task force.

Senator CARPER. I think it is important for us to identify best practices. One of the things we try to do on this Subcommittee, as Senator Brown knows, we try to identify best practices. We try to put a spotlight on best practices in the Federal Government from

A to Z. And we also try to put a spotlight on worst practices, and in part to use positive reinforcement to encourage worst practice to become better practices and maybe ultimately best practices.

In closing my questioning here, I would just say it again. Our country faces huge budget deficits. We are not sure how we are going to get out of it. I think at the end of the day, it has to be a combination of cutting spending, a combination of raising some revenues, a combination of growing the heck out of the economy, in combination of getting better results for less money in every nook and cranny in this government, and that includes in these programs.

It includes to make sure that we are getting our money's worth out of Pell grants and out of student loans, out of GI Bill, out of Tuition Assistance. We are spending money here and not getting a very good result, in too many cases where we do not have the money to spend in the first place. We simply borrow it from other countries, borrow it overseas in too many cases. We are wasting it.

We are going to hear from some schools here in a few minutes in this second panel where they are, in one case, a for-profit, but they both work all over the country, in fact, around the world providing educational opportunities who actually get a pretty good result. And what we want to do is incentivize a lot more of that.

This needs to be, as we used to say in the Navy, all hands on deck. I know I can do a better job here, so can Senator Brown, so can the Members of our Subcommittee making sure that the behavior that is untoward, unethical, that kind of behavior stops. And that we need everybody in the VA, particularly for those that are working with you that are doing the Lord's work on this front in trying to make sure that we get on the right track. I thank you for that.

But we need the folks that are on active duty, the people that are doing the transitioning, making sure that the people, when they are leaving the Guard or coming home, the Army, Navy, Air Force, Marines, that they are getting the kind of transitioning and turn over that they needed to make wise decisions.

And at the end of the day, there is a moral imperative here. It is not just an economic imperative, like we do not have the money to pay for this and the taxpayers are getting screwed. There is a moral imperative here because we have been saying to people who have been willing to lay down their lives, if they have to, and if they are asked to, that when you come home, you are going to get a GI Bill that Jim Webb and others worked really hard to create that is not worth the paper that it is written on, and that is just morally wrong and we are going to change that. Senator Brown.

Senator BROWN. Mr. Chairman, one of the reasons I have enjoyed being on this Subcommittee is to try to identify a lot of the things that are actually now being worked on by the Administration and by both parties to try to get more value out of our dollars. So I appreciate you bringing this forward and I look forward to the next hearing as well.

Senator CARPER. Gentlemen, give us a closing statement, please, just a closing comment, both of you.

Mr. COY. My only closing comment, Mr. Chairman, is aye, aye, we hear you. It is an honor to testify and it has been an honor to work at the VA for those wonderful vets that you just described.

Senator CARPER. A closing thought, Mr. Wilson.

Mr. WILSON. I think it is clear we have the same desire. We want the veterans to get the best education they can and we look forward to working with the Subcommittee to achieve those goals.

Senator CARPER. Good, thank you both. And we welcome our next panel of witnesses and would ask, as Mr. Coy and Mr. Wilson weight anchor, that our third panel actually come to the table, please. I am going to begin giving a brief introduction of them.

Ted Daywalt, the first witness, President and CEO of VetJobs. VetJobs is the leading military jobs board on the Internet. It connects veterans transitioning from the military or completing their post-military education with employers across the country. Mr. Daywalt has worked with veterans of all backgrounds and has helped them to find good paying jobs in successful careers.

In addition to his work with VetJobs, Mr. Daywalt served on active duty in the U.S. Navy. There seems to be a recurring theme here, Senator Brown. We have to get some Army guys in here.

Mr. WILSON. I object. We need to have more Army guys, Mr. Chairman.

Senator CARPER. I promise.

Mr. WILSON. Pulling rank on me here.

Senator CARPER. Mr. Daywalt served on active duty in the Navy for 7 years before transitioning to the Naval Reserve Intelligence Program in 1978, and he retired from the U.S. Navy with 28 years of service at the rank of captain. Mr. Daywalt also sits on the board of the College Educators for Veterans in Higher Education, has previously sat on the board of Emory University and the International Association of Employment Web sites (IAEWS) and testified before the President's Commission on the National Guard and Reserves. Thank you for your service as a member of the Navy and for the work that you are doing as a citizen.

Ryan Gallucci is the Deputy Director of the National Legislative Service for the Veterans of Foreign Wars. With 2.1 million members nationwide, the VFW is the largest veterans service organization for combat veterans in our country. I am honored to be a life member, and I suspect others on our Subcommittee are as well.

Mr. Gallucci served as the education expert for the Veterans of Foreign Wars and is responsible for carrying out the organization's efforts to help transitioning servicemembers and veterans pursue higher education and viable career paths following their military service. Here we go. In addition, Mr. Gallucci served 8 years in the U.S. Army Reserve leaving the military in 2007 as a Civil Affairs sergeant.

He was awarded the Meritorious Bronze Star, the Army Commendation Medal, and Combat Action Badge for his actions while deployed to Iraq in 2003 and 2004. We thank you especially for that service.

Upon returning statewide, Mr. Gallucci earned a bachelor's degree in journalism and political science from the University of Rhode Island using his GI Bill benefits. Mr. Gallucci, again, we thank you for being here today and for your service.

Next is Dr. Russell Kitchner and our third witness, the Vice President for Government Affairs, Regulatory Affairs for the American Public University System (APUS). The American Public University System is the parent organization of two for-profit colleges, the American Public University (APU) and the American Military University (AMU).

The American Public University System serves more than 83,000 students with 64 percent of its student population currently serving in the military. Dr. Kitchner is joining us today because by all accounts, American Military University is a for-profit school that does a good job of serving the active duty military personnel of our country. Dr. Kitchner is here today to discuss some of the keys we discussed, describe that his school has adopted on educating our military.

Dr. Kitchner, we have talked a little bit about the bad actors in the for-profit education industry, and frankly, in the non-profit and private non-profits, too. But I want to thank you for agreeing to come today and share with us a different perspective, from a school's perspective, a school that appears to be doing it right.

And finally Dr. Greg Von Lehmen. Our last witness, but certainly not our least. Greg Von Lehmen, Provost, Chief Academic Officer of the University of Maryland University College (UMUC). The University of Maryland University College is a non-profit public college and one of 11 accredited degree-granting institutions in the University of Maryland system offering courses on 130 military installations across the globe and serving over 90,000 students.

The University of Maryland University College is one of the largest distance learning institutions in the world. Prior to becoming Provost, Dr. Von Lehmen worked for the University of Maryland University College's Asia office serving as the Area Development for Japan, I believe, for about 4 years and also spent time in a classroom teaching constitutional administrative law, political philosophy, political administration at Georgia, Southwestern State University and Troy University.

Dr. Von Lehmen is here today to talk about the University of Maryland University College service and how the college serves its military and veterans population and the initiatives they have undertaken to improve the education provided to these students. Doctor Von Lehmen, great to see you and thank you for coming before us and for your testimony.

Let me just say before we all start, when you think about it, Senator Brown and I have spent a fair amount of our lives and years in uniform. I remember in my 5 years of active duty, 13, I think permanent duty station changes and just a whole lot more of temporary active duty, we will go here or there, all over Southeast Asia and other parts of the world. And it is really hard to get an education when you are doing that.

And the idea of being able to do distance learning, it is a great idea, particularly for folks in the military, if it is done right. And at the end of the day, we want to make sure it is done right, not just in a couple States in this country. We want to make sure it is done right all over the world for economic reasons and for moral reasons. Thank you.

Mr. Daywalt, your whole testimony will be made part of the record. Please summarize and proceed as you wish. Thank you.

**TESTIMONY OF TED DAYWALT,<sup>1</sup> PRESIDENT, VETJOBS**

Mr. DAYWALT. Thank you, sir. Good afternoon, Chairman, Ranking Member Brown, staff of the Subcommittee. Let me first thank you for the opportunity to come before the Subcommittee today to share with you information that is relevant to the Subcommittee's discussions on improving veterans education outcomes. It is an honor to be here.

VetJobs has a unique vantage point on these discussions just by the nature of our business. VetJobs deals with veterans and their family members on a daily basis who are pursuing employment, but also the education necessary to obtain meaningful employment.

As I mentioned in my written testimony, veteran education prospects have improved greatly with the new Post-9/11 GI Bill, but when one looks at the evidence, the current Post-9/11 GI Bill has truly been usurped by predatory for-profit schools. Note I use the term predatory for-profit schools as not all for-profit schools have engaged in less than ethical behavior.

I would not put schools like the University of Phoenix and American Military University in the same category as Kaplan and Education Management Corporation. You may seen the New York Times story that Education Management is being sued by the Department of Justice (DOJ) in four States for \$11 billion of fraud.

The actions and behaviors of these predatory for-profit schools like Kaplan and Education Management need to be stopped. I first became aware of the issue while working with the veterans who thought they had earned the credible associate or bachelor degree only to learn that their degree was worthless and they had no chance to recover their now lost GI Bill.

For example, Stephen Kimball of McComb, Illinois had obtained a bachelor's in business administration from the University Management in Technology while he was on active duty. When he left service, he applied to many graduate schools but was rejected because his degree was not recognized as a legitimate degree. As Stephen told me, in order to go to graduate school, he needs another bachelor's degree, which could take years since he no longer has his GI Bill. Kimball's experience is unfortunately typical of many veterans who have been deceived by the predatory for-profit schools.

Besides the deceptive practices used by the predatory for-profit schools, I learned that the fees charge by the predatory for-profit schools are outrageous. A bachelor's degree from the University of Florida costs \$24,458, but a bachelor's degree from the predatory for-profit school Everest College in Florida costs \$81,680. And the predatory for-profit schools degree are not recognized by the traditional brick and mortar schools.

The students who attend these schools——

Senator CARPER. I am sorry. Would you just say that again?

Mr. DAYWALT. You can get a bachelor's degree from the University of Florida as an in-state student for \$25,000. It is actually

<sup>1</sup>The prepared statement of Mr. Daywalt appears in the appendix on page 56.

\$24,458. The Everest College which is based down in Florida, your bachelor's degree would be \$81,680.

Senator CARPER. OK, thank you.

Mr. DAYWALT. I could have put both my kids through Emory for that.

The students who attend these schools are wasting their GI Bill benefits due to not understanding the system and not receiving guidance from their command educational counselors. And many of the veterans who are snarled in this quagmire are aggressively encouraged to take on more debt by the predatory for-profit schools. This ultimately leads to many veterans and their spouses defaulting on their college notes.

Since over 60 percent of companies now run credit checks on prospective employees, it becomes very hard for any of these veterans and their spouses to be able to obtain employment. And that is why VetJobs involves itself in this issue. The predatory for-profit schools are hindering our veterans and their spouses from being able to obtain gainful employment. I have also learned of predatory for-profit schools that target military spouses on bases, setting up a recruiting table at the post exchanges and commissionaires. I have been told they have admitted spouses who did not have a high school diploma or an acceptable SAT.

But what really bothers me, Chairman, is that after last year's GAO undercover investigation that found 15 predatory for-profit schools had made deceptive or otherwise questionable statements to GAO's undercover applicants, and four schools actually encouraged personnel to falsify their financial aid forms to qualify for Federal aid, the VA and DOD did nothing to decertify the schools or ban them from receiving GI Bill or Tuition Assistance monies.

VA continues to allow these predatory for-profit schools to enroll active duty, veterans, and spouses. These predatory for-profit schools continue today to target veterans and their spouses. There obviously is no effective oversight of the educational programs at DOD and VA!

As a businessman and a retired senior officer and a taxpayer, I have to ask, how does this situation be allowed to persist, and more importantly, why? To be fair, yesterday there was a report in the Chronicle of Higher Education that DOD is stepping up its oversight of online learning amid growing congressional scrutiny of its tuition benefit program. But I think it is a shame that it took congressional and press pressure to get DOD to do its job.

It is obvious to me that many predatory for-profit schools see military students as dollar signs in uniforms. The actions of the predatory for-profit schools need to be stopped. Veterans, the very people who have defended our country and protected our Constitutional Republic and given us the free market society that we in business so dearly enjoy, deserve better treatment.

In conclusion, I now want to point out that had DOD and VA provided the proper oversight, we would not be here today, and veterans and their family members would not have been encountering the myriad of problems discussed above. Any solution considered by this Subcommittee and Congress to the above problems must include a way to ensure DOD and VA are held accountable. Thank you for your time, sir.

Senator CARPER. You bet. And before you start, Mr. Gallucci, thanks for that testimony, very much. Some of you are familiar with the Gainful Employment Rule that the Department of Education has worked on, tried to update and to put in place, and I know we tend to blame in some cases the VA, DOD or whatever. They have been—their efforts to make the meaningful—Gainful Employment Rule meaningful and more rigorous have been, as you may know, not supported, not endorsed, not welcomed here in our Legislative Branch. There have been too many instances, especially I think in the House, strongly opposed.

So there is plenty of blame to go around, that none of us is without blame. All of us have to be part of the solution, and my hope is that following today's hearing, we will be more inspired to do that.

Mr. Gallucci, thank you.

**TESTIMONY OF RYAN GALLUCCI,<sup>1</sup> DEPUTY DIRECTOR, NATIONAL LEGISLATIVE SERVICE, VETERANS OF FOREIGN WARS OF THE UNITED STATES**

Mr. GALLUCCI. Thank you. Chairman Carper, Ranking Member Brown, and Members of the Subcommittee staff. On behalf of more than 2 million members of the Veterans of Foreign Wars and our auxiliaries, the VFW would like to thank this Committee for our opportunity to present our views on this critical issue.

During tough economic times, military and veterans' education benefits provide a critical tool in ensuring that our Nation's heroes can compete in a cut-throat job market. Unfortunately, certain schools, particularly predatory for-profit, have chosen to prey on those eligible for military and veterans education benefits, failing to deliver a quality education.

When schools prey on veterans, they quite literally steal their benefits. For example, a veteran may enroll in a predatory school using up to 2 years of their GI Bill. At this point, the veteran realizes that the program is worthless, withdraws, and seeks education elsewhere. Unfortunately, credits from the predatory school do not count. The veteran must start over. With 4 years of school ahead, but only 2 years of benefits to pay for it, the veteran must now pay out-of-pocket, wasting time and taxpayer dollars, while the predatory school walks away with cash to find their next victim.

We are only 2 years into the new GI Bill, so the VFW believes that we have not yet seen the worst of this phenomenon. Some say that this is just the free market at work and that the government should stay out of this fight since only quality for-profits will survive. The VFW disagrees since both quality and the predatory schools have been shown to profit off government benefits regardless of the outcomes for student vets.

The VFW equates GI Bill funds to Federal contracts since both are paid for by the taxpayer which is why outcomes are paramount. As an example, when the military contracted to build a new hospital at Fort Belvoir, a for-profit company earned a healthy payday from the taxpayers as a result of the project. However, at Fort Belvoir a new fully functional hospital is serving soldiers.

<sup>1</sup>The prepared statement of Mr. Gallucci appears in the appendix on page 67.

Similarly, when students use the GI Bill, the VFW expects schools to be able to deliver degrees or certificates with which veterans can find jobs. If the school's business model ensures that veterans cannot receive such credentials, the school should not receive further Federal funding. Two rules that attempt to address the free market issue are VA's 85/15 rule and its companion 90/10 rule in the Higher Education Act, which my written remarks explain in detail.

These rules set government funding caps for schools at 90 and 85 percent respectively, but operate independently of each other. 90/10 includes only higher education funds, while 85/15 only includes VA and military funds. To the VFW, this creates a perfect storm through which predatory schools can master a complex cycle of compliance.

Should they approach the 90 threshold, aggressively targeting military students will ensure compliance, yet revenue still comes entirely from Federal sources. The VFW believes that predatory schools recognize that consumers will not invest in their product so they look for government funds to insure solvency.

To protect military and veterans education benefits, the VFW would recommend changing these rules to ensure that all taxpayer-funded programs fall under a single umbrella, as they were intended to do, creating an incentive for schools to deliver a product that can survive at least some free-market scrutiny.

As I mentioned before, VFW's primary concern is student outcomes. To some, this means graduation rates. The VFW would not recommend legislating graduation or default rate thresholds to improve outcomes. Rather, the VFW believes that the Department of Education and VA must insist on transparency for institutions to receive taxpayer dollars, providing incentives for schools to do better.

The VFW makes several recommendations on how to improve transparency in our written remarks with the help of some for-profits who have chosen to do business the right way. Most notably, we recommend that VA implement specific Memorandums of Understanding (MOU) for schools to be eligible for funding, building on the Department of Defense's model, and ensuring that student veterans have all the information up front to make an informed decision.

Unfortunately, the approval process for veterans and academic programs create two more hurdles for those seeking to use GI Bill. First, VA solely verifies eligibility for veterans based on military service. Today veterans are allowed to enroll in programs for which they never satisfied prerequisites, only to rack up bills that VA cannot pay. Given the new pay models for the Post-9/11 GI Bill, the VFW believes that VA could also play a role in verifying a veteran's eligibility to enroll in a program.

Second, many State Approving Agencies tasked with ensuring education program compliance are understaffed or inadequately trained. For example, the agent in Rhode Island took on her role as a collateral duty. This is not an isolated incident, with more than 16 States facing similar circumstances and agencies literally screaming for more resources. Approving agencies are the first line

of defense against predatory schools and need the right tools to do their jobs.

In recent months, discussions over fiscal responsibility have us concerned about the continued viability of the new GI Bill should veterans not receive the educational opportunities they were promised. Our veterans have earned these benefits and it is our duty to ensure that predatory companies cannot exploit them.

The VFW looks forward to working with this Subcommittee and the education community on developing solutions to better serve our veterans. Mr. Chairman, this concludes my remarks and I would be happy to answer any questions you may have.

Senator CARPER. Very good testimony, thank you, Mr. Gallucci. Thanks a lot. Dr. Kitchner, please proceed.

**TESTIMONY OF RUSSELL S. KITCHNER,<sup>1</sup> PH.D, VICE PRESIDENT FOR REGULATORY AND GOVERNMENTAL RELATIONS, AMERICAN PUBLIC UNIVERSITY SYSTEM**

Dr. KITCHNER. Mr. Chairman, Senator Brown, please accept my sincere thanks for the privilege of sharing with you and the other members of this Committee our perspectives on the important subject of how institutions of higher education can better serve our Nation's military personnel and their families.

If I may, before beginning my formal comments this afternoon, I would like to acknowledge the presence behind me and to over my left shoulder, two members of our APUS Board of Trustees, General Julius Becton and Dr. Kate Zatz.

Senator CARPER. Would you all raise your hand, please? Good, nice to see you both. Thank you for joining us.

Dr. KITCHNER. And also our APUS Vice President for Strategic Initiatives, Colonel Phil McNair.

Senator CARPER. Who is that? OK, thanks. Thanks so much.

Dr. KITCHNER. I also sit here as a representative of more than 60,000 members of our armed forces and veterans whom we support as students. They have entrusted their educational futures to us as we, in this room, entrust our safety and security to them. Retired Marine Corps Major James P. Etter founded American Military University in 1991 as a graduate school to provide military officers with the opportunity to earn an advanced degree in a discipline associated with their military professions.

The American Public University System was chartered in 2002 in response to the educational needs of the public service community, particularly in such fields as criminal justice, public safety, and national security. AMU and APU share a common curriculum, facilities, faculty, and staff, and a common mission which is to provide access to an affordable, high-quality post-secondary education with an emphasis on educating the Nation's military and public service communities.

The university is both regionally and nationally accredited. It offers more than 80 associate's, bachelor's, and master's degree programs including many specifically established to respond to the career interests and objectives of military personnel and their families. All of its courses are offered exclusively online in a format that

<sup>1</sup>The prepared statement of Dr. Kitchner appears in the appendix on page 72.

enables students and faculties to interact asynchronously regardless of location or time zone.

Today APUS serves more than 90,000 military and public service professionals and other civilians studying from all 50 States and 130 foreign countries. APUS has maintained its historical commitment to monitoring and assessing its performance. Our efforts in this regard have not gone unnoticed and our written testimony points to some noteworthy examples.

However, whatever success we have enjoyed in terms of program assessment and evaluation would be of little consequence unless the resulting data were applied to institutional performance as measured by student success. It is due to this dedication and commitment that we are pleased and honored to be present at this hearing and to share this table with representatives of our Nation's servicemembers and the University of Maryland which, as many of us know, is a pioneer in extending educational opportunities to America's military personnel.

I would like to offer five straightforward strategies that we have found to be helpful in serving military students and veterans. No. 1, maintain affordable prices and reduce the time to completion by not placing unwarranted limits on a certified or other forms of transfer credit.

No. 2, encourage a one-course-at-a-time approach to enrollment, particularly among students studying online for the first time. No. 3, recognize that active duty military are working adults, as are most veterans, and as such, they deserve an appropriate institutional investment in academic counseling and other support services.

No. 4, design, develop, and implement courses, curricula, and programs that align with military-related careers and professional vocations outside the military that are relevant to this special population of students. And finally, participate in nationally benchmarked surveys and studies and openly publish institutional metrics that effectively inform prospective students, as well as education service officers and commanding officers.

I have been asked to address the relative merits of two proposals relating to the so-called 90/10 rule. One proposal would shift DOD and VA funds to the 90 side of the formula and the other would eliminate it from the formula altogether. The only fundamental difference between these two suggestions is that the impact of the first would be felt sooner. In the end, the effect of 90/10 is that it likely will unnecessarily increase the cost of and access to education options available to our servicemembers.

Academic quality and institutional performance are issues that warrant at least as much attention, but at this time I would ask that we consider the chart<sup>1</sup> that is before you. Note that given equal amounts of Federal financial aid for which a student qualifies, Institution A whose tuition is 50 percent less than Institution B would be out of compliance with 90/10 unless it increases its tuition by slightly over 11 percent.

A thoughtful analysis of the actual impact of 90/10 reveals that it does nothing to enhance the prospects for student success, it is

<sup>1</sup>The chart referenced by Mr. Kitchner appears in the appendix on page 129.

not reward operational efficiency, it does not extend access to traditionally under-served populations, and it does not reduce educational costs to students or taxpayers. If anything, it inhibits initiatives that support or have the potential to support those objectives.

In a generous spirit expressed by this Subcommittee in calling for this hearing, we would like to work toward meaningful alternatives to 90/10, alternatives that place greater emphasis on institutional performance regardless of funding models. To that end, we would welcome the opportunity to work with the Department of Defense and the Veterans Administration to ensure that America's military personnel have access to high-quality educational programs.

And I would emphasize the importance of the concept of cooperative efforts in this regard. Clearly our interests are not mutually exclusive. And we have a duty to do a better job for those whose duty continues to be to serve us and protect us. Thank you, Mr. Chairman, and I do welcome your questions.

Senator CARPER. Great testimony and thank you for those great and very thoughtful suggestions.

Dr. KITCHNER. Thank you.

Senator CARPER. Dr. Von Lehmen, please proceed.

**TESTIMONY OF GREG VON LEHMEN,<sup>1</sup> PH.D., PROVOST AND CHIEF ACADEMIC OFFICER, UNIVERSITY OF MARYLAND UNIVERSITY COLLEGE**

Dr. VON LEHMEN. Good afternoon, Chairman Carper. On behalf of our President, Dr. Susan Aldridge, I thank you for the opportunity to appear today to discuss improving educational outcomes for our military and veteran populations.

The University of Maryland University College was established in 1947 to meet the unique academic needs of working adults. As you have noted, it is one of 11 public degree-granting institutions that form the University System of Maryland. And today, UMUC serves 94,000 students in 28 countries, all 50 States, about 40,000 of whom are active-duty members, veterans, or family members.

In fact, it is accurate to say that UMUC's focus on adult students started with its service to active-duty members which began largely with face-to-face programs on military installations in Europe in 1949 and Asia in 1956, and continues to this day at 130 locations around the world. These locations include sites in Iraq, Afghanistan, Africa, elsewhere in the Middle East where the University has had faculty and staff in harm's way to offer face to face educational opportunities for servicemembers in those countries.

My submitted testimony points to a few of UMUC's processes that were instituted to increase positive educational outcomes for all of our students, but especially for our military and veteran students. These included measures of accountability that have been instituted, long-standing measures that have been instituted with-in the Office of Enrollment Management (OEM), the academic support service that we provide by our Effective Writing Center, our

<sup>1</sup>The prepared statement of Dr. Von Lehmen appears in the appendix on page 83.

24/7 library support that is available to our students, among others.

I will not duplicate those details here, but wish to use the remainder of my time to directly discuss the areas in which UMUC believes the Federal Government can support improved educational outcomes for military and veterans student populations.

First, while mindful of the fiscal exigency which you have underscored several times, Mr. Chairman, we believe that military tuition assistance is essential to the success of our military students. Veterans are coming home to a highly competitive job market and as the unemployment numbers indicate, far too many are unemployed and countless others are underemployed. When competing against non-veterans, the key differentiator is often a college degree.

The military services have made significant investments in narrowing this gap by funding the cost of college through the Tuition Assistance Program. This program has catapulted a significant number of active-duty members toward educational goals that they once had thought were impossible.

The impact of increased investments in tuition assistance is substantial. In fiscal year 2002, the first year of 100 percent tuition assistance, there was an increase of 32 percent in individual enrollments DOD-wide, and this increase has been sustained in subsequent years. We ask this Subcommittee to continue its leadership in this area and to closely examine the impact of proposed changes to the Tuition Assistance Program.

Second, we believe that there should be continued support for the American Council on Education (ACE) and Service Members Opportunity College's (SOC) programs. These programs can jumpstart the veterans' academic progress toward degree completion by evaluating and certifying military training for academic credit, ensuring reciprocal acceptance of credit across participating institutions, and accelerating the entry of military members and veterans into the workforce by shortening their time to degree completion.

Third, we recommend that the Federal Government create and implement a regime that would produce real consequences for institutions that are significantly out of compliance with the Military Voluntary Education Review Program (MIVER). DOD Directive 1322.25 requires that all institutions participating in the military Tuition Assistance Program sign a memorandum of understanding with DOD committing these institutions to participate in the review of all their programs according to the MIVER best practices.

In the past, this program has resulted in team visits to installations, review of academic programs, team recommendations about issues or problems to be addressed. But historically, there's been little real consequence for institutions that did not observe these principles or address the recommendations. So consequences for noncompliance could include suspension of eligibility to participate in the DOD Tuition Assistance Program for institutions that are seriously out of compliance.

Fourth, we have seen that the funding shortfalls have resulted over the years in a drastic reduction in providing servicemembers and veterans with easy and convenient access to highly qualified education counselors. Despite the very best efforts of the military

service, this latest generation of largely first-time college students are often left to their own devices to make a decision that should be preceded by unbiased and highly qualified advising.

We ask that the Subcommittee look at the importance of education counselors as it considers how best to assure sound Federal investments in educational programs that serve our military and veteran populations.

So in conclusion, the University of Maryland University College strongly supports the work of this Subcommittee in exploring proven practices and improving education outcomes for those who have honorably volunteered to support and defend this country. They deserve nothing less than the best. This concludes my remarks, Mr. Chairman. I am happy to answer any questions that you may have.

Senator CARPER. Great, thanks very much for that testimony. Really, uniformly excellent testimony from this panel. Thank you. Thank you all.

I want to come back to the 90/10 rule in just a moment. Before I do that, I just want to draw the attention of our Subcommittee to a number of letters that many of our top veterans groups have sent us calling on Congress to fix the 90/10 rule so that GI Bill benefits are counted toward the 90 percent limit on Federal funding. We realize there are other alternatives to that.

But we received letters<sup>1</sup> from, among others, American Veterans, Student Veterans of America, Veterans of Foreign Wars (VFW), the Vietnam Veterans of America (VVA), Military Officers Association, Blue Star Families, Paralyzed Veterans of America, VetsFirst, and I would, without objection, want to submit those letters for the record.

I want to come back to solutions, if we could for a couple of different ideas here for how to address the 90/10 rule, keep it as it is, change it so that the monies that are government funds meant to help veterans, or active duty personnel, actually become a part of the 90 percent. There is a variety of things that could be done. We have heard from some. I think we heard from Dr. Kitchner here that suggest that maybe simply fixing the 90/10 rule is not quite so easily as just making sure that we count all the veterans assistance and all the active duty military assistance in the 90 percent. Maybe that is something, another way to deal with this.

I just want each of you to take a minute or so and just talk about, if you were in our shoes and you are looking at this problem with the perverse incentives that we are getting from the 90/10 rule, among the perverse incentives is that there is no skin in the game. There is no skin in the game for the colleges and universities, whether they are proprietary, private, public, no skin in the game.

And I am reminded a little bit here of the subprime lending episode that we went through this last decade where you had, in some cases, mortgage brokers are getting people who were really not in any position to become homeowners, did not have the wherewithal to become homeowners, folks buying homes on which the appraisals were not worth the paper they were written on, and the mortgage folks did not have any skin in the game because they handed

<sup>1</sup>The letters referenced by Senator Carper appears in the appendix on page 115.

off the application to a mortgage bank and the mortgage bank ultimately hands it off maybe to Fannie Mae or Freddie Mac to get securitized.

These mortgages were bundled together and you have a whole string of players there who had no skin in the game. And when you have no skin in the game, market forces do not work very well. I am reminded a little bit of that situation here.

Let me just start with Mr. Daywalt. Let us say you are on this side of the dais and you have to figure out what to do in this instance with the 90/10 rule. What would you do? Why would you do it?

Mr. DAYWALT. Do you want us to only address the 90/10 or—

Senator CARPER. Start just with 90/10, but then we will go beyond that.

Mr. DAYWALT. As I put in my written statement, sir I think all of the Federal funds should be put on the 90 percent side, because I think you will find that the way some of these predatory for-profits are operating, there is no skin in the game from non-Federal funds. It is all Federal funds. I know everybody talks 90/10. I would not have a problem going to 80/20 and push it back some more. That may put some of them out of business, but if they cannot act as a normal university, then maybe they should not be in business.

Senator CARPER. All right, thank you. Mr. Gallucci.

Mr. GALLUCCI. As the VFW mentioned in our written statement, we would also support bringing all Federal funds on the 90 side, and as I stated, this was the intention of the law. If you look at the legislative history of 85/15, where it came from, why it was started, it was designed to make sure that school solvency was not strictly reliant on Federal funds. What we have now with the two stovepiped regulations is a situation where a school can manipulate one population simply to fall into compliance with the other rule.

85/15 is still on the books in Title 38, part of Chapter 36 in how the GI Bill is administered, but it is relatively irrelevant just because of the number of veterans who are eligible for benefits and how robust higher education benefits are these days. So to fall in line with the original intention of the law, we feel it is perfectly appropriate to bring that money on the 90 side.

Senator CARPER. All right. Thank you. Dr. Kitchner.

Dr. KITCHNER. Thank you, Mr. Chairman. I prefer to point to the fact that it is our position—I believe that we should first differentiate between Federal student aid and VA or DOD funds. The GI Bill is what we consider to be an earned benefit. It is not financial aid. It is not something that someone qualifies for because of financial status or any other determination. It is an earned benefit that I think most of our military people were very well aware of when they enlisted.

This was a part of the inducement to enlist, would be to take advantage of the Post-9/11 GI Bill or the Montgomery Bill before it. I think that is an important distinction that we should maintain and keep that in front of our mind because that is part of the reason why I think the original higher education authorization wrote the law the way it did.

I also would not want to encourage any kind of a policy change that ended up with unintended consequences such as reducing the amount of opportunities and access to higher education that our veterans enjoy and deserve.

I think it is very important that we not let a policy decision that could affect the number of students that an institution could enroll or would involve having an institution have to go out and find more cash paying students in order to avoid a 90/10 trigger when, in fact, those cash-paying students are neither part of their fundamental mission, historical mission, nor for that matter would they necessarily be available unless we went to an international market which does nothing, quite frankly, to help support the President's objective to further educate America's civilian and military population.

So I think we want to make sure that as we struggle through this challenge of identifying bad actors and promoting good practices, that we focus on the academic dimension of this question and not simply the economic one. Thank you.

Senator CARPER. Good, thank you. Doctor Von Lehmen.

Dr. VON LEHMEN. Thank you, Mr. Chairman. As an institution, we would support including all Federal funds on the 90 percent side of the formula. We do not think it is unreasonable that institutions receiving Federal funds should be able to demonstrate, by some consequential measure, that other stakeholders have confidence in them. So we have reservation about including veterans benefits and military tuition assistance on the 90 percent side with Title IV.

Senator CARPER. All right. Thank you. That question that I just gave you is pretty narrow, how would you fix the perverse incentives provided by the current 90/10 rule. Mr. Daywalt, I think you were prepared to go just a little bit beyond that specific question. Do you want to go back and pick that up? If not, I have another more specific question.

Mr. DAYWALT. Sure. I have some other recommendations that you can consider. I look at it from a business perspective and from having sat on the boards of different schools. These schools are using Federal funds—I'm talking about the predatory for-profits. They are using Federal funds to fund their marketing and sales and commission campaigns. Some of them as much as 50 percent of the revenues coming in are being used to advertise, which I see them all over the place.

If they are going to use Federal monies—our taxpayer dollars—I do not think they should be allowed to use any more than 10 percent of their total revenue for marketing and sales campaigns. I was on one school's board when the new dean of the business school asked to raise the marketing funds for the business school from 5.5 to 7 percent. You would have thought that he had raped the Queen and killed the President. I mean, the board members were going nuts. What do you mean, 7 percent? But he wound up getting 8, by the way.

But limiting it to 10 percent, I think, would be very important. I think the agencies should make better use of their mechanisms that they have. There was a school that was suspended earlier this year, but it was reinstated, and it goes back to the things with the

GAO. If they take people that are blatantly violating the law, why are we still giving them money? Something tells me that there is something wrong.

And the issue that has been brought up several times about having better information available for the veterans through the command curriculum counselors through the TAP and ACAP centers is very important because a lot of these people came into the military when they were 18 and they have no idea what higher education is all about. They did not stick around to talk to the kids who went to college. They came straight into the military. So they are flying blind and they do need some help and assistance.

Senator CARPER. Is it fair to say that some of their parents never went to college either?

Mr. DAYWALT. I think that is very fair to say. I came from a family where I was the first one that went to college and then my mom and dad got their degrees after my dad retired after 30 years of working.

Senator CARPER. My parents had an expectation for their son and daughter, my sister and me, to go to college, but also we had to figure out how to pay for it.

Mr. DAYWALT. Yes, we did.

Senator CARPER. All right. Did you want to continue?

Mr. DAYWALT. No. I think the other suggestions I have in here stand—there is one and that is the accreditation issue. I know it is not popular to say that some of these for-profits put together what is called, on the Internet, fake accrediting agencies, but we need to look at that issue very hard. If they are running a business school program and they cannot get accepted by the American Association of the Collegiate Schools of Business, why are we putting Federal dollars into it?

Senator CARPER. OK. Good point, sir. Mr. Gallucci, do you want to speak more about it? I want to give Mr. Daywalt a chance to do that. Do you want to speak more broadly on how to proceed on a strictly 90/10 rule fix?

Mr. GALLUCCI. Absolutely. So you are talking about some other ways that the VFW believes we could solve this problem?

Senator CARPER. Yes, sir.

Mr. GALLUCCI. Basically, it is improving oversight mechanisms. 90/10 is really just one facet of this. We also spoke about memorandums of understanding with colleges. That is one avenue that you could go down. VA eligibility, also, State Approving Agency resources, and this is really one of the largest ones that I wanted to touch on, because as I mentioned in my testimony and as we heard from the previous panel, that they are the boots on the ground for enforcement.

And what we found is basically they have been broken, they have been broken for a long time. They do a great job with the resources they have, but they haven't had enough since 2006. They have not had a funding increase since 2006. The new GI Bill came in place in 2009 and dictated that State Approving Agencies were going to have to take on even more work as a result.

This benefit is too robust and their responsibilities are too great that at 2006 funding levels, there is no possible way that they can accomplish their mission successfully. The VFW testified on this

back in 2009 before the House. Our concerns were reiterated last year before the Senate VA Committee by the National Association of State Approving Agencies. So this is not a new problem. We know that our front line troops, the State approving agents, do not have the resources they need and predatory schools are obviously slipping through the cracks.

Senator CARPER. All right. Dr. Kitchner, I am going to ask if we could just hold it right there and I will come back and ask you and Dr. Von Lehmen to just sort of pick up where we are leaving off.

Senator Brown, would you like to proceed with your questions? Thanks.

Senator BROWN. Sorry. I am bouncing back and forth. I am working on a couple of things back home that are very serious.

So, Mr. Gallucci, first of all, thanks for your testimony and your service. I do not believe you answered this question, but you described today's 90/10 and 85/15 rules ineffective, stovepiped regulations. And I can kind of understand that being here in Washington, now how we have a regulatory process that is broken and needs to be done better.

It seems to be a point of agreement amongst most stakeholders. I do not think there is much argument. How do we stop viewing each program and its own independent like entity and start realizing that all these programs are just a means to educate our military and veterans? No. 1. And do you think this weakens oversight of these programs and where do you think we can make improvements?

Mr. GALLUCCI. With respect to 90/10 and 85/15, we feel that going back to the original intent of the rules is what we really want to do. 85/15 was really one of the original rules to rein in fly by-night schools, and as it has been eroded over the decades as we have heard, higher education developed a very similar rule, 90/10, which covers higher education funds, work-study programs, but there is no interplay.

What we have heard is that 85/15 is effectively irrelevant. It is still in Title 38, but it does not really apply these days because there are enough veterans going to school and higher education dollars are a much more lucrative source of revenue. We do not feel that bringing the VA and military dollars onto the 90 side would have an adverse effect on oversight.

VA is still authorized to—the State Approving Agencies are still authorized to do their jobs. The military is still authorized to monitor its education programs and how its dollars are spent. This is simply making sure that schools cannot solely rely on taxpayer dollars for solvency.

Senator BROWN. And Dr. Kitchner.

Dr. KITCHNER. Yes, sir.

Senator BROWN. Considering the challenges that have been described, what are the challenges in administering these financial aid programs from an institutional perspective? And then Dr. Von Lehmen, if I could have you answer that question as well.

Dr. KITCHNER. Thank you, Senator. One of the jobs that my wife said she would never touch is being a financial aid director, and I feel exactly the same way. Financial aid administration is a complex business and it is not actually one of those areas that I have

a great deal of expertise in. I think the issue that we have been trying to address, both in the context of this hearing and, I think, in some broader context with the Department of Education program integrity rules, is that we ultimately want to see whatever form of policy and rules are established, that they end up accomplishing the objectives for which they are being proposed, and that is, program integrity and quality of the instruction. It is our sense that 90/10 does not deal with that at all.

Senator BROWN. Let us take it a step further then as a followup. What is the suggested streamlined process that we can use from an administrative perspective while ensuring also that Federal oversight is maintained?

Dr. KITCHNER. Well, one option I think would be to establish academic metrics, meaningful academic metrics that would reflect institutional performance, publish those metrics so that we have an opportunity to compare institutions to institutions, providing prospective students and other members of the public with useful and relevant information to make decisions about colleges and programs that they may be interested in.

I think another opportunity that we have is to identify what Chairman Carper referred to as skin in the game. There needs to be an opportunity for institutions to show that they are going to be accountable for what they do not do well, and I think some of us have reasonably good opportunities to make changes or to modify practices so that we do not have to bump up against accountability issues that will end up costing institutions money.

Senator BROWN. Thank you. Doctor Von Lehmen.

Dr. VON LEHMEN. Like my colleague, Dr. Kitchner, I am not one who is well-schooled in all the details of financial aid advisement, but I do know from where I sit that it is extremely complicated to administer, very complicated for the student, and I think that recent regulations that have been implemented by the Department of Education make it even more complicated still and more difficult to administer.

From the standpoint of our institution, I think the fundamental issue is that these regulations are designed for more traditional colleges and universities that do not have, as their principal mission, serving adult students. They are designed for the kind of traditional enrollment patterns that you find on traditional colleges and universities where you have three opportunities to enroll, fall, spring, and summer.

What the changes might be I could not say in detail, but I think if you ask any college administrator or any student, they would say the same thing about the complexity and difficulty of administration.

I would like to reinforce some comments that Dr. Kitchner made. I think that as a Nation, we need to take stronger steps toward accountability in higher education, and I think that the first step is agreeing on what the metrics are. And that is a complicated question because depending on what the differences among institutions are, the metrics might be the same, but now they are applied might be different.

I will say from my institution, our student population is very different from the population that is captured by the IPEDS data

which looks at traditional college cohorts and how many of them graduated in a 6-year period. Our experience is it takes students on average maybe 10 years to graduate. We have people who walk across our platform, including active duty members who may have been at it for 12, 13 or 14 years before they graduate.

So I think this area of metrics is very important. In fact, there are efforts underway to achieve some clarity about what these metrics should be, especially as they are applied in the context that we are talking about, active duty members and veterans. The servicemembers' opportunities consortium has formed a group representing colleges and universities, including American Military University, to discuss this very issue and to produce some recommendations about what these metrics should be.

Senator BROWN. Thank you for those thorough answers. I must say I will come back if it is appropriate.

Senator CARPER. Well, it will be. Dr. Kitchner, Dr. Von Lehmen, I am going to go back. Mr. Daywalt and Mr. Gallucci had a chance to respond more fully. And if you would like to as well, to my earlier question. If not, I will just come up with a somewhat different question for Mr. Daywalt. Dr. Kitchner.

Dr. KITCHNER. Chairman Carper, would you mind repeating the question?

Senator CARPER. I am not sure that I can. I said, beyond a 90/10 fix, what are some other things we ought to be doing? You have already cited this to some extent, beyond a 90/10 fix. What are some other things that we ought to be doing, we being the Legislative Branch?

Dr. KITCHNER. OK. Mr. Chairman, I think that one of the things that I think you are already doing, and I commend you for that, is monitoring carefully what the Department of Education has attempted to do with its program integrity rules. I think many of us in this room, if perhaps not everyone in the room, would recognize that those rules are subject to refinement and perhaps reconsideration in some cases.

But nevertheless, they have the potential of getting at the core issues here, which is program integrity, which is, in fact, institutional performance. And I believe, for example, while gainful employment is a very controversial issue and perhaps one of those that does need some thoughtful tweaking, if not more, the fact is, gainful employment has the effect or the potential effect of driving down the cost of higher education; that it will force institutions to manage very carefully their finances in order to not have an issue with the formula between the cost of instruction and the employment opportunities of their graduates.

Ironically, at the same time that we look at gainful employment as maybe having that potential, it then bumps right up against 90/10, which as I have tried to demonstrate in that brief poster next to me, has precisely the opposite effect of driving up the costs.

So we have two initiatives, both appropriate in many respects, but they are working at cross purposes. And so I would suggest that working closely with the Department of Education, working closely with the higher education community. There is much that we can do, and to Dr. Von Lehmen's point, I think we need to look thoughtfully at whether or not rules that were in place 20 years

ago, for that matter 10 years ago, if they still have relevancy, given the fact that we have an entirely different population that is looking at higher education as an opportunity that they can take advantage of because the methodologies and the technology are out there to do so. Thank you, sir.

Senator CARPER. Good, thank you, sir. Dr. Von Lehmen.

Dr. VON LEHMEN. I have no further comments.

Senator CARPER. OK, good. We are back to Mr. Daywalt, if I could. I just want to give you an opportunity to respond to what our friends from the Department of Veterans Affairs said earlier about barring only one school out of, I think, 6,000 from receiving GI Bill benefits or funds. Do you think the VA is doing a good enough job at policing schools?

Mr. DAYWALT. Well, that kind of puts me on the spot, but my personal feeling says no, they have not, and I speak as a person who—I mean, I am responsible for bottom line where I work at. If we cheat, I am going to wind up in front of the SEC. If you have 15 colleges that are cheating and basically lying, committing fraud, why were they not suspended? Why are they even allowed on the military bases? They should have been thrown off.

That seems to be common sense, but common sense does not seem to be ruling things right now. And as a businessman, I have to ask, if these 15 were really doing all this to whose benefit is it to have them still there? Does not someone who commits fraud supposed to not be able to get access to Federal funds?

Senator CARPER. I think the answer is self-evident. Thank you. All right.

In my old job as Governor of Delaware, one of the things we used to do, when we had a problem—I will give you a couple of examples. We had a problem in Delaware where we raise a lot of chickens in our State. There are 300 chickens for every person who lives in Delaware. And on the Delmarva Peninsula which includes the Eastern shore of Maryland and the Eastern shore of Virginia, poultry is a huge industry. Eighty percent of our ag industry in Delaware is poultry.

And we have a lot of chickens living in chicken houses and every so often the chicken houses are cleaned out and the nutrients that are high in phosphorus, high in nitrogen and we have to do something with it. For years the farmers just spread the nutrients very thickly across farm fields across Delmarva.

When it rains or when this stuff is stacked up in the middle of a field and it rains and washes off into our rivers, lakes, streams, eventually finds its way over to the Chesapeake Bay. There is a large expense of the Chesapeake Bay where there is nothing living. It is just dead, in part because of the high nutrient loads.

About 10 or 12 years ago, we pulled all the farmers together in our State and said, "Look, we have a big problem here." It is a problem. Now, you guys and gals and environment stewards, help us figure this out, and they did. They took off, if you will, maybe the darker hat and they put on a white hat and said, "We ought to have rules on how much of these nutrients can be spread for every farm."

We are going to have a nutrient application program designed for that farm, given what the soils are like. We are going to make sure

that everybody is trained who are going to be spreading these nutrients, and we are going to come up with ways to take nutrients and treat them under high temperatures in a special manufacturing situation. We take about 15 percent of the chicken waste now to a facility run by Perdue, Perdue Poultry, where they actually transform them into an organic fertilizer which is pelletized, sold all over the country by Scott and just get it off the Peninsula.

But that was a problem where the folks who were helping to create the problem—it was not just the farmers. It is golf courses, it is other people who put fertilizer on their lawns. The farmers helped us come up with a solution.

We have a problem in Delaware with welfare, in fact, in the country. I spent a lot of time on this as Governor with the National Governors Association (NGA). When we incentivize people not to go to work, people on welfare not to go to work, just to have more kids, because when they went to work, they lost their health care benefits, they didn't have anybody to help look after their kids. All the incentives were just misaligned. So we asked to help solve the problem? We asked people on welfare.

Welfare moms and dads it is not a good situation. Help us solve this. We did the same thing with teen pregnancy. We got a lot of kids, a lot of high school students to help us solve that problem. Part of the problem here is proprietary schools and, frankly, the private and the public schools who are not doing the kind of job they need to with respect to delivering the results, that is, people who get an education and are unable to go out and make a living, be productive citizens. They are not doing their share.

I hope that some of them feel ashamed. I hope some feel very proud, some of the folks. The representatives in your State would be very proud of the job that you do, but some of the other folks that are out there offering these so-called services ought to feel ashamed.

But they can be part of the solution and we need for them to be part of the solution. My hope is that going forward, that they more and more will feel like, I am part of the problem here, everything I do, everything I know I do I can do better, the same is true of them. And we need for them to be part of that solution.

Let me stop there and go back to Senator Brown.

Senator BROWN. I just have a few questions. I am just going to read something. I think it was either yesterday's or today's *New York Times*, Holly Petraeus notes that there are some of for-profit colleges with a long record of serving the military, solid academic credentials, and a history of success for their graduates. But compared with other schools, for-profit colleges generally have low graduation rates and a poor record of gainful employment for their alumni.

So Mr. Gallucci, with those results, it does not really seem like a sustainable business model. And if so, why have some of these bad actors in the for-profit industry persisted?

Mr. GALLUCCI. Well, thanks for the question, Senator Brown. We would have to believe that some of these institutions have persisted because of poor oversight and poor regulations.

Senator BROWN. And the thing that Mr. Daywalt just said about not kicking them out and actually following through with the threats, I think, is critical.

Mr. GALLUCCI. Exactly, and that comes back to who is actually vetting the processes and what I had said about the State Approving Agencies. This is one of the reasons that we had suggested that VA possibly adopt something similar to the memorandums of understanding that the Department of Defense uses. There are positive actors who are out there, who are doing this right.

We had the opportunity to sit down with some folks from the University of Phoenix who had launched a 2-year pilot on an orientation program. They saw that in the 2-years that they implemented this pilot program, 20 percent of students just walk away right then. It is free of charge. They realize they cannot handle it and they walk away. They decided to institute that nationwide. This is a step that they have taken to say that, We are focused on the outcomes that our students receive.

Another step that they have taken was an online questionnaire to determine whether or not you are ready for it. With some healthy skepticism, I went online and took it myself and discovered that given my time requirements, I am not ready to attend one of their programs. Your time available for your studies is of serious concern. Your reasons for going to school are a reasonable concern.

Your support and resources are a reasonable concern. I thought that was incredibly transparent. Some of these memoranda, if they are comprehensive enough, if you are transparent about graduation rates, job placement rates, accreditation, and also your student services to veterans, can improve these outcomes.

Senator BROWN. So Dr. Kitchner, how is AMU doing it differently, other than other for-profits that have been criticized for putting profits over students' success.

Dr. KITCHNER. Senator Brown, I am not able to speak to a lot of our colleagues, but I will say that I think one of the strategies that we have in place and we have had it in place historically is very similar to what Mr. Gallucci referred to in terms of making sure that, No. 1, that the students that enroll are prepared to succeed.

I think anything short of some kind of a process, a vetting process, an introductory course, which is what we have—which, by the way, if a student is not passing it, they are refunded the cost of it. The department is not on the hook for it, the student is not on the hook for it.

Senator BROWN. That is not the case in all programs?

Dr. KITCHNER. Again, I would not presume to know, but I suspect it is probably not. I do not think there are probably very many public universities that offer that option, to be honest with you, and I am not suggesting everyone should.

I think it depends on the population you are trying to serve and it is one of the variables that often gets lost here, is that the for-profit sector, for all of its imagined and real faults, is reaching out to an under-served population, an historically under-served group of people who probably were not particularly academically inclined in high school and perhaps not as successful in high school as they ultimately can be and will be.

But they reach out to that population and try to help them succeed. I think as we look at metrics, as we look at thresholds of performance, we really need to look at an institution by institution process, to some extent, to determine what kind of students they are working with, what the challenges of those students are, and how effective the institutions are with those populations. So it needs to be sort of population specific, if you will.

Senator BROWN. Thank you. And Dr. Von Lehmen, in your opinion, what quality controls and best practices in the public education sector can be applied to address some of the concerns regarding the for-profit industry, if you can comment?

Dr. VON LEHMEN. Well, let us see. I think that is a big question. It involves a number of things which I know some of the for-profits do in fact do. Learning outcomes assessment is extremely important. This is assessing your programs at an institutional level to see whether or not the institution is actually engendering the qualities that it promises them that they will achieve at institutions. I am talking about things like critical thinking, ability to write and speak well, quantitative literacy, information literacy, so on and so forth, as well as competency in their chosen field of study.

So I think learning outcomes assessment is extremely important to the quality and the effectiveness of academic programs. I think it is extremely important, especially for the student population that we serve, to try to understand what makes successful students successful. The term of art that is used these days is data mining. The idea is to use the data that you have on your successful students, including their behaviors, to the extent those behaviors, and to try to come up with actionable conclusions that you can institutionalize in some way that will help other students be successful.

So those are two, I think, key academically centered quality control measures, but I think the quality control measures extend to student services and other parts of the university. Services have a big impact on students and their success. A very good example is degree audit.

It is not uncommon for active duty members to have attended a number of different colleges and universities. And so, when they come to us and talk to us about our degree programs, certainly one question that has to be answered is, not only what are the requirements of that program, but where would they stand in that program with us in terms of the previous college work that they have completed; how much of that would transfer into their degree program.

So it is very important that their previous college work be evaluated in a timely manner. We are dependent on them to provide us with the information that we can evaluate, but once provided, should be evaluated quickly, within a day, or 2, or 3 days, so that the active duty member or veteran, will know, in that 120 semester hour-undergraduate program or that graduate program, how much of their prior college work and indeed, military training through ACE evaluation, will transfer into their degree program.

So there should be metrics on services like degree audit so that once a student's file is complete, there is no excuse for that information to sit there for a month, 2 months, 3 months or a year.

They should be receiving an evaluation within days, if that long, so that they know where they stand. The same thing is true for processing their applications for veterans assistance or financial aid. There should be metrics around how quickly those services are provided.

So metrics are key and I think those metrics need to apply not just to academic programs, but across the spectrum including student services.

Senator BROWN. Thank you and thank you, Mr. Chairman.

Senator CARPER. Sure. Thank you very much for being part of this hearing. Senator Brown and I are supposed to be in another meeting in the Capitol in about 15 minutes, so we are going to wrap up here in about 10 or 12 minutes.

The last question I will probably ask of you is just if you have a closing thought and it is an opportunity. We already asked you to do opening statements and we do not ask you to do closing statements, but I will give you that opportunity for maybe a minute. So just be thinking about what you might want to say.

I think this will be for Dr. Kitchner and Dr. Von Lehmen. There is a recent study, I believe, out of Columbia University that showed that students enrolled in online courses control for a number of factors, but were more likely to fail or drop out of courses than were those who took the same courses in person. I am not surprised at that, but it was interesting to hear what they reported. Some have suggested we address this by requiring students to take a readiness assessment for online instruction providing training for faculty members in online pedagogy and improving student support services such as round-the-clock tutoring and academic services, not just technical support.

How do your schools address these areas and what do you think about the need for such reforms in order to increase online retention and completion? Dr. Kitchner.

Dr. KITCHNER. Thank you, Mr. Chairman. As an online university that responds to students and interacts with students literally 24/7 from around the world, No. 1, we have to staff for that and we have to have an information technology backbone that will support that. That is absolutely critical. That is where we have a tremendous investment of resources and we continue to support that.

We have a large cohort of individuals who work in student support services. I think the number is approaching 50 in student support services alone. We have admissions counselors who basically handle in-bound calls, not outbound. In other words, they are responding to individuals who have an inquiry about the institution, whether or not it is going to fit their needs, whether or not the program is available and it is going to fit their career aspirations.

We have an online, a very robust online color-coded degree audit that an individual who enrolls in a program can literally go online and determine whether a course that they might be interested in taking will fit into that degree program, so that they know that they are not looking at a degree option that will not actually meet their long-term expectations. These are just examples of what we feel is essential to an online environment, that you really have to take advantage of the technology, while at the same time, making sure that there is this interactivity.

And our students and faculty both have to go through a very rigorous, what you referred to, I think, sort of introductory vetting of whether or not they are capable of succeeding. We do not want faculty that do not like the mode and they are not going to be successful adapting to that mode. And obviously students have to be comfortable with it. So we focus very intently on making sure that we have a right match there. Thank you, sir.

Senator CARPER. All right, thank you. Dr. Von Lehmen.

Dr. VON LEHMEN. Thank you, Mr. Chairman. Well, just to respond to the point you made in reference to the Columbia University study, let me start by saying UMUC does offer quite a few face-to-face classes, especially overseas, under our large military contracts. But certainly the majority of our enrollments stateside are online.

I guess the first thing I would say is, the Columbia University is right. Online education is not for everyone. And so, I do think it is a responsibility of institutions to give students an opportunity, before they commit anything, to determine whether or not this is a mode in which they can be successful.

At UMUC, we have what we call UMUC 411. We have several versions of this. We have a military and veterans UMUC 411, but at its core it is the same as what we would offer any other student, which is a week-long opportunity at no charge to enroll in kind of an online orientation.

This is an active class. The purpose is really twofold. One is to give students an opportunity to experience the platform itself and how it works and how an online class would work. Through that week, they also have an opportunity to interact asynchronously with financial aid advisors, with academic advisors, with faculty members so they get some understanding of the institution and the people who staff it.

I mentioned data mining before. What we have found is that the retention rate of students who go through the UMUC 411 is far higher than students who do not. And so, I think it just underscores the point that online education is not for everyone.

Faculty training is key. Online teaching—and I say this as someone who taught face to face for many years. I was a tenured associate professor at another university some time ago before joining UMUC, so I taught face to face for many years, and, in fact, was skeptical as a face-to-face instructor. And so, I went through the online training myself with UMUC, which at that time was a 5-week online training course. There was a class, it had an instructor, and we as faculty novices, had assignments to complete and readings to do, and I found at that time it took me about 15 hours a week, apart from my day job, to complete that training from week to week. I have since taught online.

But the point is that even today, we require all of our faculty, whether they are full-time or adjunct, to go through this training program. And it is not just pedagogy. I like to view it as kind of a seminary. The purpose of seminaries is not just education, it is formation. And what we try to do is imbue our faculty with our values and the value is students first, respect for students, excellence, and those are values to which we subsequently hold them to.

We likewise give them some practical pointers. We found—and this is really maybe a commonplace thing to say, but we have actually found through analysis that one of the biggest things that correlates with student success and student persistence is the engagement of the faculty member in the online classroom, being there for the student, providing them with very quick feedback on work, being mindful when they are not there and going after them, Why were you not in class last week, we really missed you. This is critical.

Good academic advisement, that again is empirically informed. Academic advisement does not just mean being fluent about what the admission requirements and the degree requirements of a given program are. It is being mindful of those things that I mentioned before. What does actionable research tell us is more likely to make students successful? And some of these things should be embedded, and in our institution are embedded, in the academic advisement.

Here is one concrete example, we have found that students who have completed their college writing before they come to UMUC are far more likely to succeed in an online environment than students who have not completed their college writing before they come to UMUC. And if you think about that, that intuitively makes perfect sense because writing is how much of the interaction occurs in the online asynchronous classroom.

And so, if we have students that come to us or want to begin who have not had their college writing course, we advise them that this is one of the first courses they should take with us in their first semester because we know that it will make them more successful in the long run.

Support is very important. I recently returned from a trip to Russia. We have had 20 year agreements with Russian universities, one Irkutsk State University in Siberia, another in Vladivostok, and they are very interested now in moving their programs into the online mode. One of the things my President emphasized to them is that it is not just about the classroom.

If you are going to successfully offer online programs at a distance, it is different from serving a traditional campus residential community with some occasional online courses where if they need library support they can walk over to the library, or if they need advising, they can just walk over to the advising center.

You have to put your whole campus online so that students can access not simply library resources, but have 24/7 librarian assistance as well; that they can get academic advisement when they need it, and help with their writing if that is a difficulty for them and so on, as well 24/7 technical support. And certainly our university does all of those things.

Senator CARPER. Good. Well, I had said the last thing I wanted to ask for you all each to take a short period of time and give a benediction. We do not have time. I need to be in the Capitol in about 3 minutes, so we are going to have to forego that.

I just want to say, this has been an illuminating hearing, troubling to some extent, but also very encouraging. For the schools out there, proprietary schools or those that are not proprietary schools that are not giving taxpayers what we deserve and their students, especially military and veterans what they deserve and have

earned, You need to start. You need to look very carefully at some of the very smart things that you are doing at your two institutions and get with it.

We are just one Subcommittee. We are part of the Committee on Homeland Security and Governmental Affairs (HSGAC), but this is a Subcommittee that is very tenacious. And in the words of Winston Churchill, we do not give up. I mean, when we get our teeth into something, we just do not give up. We are not going to let up on this one either. There is too much money involved, taxpayer money that we do not have, and there are too many veterans involved that need a better break than they are getting and need a bigger helping hand than they are getting. We are there to help our brothers and sisters.

I just want to thank you for being here. Mr. Gallucci, special thanks to you and all veterans groups that have helped us prepare for this day, and also to say there are a number of other committees, certainly the Education Committee led by their Chairman, Tom Harkin, other Members of the Senate and House, I am sure, who have an interest in these issues and have are anxious to help address the concerns that have been raised and solve this problem.

Part of the solution is going to be, I think, is available in the Department of Defense, in the Department of Veterans Affairs, Department of Education, the veterans organizations, but also in the institutions that are providing these educational services, in some cases very well, in some cases not well at all.

I will close with this. In a hearing we had here a month or so ago, we had friends from the Department of Defense including Marines who were trying to lead the way to be the first on the beach and the first of the services to have auditable finances, financial statements. We need to look for those good examples. We need to look for those best practices and find ways to incentivize and do more of that.

What we cannot measure, we cannot manage. And we talked a lot here today about metrics and how do we figure—like I always say, how do you measure success? For me, this is kind of simple, but it is to make sure that people who use taxpayer dollars to get a better education, at the end of the day, that education is worth something to them and to our country.

Sometimes when George Voinovich was here, and he and I served together first as Governors and as Senators for many years, we would, from time to time, hold round tables. When we were trying to get the, interested parties in a room, rather than a hearing. That was the kind of structure we were interested in really developing a consensus. It can be pretty helpful.

And I think we might want to try to do one here. Lamar Alexander, the Senator from Tennessee, another former Governor, he likes to say that hearings are where the Senators just talk and they do not listen. We do not listen very well. He said, we should really call them “talkings.” But round tables actually give a chance for all the interested parties, the stakeholders, including the white hats from the industry and those that do not have white hats. And I think it would be a good idea to get folks in a room and talk about what we are doing well and what we need to do better.

So with that having been said, my colleagues who were not here will have the opportunity for 2 weeks to submit written questions. If they do, I would just ask that you respond to those promptly. This is not an issue that is going to go away. Deficits are not going to go away. Veterans who need a real good education, it is not going to go away. Our Nation, which needs a good workforce, that need is not going to go away. There is a lot here at stake and we are going to get it done. Thank you, very, very much. With that, this hearing is concluded. Thank you.

[Whereupon, at 4 p.m., the Subcommittee was adjourned.]

# A P P E N D I X

Statements and Speeches - Newsroom - Tom Carper, U.S. Senator for Delaware

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## Tom Carper, U.S. Senator for Delaware

WASHINGTON – Today, Sen. Tom Carper (D-Del, Chairman of the Subcommittee on Federal Financial Management, Government Information, Federal Services, and International Security, chaired the hearing, "Improving Educational Outcomes for our Military and Veterans." For more information on the hearing or to watch a live webcast, click [here](#).

Sen. Carper's statement, as prepared for delivery, follows:

"As we hold this hearing, our nation's debt stands at over \$14.6 trillion. Ten years ago, it stood at less than half that amount – \$5.7 trillion. If we remain on our current course, it may double again by the end of this decade.

"Currently, the Joint Select Committee on Deficit Reduction is working to provide us with a roadmap to reduce our cumulative federal deficits over the next decade by more than \$1.2 trillion. I believe that it's imperative that we do better than that. With the same goal in mind, this subcommittee repeatedly has asked the question 'Is it possible to achieve better results for less money?'

"Oftentimes, I've said in this hearing room that Americans believe a culture of spendthrift prevails in Washington. They're not entirely wrong. We need to establish a different kind of culture – a culture of thrift. We need to look in every nook and cranny of federal spending and find places where we can do more with less or do more with the same amount of money. This subcommittee has spent the last six years doing just that.

"Most of us in this room today, however, understand that we can't simply cut our way out of debt, tax our way out of debt or save our way out of debt. We also must grow our way out of debt. We can do so, in part, by making investments in education that will make Americans more productive workers.

"For years, the GI Bill helped us to achieve this goal by raising the skill levels of the hundreds of thousands of Americans who have served in our military and were returning to civilian life.

"However, in 2008, it became clear to Congress that after years of multiple tours of duty in Iraq and Afghanistan, our modern-day military needed a modern-day GI Bill to ease our troops' transition into civilian life.

<http://carper.senate.gov/public/index.cfm/otherstatements?ID=c96ed5d3-ad9d-4c96-9e1d-...> 9/26/2011

(47)

"That's why we passed the Post-9/11 GI Bill, which pays for the tuition and housing costs of any member of the military who served more than 90 continuous days on active duty since Sept. 10, 2001 and has 36 total months of active duty service. To date, \$11.5 billion has been spent to send veterans back to school under the Post-9/11 GI Bill.

"However, recent reports show that many veterans have been subjected to highly questionable recruitment practices, deceptive marketing and substandard education instruction in some of the schools they attend, including some for-profit schools. These problems highlight a key flaw in our higher education system. Currently, the incentives at some for-profits are misaligned.

"These institutions are rewarded for enrolling more students – especially veterans with a fully paid for education – but have little incentive to make sure that their graduates are prepared to join the workforce and begin productive careers.

"Having said that, let me say, as clearly as I can, that this is not an issue solely at for-profit schools. There are also many public – as well as some private – colleges and universities that experience similar issues with extremely low degree completion rates, high default rates and a poor record of serving our veterans. And to be fair, there are also a number of for-profit institutions that offer a quality education and have a history of success with placing students in well-paying jobs.

"We are here today because I believe we have a moral imperative to ensure that these abusive practices – no matter where they occur – are stopped so that those who have sacrificed for our country can obtain an education that will equip them with the skills they need to find a good job, repay any colleges loan they've incurred and go on to live productive lives.

"Today's hearing will focus on how we can fix this problem by better incentivizing schools to deliver a higher quality education to our military and veteran population. We will examine what efforts have improved educational outcomes and enhanced the ability of veterans and our military to receive good-paying jobs after graduation. We will also examine what hasn't worked and why flawed federal policies might encourage schools to continue with practices that don't serve students well."

###

Permalink: <http://carper.senate.gov/public/index.cfm/2011/9/hearing-statement-improving-educational-outcomes-for-our-military-and-veterans>



<http://carper.senate.gov/public/index.cfm/otherstatements?ID=c96ed5d3-ad9d-4c96-9e1d-...> 9/26/2011

Opening Statement by Senator Scott P. Brown

September 22, 2011

Subcommittee on Federal Financial Management, Government Information, Federal  
Services, and International Security

U.S. Senate Homeland Security & Governmental Affairs Committee

**“Improving Educational Outcomes for our Military and Veterans.”**

Thank you, Mr. Chairman. With Congressional focus on the current debate to address our nation’s fiscal crisis, we cannot forget the enormous sacrifices that our service men and women and their families continue to make for us every day. As more service members return home from Iraq and Afghanistan in the coming months, they must have the support they need to ease their transition stateside. Once they choose to leave the military, we need to ensure they have the tools and resources necessary to continue that transition successfully into civilian life.

Millions of men and women, like you Mr. Chairman, have put on this nation’s uniform and later used their hard-earned GI Bill or other benefits to don a cap and gown. I am proud to say that the first woman elected to the Congress from my state, Congresswoman Edith Nourse Rogers, played a crucial role in making the first GI Bill a reality. I was happy to see Senator Webb here. He deserves our gratitude for his decades of dedication to our military and veterans. Senator Webb recognized the changing times and the need for a new GI Bill to meet the needs of our servicemembers in the 21<sup>st</sup> century.

Many of those needs have been met with the rise of distance education programs available both on-base and increasingly online. Today, our active duty military and veterans have more choices than ever to advance their education.

Some private sector entrepreneurs, including veterans, recognized how traditional institutions were falling short and how new technology could fulfill unmet needs among our military community. As with so many things, however, the federal government has been slow to react to these new trends.

Robust government oversight must continue to expose the weaknesses in oversight and policy that allow for dishonest institutions to take advantage of our servicemembers and these important programs. The education sector must do more to weed out these bad actors from those institutions that provide a real service and results for our servicemembers and veterans.

Military education programs should leave a service member well-prepared to advance their career in uniform or beyond. Our heroes should not be left deep in debt, with degrees of questionable value or no degree at all. These programs cost taxpayers billions of dollars a year and they serve a demographic of some of the most highly motivated people on the planet. We should expect nothing less than excellence in terms of results.

As a 30-year member of the National Guard, I've had the honor to know many men and women who used these programs as a springboard to promotion or a successful post-military career. During my recent Guard training in Afghanistan, I listened to the aspirations of those deployed, and Mr. Chairman, they are an enormous well of talent. Our success in the coming decades will depend upon them receiving a quality education they can use to keep America competitive into the future.

A lot of money and a lot of futures are at stake here. So let's put the politics aside and really getting to the bottom of what works, what doesn't, and how we can serve our veterans and military better. Thank you again for holding this hearing Mr. Chairman, and I look forward to hearing from our witnesses.

**STATEMENT OF  
CURTIS L. COY  
DEPUTY UNDER SECRETARY FOR ECONOMIC OPPORTUNITY  
VETERANS BENEFITS ADMINISTRATION  
DEPARTMENT OF VETERANS AFFAIRS  
BEFORE THE SENATE COMMITTEE ON  
HOMELAND SECURITY AND GOVERNMENTAL AFFAIRS  
SUBCOMMITTEE ON FEDERAL FINANCIAL MANAGEMENT, GOVERNMENT  
INFORMATION, FEDERAL SERVICES, AND INTERNATIONAL SECURITY**

**September 22, 2011**

Good morning, Chairman Carper, Ranking Member Brown, and Members of the Subcommittee. I appreciate the opportunity to appear before you today to discuss the Post-9/11 GI Bill and educational outcomes for Veterans and military students. I am accompanied today by Mr. Keith Wilson, Director of the Department of Veterans Affairs (VA) Education Service. My testimony will address Post-9/11 GI Bill beneficiaries' enrollment at proprietary schools, VA payments to proprietary schools under the Post 9/11 GI Bill, and VA's oversight of educational programs offered by such schools. I will also provide general observations on the "90/10" rule regarding Federal funds used to finance higher education.

**Background**

The Post-9/11 GI Bill, enacted in 2008, is the most extensive educational assistance program authorized since the original GI Bill was signed into law in 1944. Just as the original GI Bill allowed Veterans to take their educational opportunities and leverage them for breakthroughs in automation, business, medicine, science, transportation, and technology, today's Post-9/11 GI Bill provides our Veterans with the tools that will help them contribute to an economically strong, vibrant, and resilient America.

VA is committed to ensuring all Servicemembers, Veterans, and their family members who may be eligible for this important benefit, receive a useful

education without the burden of substantial student loan debt as they readjust to civilian life.

On May 1, 2009, VA began accepting applications to determine eligibility for the Post-9/11 GI Bill. On July 7, 2009, we started accepting enrollment certifications from school certifying officials for individuals using their Post-9/11 GI Bill benefits for the fall term, and began processing claims for payment. The U.S. Treasury released the first payments under the new program on August 3, 2009. Through the end of August 2011, VA has issued over \$12.7 billion in Post-9/11 GI Bill benefit payments to approximately 582,000 individuals and their educational institutions.

#### **Proprietary School Enrollment**

From August 1, 2009, to June 15, 2011, VA paid approximately \$4.4 billion in tuition and fees and Yellow Ribbon program payments under the Post-9/11 GI Bill to institutions of higher learning. This amount does not include monthly housing allowances and the books and supplies stipends paid directly to Post-9/11 GI Bill beneficiaries. During this period, approximately \$1.6 billion was paid to private for-profit schools on behalf of more than 145,000 students. Students attending private for-profit schools made up 23.8 percent of the beneficiaries, while 36.4 percent of the tuition and fee dollars are paid on their behalf. Beneficiaries who attended public schools account for 59.4 percent of the Post-9/11 GI Bill students, with 39.8 percent of tuition and fee payments made on their behalf. This leaves 16.8 percent of the students at private non-profit schools, with 23.8 percent of the tuition and fee payments.

#### **The 90/10 Rule**

Enacted in 1992 and amended most recently in 2008, the 90/10 rule in section 487(a)(24) of the Higher Education Act of 1965 (HEA) requires proprietary institutions of higher education (some of which are heavily dependent on Federal student aid funding) to have at least a defined minimum amount of

revenues from other sources. Under the 90/10 rule, proprietary institutions may not receive more than 90 percent of their revenue from funds under Title IV of the HEA. While VA defers to the Department of Education (ED) on the 90/10 calculation, there is an argument for including the Post-9/11 GI Bill in the 90 percent limit on Federal funding or related proposals. Under the present structure, some institutions may be targeting Veterans because the Federal education benefits they receive are treated the same way as private funds in the 90/10 calculation. VA believes Veterans should not be aggressively recruited by institutions principally because of financial motives, and that Federal and State statutes, and VA's oversight activities, provide strong monitoring in this area. Modifications to the 90/10 rule could provide additional tools to assist in this area. However, such a change could cause some schools to exceed the 90 percent threshold and be at risk of losing eligibility to receive Federal student aid. In order to ensure that Veterans are not adversely affected, the manner in which such a change would be implemented is important. Implementing a statutory change in this area will also require collaboration across agencies to accurately identify the amount of dollars from various Federal education benefit programs that flow to each higher education institution. VA would welcome the opportunity to work collaboratively with ED and the Subcommittee as it considers changes in this area.

### **Oversight**

VA is aware of concerns raised regarding for-profit institutions and fraudulent activities. Under existing VA statutes, for-profit institutions are held to the same standards and criteria as non-profit institutions for the purpose of approval for use of VA education benefits. VA believes Veterans and their eligible dependents should be able to choose to use their education benefits at the academic institution – public, private non-profit, or private for-profit – that best meets their specific needs and is approved by the State approving agency (SAA) of jurisdiction.

As of August 1, 2011, standard degree programs offered at accredited public and private not-for profit schools are deemed approved for VA education benefits without separate SAA approval, per Section 203 of PL 111-377. In other cases, SAAs evaluate programs offered by each academic institution to determine whether their quality and offerings are similar to other programs offered in the State. If they are not, the SAA will not approve the program. This takes into account compliance with State and VA statutes, including those pertaining to misrepresentation or deceptive marketing. If an approved school is found to be non-compliant with one or more approval requirements, the SAA or VA education liaison representative immediately attempts to make necessary corrections during site visits to the school; if additional time is needed, the SAA may suspend approval for up to 60 days. In this situation, current students continue to receive benefits, but the school is not permitted to certify new students. If the school does not provide a resolution or response, approval is withdrawn.

VA will continue to provide oversight through compliance reviews and face-to-face interviews with Veterans. Additionally, section 203(d) of Public Law 111-377 expanded VA's authority to utilize SAAs for oversight of programs and institutions. VA will begin to use SAAs for compliance reviews under this authority in fiscal year 2012. A primary focus of SAAs will be to conduct compliance reviews and provide increased oversight of for-profit schools. Training for SAAs on conducting detailed compliance reviews occurred in June and August 2011.

#### **Informing Veterans of School Choices**

It is important for Veterans and their eligible dependents to make informed decisions concerning their VA education benefits. VA has enhanced and strengthened many of the services we provide by significantly expanding our engagement with students throughout their educational experiences.

For example, VA prepared a guide to assist Veteran-students in making important decisions regarding the use of their Post-9/11 GI Bill benefits. The guide describes how to find a school that supports Veterans and accepts credit for military training. It also explains how to consider school graduation rates and how employers factor in the kind of training applicants receive before they make hiring decisions. We feature the guide prominently on our website, and have promoted it through social media and at our outreach events.

Additionally, VA provides free counseling services to assist Veterans in determining their aptitudes, interests, and abilities and locating an appropriate education program and institution. To further ensure Veterans' needs are being met, we now include student interviews as part of our compliance process for institutions of higher learning.

#### **Conclusion**

Veterans' hard-earned educational benefits are the vehicle by which many of our Nation's heroes pursue their educational goals and successfully transition to civilian life. VA is dedicated to ensuring that Veterans are able to make well-informed decisions concerning the use of their benefits and receive a quality education. We look forward to working with the Subcommittee to provide the very best support possible to our Veterans and beneficiaries as they pursue their educational goals.

Mr. Chairman, this concludes my statement. I would be pleased to answer any questions you or other Members of the Subcommittee may have.

Testimony

of

**Theodore (Ted) L. Daywalt**

CEO and President

VetJobs

[www.vetjobs.com](http://www.vetjobs.com)



**Improving Educational Outcomes for  
our Military and Veterans**

to

Senate Homeland Security and Governmental Affairs Committee's  
Subcommittee on Federal Financial Management, Government  
Information, Federal Services, and International Security

Wednesday, September 22, 2011

Dirksen Senate Office Building

Room 342

Washington, DC 20510

Good afternoon, Chairman, members and staff of the Subcommittee on Federal Financial Management, Government Information, Federal Services, and International Security. Let me first thank you for the opportunity to come before the Committee today to share with you information that is relevant to the Committee's discussions on improving veteran education outcomes. It is an honor to be here.

VetJobs ([www.vetjobs.com](http://www.vetjobs.com)) has a unique vantage point on these discussions as by the nature of our business, VetJobs deals with veterans and their family members on a daily basis who are pursuing employment and the education necessary to obtain employment.

The mission of VetJobs is to assist veterans, their spouses and dependents find quality jobs with employers worldwide. Since our launch on Veterans Day in 1999, VetJobs has assisted millions of veterans and their family members meet the recruiting needs of thousands of companies. As we speak today, there are over 41,000 jobs on the VetJobs site from hundreds of patriotic companies who want to hire veterans and their family members. Over 160,000 veterans a month or nearly two million veterans a year visit VetJobs seeking assistance. Over the last 12 years VetJobs has been recognized regularly as the leading military job board on the internet.

VetJobs is exclusively sponsored and partially owned by the Veterans of Foreign Wars of the United States ([www.vfw.org](http://www.vfw.org)). Additionally, VetJobs is endorsed by the Vietnam Veterans of America ([www.vva.org](http://www.vva.org)), Association of the US Navy ([www.ausn.org](http://www.ausn.org)), Veterans of Modern Warfare ([www.vmwusa.org](http://www.vmwusa.org)), Student Veterans of America ([www.studentveterans.org](http://www.studentveterans.org)), Military Order of the Purple Heart ([www.purpleheart.org](http://www.purpleheart.org)), Hope4Heroes ([www.hope4heroes.org](http://www.hope4heroes.org)) and the United States Army Warrant Officers Association ([www.usawoa.org](http://www.usawoa.org)).

What follows is a discussion of my observations as a businessman, who interacts with corporations, nonprofit organizations, and businesses seeking to hire veterans and their family members, but also a person who has dealt with many veterans and their spouses who have had problems with certain for-profit schools. As their schooling directly impacts the type of employment they can obtain, VetJobs has assisted veterans and their spouses select the appropriate educational venue.

Following the discussion, I list specific recommendations that will help to clean up the problems and make schools more accountable when using federal funds.

## Introduction

Veteran post-service education prospects have improved greatly with the new Post 9/11 GI Bill. While not as substantial as the WWII GI Bill, the current Post-9/11 GI Bill is a move in the right direction.

When one looks at the evidence, the current Post-9/11 GI Bill has been usurped by predatory for-profit schools. The actions and behaviors of the predatory for-profit schools need to be curtailed. Note I use the term predatory for-profit schools as not all for-profit schools have engaged in less than ethical behavior.

I want to be very clear that not all for-profit schools are bad. But those that are bad are very bad. Many technical, trade and universities that are for-profit have done a good job.

However, many of the predatory for-profit schools in the military education space have definitely stepped over the line, and in some cases, committed fraud.

For example, an August 2010 GAO report described investigators posing as prospective students applied for admissions at fifteen (15) for-profit colleges in six (6) states and Washington, D.C. The colleges were selected based on several factors, including those that the Department of Education reported received 89% or more of their revenue from federal student aid. GAO also entered information on four fictitious prospective students into education search Web sites to determine what type of follow-up contact resulted from an inquiry. GAO compared tuition for the 15 for-profit colleges tested with tuition for the same programs at other colleges located in the same geographic areas.

The GAO undercover applications at the 15 for-profit colleges found that 4 of the colleges encouraged fraudulent practices and that all 15 made deceptive or otherwise questionable statements to GAO's undercover applicants. Four undercover applicants were encouraged by college personnel to falsify their financial aid forms to qualify for federal aid.

In spite of the findings of the GAO undercover investigation, VA and DOD continue to allow the predatory for-profit schools to enroll active duty, veterans and spouses. These 15 predatory for-profit schools continue to target veterans and their spouses. There obviously is no effective oversight of the educational programs at DOD and VA!

A recent PBS Frontline report that aired on June 28, 2011, titled Educating SGT Pantzke, highlighted the problem veterans' face when attending predatory for-profit educational institutions. The program can be viewed at <http://www.pbs.org/wgbh/pages/frontline/educating-sergeant-pantzke/?autoplay>.

While it is understood that not every institution within the for-profit sector is engaged in these practices, the factual and testimonial evidence from past and recent press reports have found that many predatory for-profit institutions have engaged in improper and unethical recruiting practices while also reporting record profits generated from billions in taxpayer dollars.

Post 9/11 GI Bill Benefits were expanded in 2008, and this means that the more than 1.2 million veterans deployed since 2001 to Iraq and Afghanistan will be able to use this generous benefit wherever they choose to go to school, even to those career education programs that have been aggressively and deceptively recruiting them into programs shown to provide a very poor education. We owe it to these veterans to give them the tools they need to make sure their one-time GI Bill benefits are used at a school where they get a good education.

## Problems for Veterans & Spouses

VetJobs has observed many disturbing activities by the predatory for-profit schools directed at veterans and their family members.

The problems have included:

**-Aggressive deceptive marketing to veterans and active duty component members**

Many predatory for-profits see military students as dollar signs in a uniform. As a result, predatory for profit schools use exceptionally high pressure techniques to sign up active military and veterans.

**-Aggressive deceptive marketing to spouses, especially on military installations**

Many predatory for-profits see military spouses as dollar signs on a military base.

**-Telling veterans the programs are accredited when in fact the programs are "self-accredited".**

Many of the predatory for-profit schools could not qualify for accreditation through traditional accrediting agencies such as SAC or the AACSB. So to claim "accreditation", they created their own accrediting agencies, which are not recognized by other traditional brick and mortar schools or state departments of education. Not knowing any better, veterans are being conned by the predatory for-profit schools deceptive claims that they were accredited. To learn more, visit <http://www.geteducated.com/diploma-mills-police/college-degree-mills/204-fake-agencies-for-college-accreditation>. To learn more about legitimate school and college accrediting agencies, please visit <http://www2.ed.gov/admins/finaid/accred/index.html>.

**-Credits not transferring especially for graduate programs**

**-Employers not accepting degrees as accredited**

"Mike Shields, a retired Marine Corps colonel and human resources director for U.S. field operations for Schindler Elevator, the North American arm of Switzerland's Schindler Group, says he rejects about 50 military candidates each year for the company's management development program because their graduate degrees come from online for-profits. "We don't even consider them," Shields says. "For the caliber of individuals and credentials we're looking for, we need what we feel is a more broadened and in-depth educational experience." [Bloomberg BusinessWeek](#), 12/15/2009

**-Schools not providing marketable skills that give gainful employment**

Some technical for-profit schools do not provide adequate training so a student can then obtain a license for their work or get certification.

**-Once enrolled, students are offered excessive amounts of financial aid, often in the form of risky private student loans (not federal loans), to cover the high costs of attending these institutions while earning less than worthy degrees or certifications.**

Students in two-year programs at for-profit colleges are also eight times likelier to be in debt than those at community colleges, according to a report last month from the Education Trust, a nonprofit advocacy organization based in Washington.

<http://www.businessweek.com/news/2011-01-06/for-profit-colleges-charge-more-while-doing-less.html>

**-Exceptionally high tuition when compared to traditional brick and mortar schools.**

BusinessWeek reported that Kimberly Connacher, a bank teller, tried to get to Modesto Junior College early enough each evening to beat about 44 other students to a seat and avoid having to stand through her English class. It was the long, nighttime walk through the community college's jammed parking lots in Modesto, California, that prompted Connacher to transfer about a year ago from the campus, where she paid about \$80 a class, to Apollo Group Inc.'s University of Phoenix, where the cost was more than \$1,000. She took out \$12,000 in loans to cover the expense. <http://www.businessweek.com/news/2011-01-06/for-profit-colleges-charge-more-while-doing-less.html>

## Lack of Information

Complicating the problem is veterans and their spouses lack key information to make wise college decisions. Many of the military base career counselors seem to lack the necessary knowledge to properly counsel potential students.

As has been reported in the press and blogs, many of the predatory for-profit schools and their extensive lobbying group argue that veterans and their educational benefits should be left to "the invisible hand of the free markets." Others may argue that veterans have the "free choice" to elect an institution that they feel best suits their educational needs. And still others might argue that veterans and servicemembers "know what is best for them as they are grownups" and that these programs "serve those who cannot attend traditional two- and four-year institutions."

These arguments are specious at best and suggest that veterans have the knowledge to make informed decisions, that they have a complete understanding of the stratified system of higher education or have access to the knowledge through base and command education counselors. These are false assumptions.

Many veterans and servicemembers do not have the complete or correct information to understand different types of degree offerings, differences in institutions, importance of appropriate programs to pursue, or institutional accreditation as it relates to other programs of market-place value.

As an example, VetJobs recently worked with a veteran in Michigan who used his Post-9/11 GI Bill to obtain a bachelor degree from a predatory for-profit school while on active duty. Since exiting the military, the individual has been applying to many graduate schools, only to learn that the degree he had is not recognized by traditional schools as being accredited. The veteran had been told by the predatory for-profit school that their degree was accredited. What the school did not tell the veteran was the accrediting agency was a sham agency created by the predatory for-profit schools so they could claim accreditation.

Another example of the accreditation issue is the buying of small accredited schools by investors who then turn the school into a predatory for-profit using the purchased school's accreditation. Ashford University is an example.

As a final example, I have heard from veterans who took a course only to learn afterwards the course did not prepare them to site for a license exam.

This lack of knowledge by the veterans has been noted in the press:

"When these guys get out of the military, they're told to check with the VA. They don't know who else to trust. The VA helps them fill out paperwork and gives them money, but it doesn't tell them what schools to avoid or go to. It doesn't track how well these schools are doing." – John Schupp, national director of the nonprofit group Supportive Education for the Returning Veterans - [Bloomberg](#), 9/23/2010

"No records are publicly available showing how many veterans drop out of courses at Colorado Technical's online program, where most of them take their classes. But in general, the online program has an unusually low rate of retaining first-time students pursuing bachelor's degrees full time. Only 39 percent of those enrolled in the fall of 2008 returned the next fall, compared with a 77 percent average for four-year colleges nationwide." - [New York Times](#), 12/9/2010

"I felt like I made a horrible, horrible decision," said Jason Longmore, 31, a Navy veteran who spent six months at Westwood College, based in Denver, only to conclude that the degree was not attractive enough to employers, forcing him to repeat classes elsewhere before he could transfer credits to a Colorado state university." - [New York Times](#), 12/9/2010

## GI Bill Benefits Lucrative Source

What is driving much of the problem is the Post-9/11 GI Benefits are a lucrative source of revenue for the predatory for profit schools. Because the Post 9/11 GI Bill benefits are such a lucrative source of revenue that has no viable oversight by VA, veterans are being heavily recruited by schools that do not provide a solid education.

According to the Department of Education, in 2008-2009 for-profits schools enrolled about 2 million students but received almost \$25 billion of federal student aid. In other words, well over 25% of taxpayer dollars in student aid went to an industry that enrolls just over 5% of the higher education student population.

Press comments on this include:

“The recruiting techniques of some of these schools have been less than ethical,” [Derek] Blumke, [cofounder of Student Veterans of America] said. “When you’re paying the high costs for some of these schools and drop out, as many attending the online for-profit colleges do, you’re worse off than when you started.” – [Bloomberg](#), 2/23/2011

“They contact me to gain access to our service members and most of them are fairly aggressive,” said Chief Warrant Officer Ken Teter, education officer for the Ohio National Guard, based at Beightler Armory in Columbus. – [NBC4i](#), 2/17/2011

“There is such pressure to simply enroll more vets — we knew that most of them would drop out after the first session,” said Jason Deatherage, who worked as military admissions adviser at Colorado Technical University until this spring, when he was fired, he said, for not meeting his quota. “Instead of helping people, too often I felt like we were almost tricking them.” – [New York Times](#), 12/09/2010

Since the Post-9/11 GI Bill is viewed by the predatory for profits as a lucrative source of funds, many spend as much as 50% of their revenue for sales, marketing and commissions. This is five times more than a normal brick and mortar school.

## 90/10 Rule

At the core of the predatory for-profit school problem is the 90/10 rule. Under this principle, institutions are required to receive no more than 90% of their revenues from federal sources to be eligible to receive federal student aid.

The 90/10 requirement was put in place to prevent schools from existing merely as a means to collect taxpayer subsidized education benefits, but that is what several of the predatory for-profit schools have become. The requirement also sought to improve school quality by incentivizing proprietary institutions to enroll at least some students willing to invest with their own money in the education offered by the school.

However, a loophole in the 90/10 rule allows predatory for-profit schools to continue to receive federal funds even if the institution has reached its 90% limit on federal student aid. As the 90/10 rule is currently constructed, only federal aid administered from the US Department of Education is counted toward the 90% limit. Revenues received from the Department of Veteran Affairs administered benefits like the Post-9/11 GI Bill are treated as non-federal sources under the current 90/10 rule. In other words, a school that has reached its 90% limit of Department of Education funding can solicit revenue from Post-9/11 GI Bill beneficiaries instead of recruiting students willing to pay out-of-pocket. This loophole has the effect of undermining the original intent of the 90/10 rule by giving proprietary schools the opportunity to receive 100% of their revenue from taxpayer-funded sources.

Currently, military and veteran educational benefits DO NOT count towards the 90% restriction. Thus, most predatory for-profit colleges and universities market towards servicemembers, veterans and their dependents understanding that the 90% limit can be exceeded.

## Gainful Employment

Another core issue with predatory for-profit schools is program integrity, otherwise referred to as gainful employment. Many predatory for-profit institutions are the most expensive institutions in higher education. As a result, over 95% of students at the predatory for-profit institutions receive loans due to their unmet financial need. Even a few months of attendance at predatory for-profit institutions can leave students saddled with debt in excess of \$9,000.

In contrast, only 13% of community colleges, 48% of four-year public institution, and 57% of traditional four-year private institution (not-for-profit) students take out loans. Clearly, the **predatory for profit schools are an industry that engages in profit maximization through a government voucher system.**

The sad part here is when a veteran defaults on their school loan it becomes difficult to obtain employment now that over 60% of employers conduct credit checks of new employees. Many of the predatory for-profit schools like Kaplan have student loan default rates in the 30% range, which was reported by UBS Financial in the School Cohort Default Rates report. From that report, several predatory for-profit schools had three year default rates in the 25% to 30% range. Veterans and their spouses who have these defaults have a difficult time finding a job.

This problem is exacerbated for student veterans. Gainful Employment Regulations ensure that institutions are offering educational degrees and certificates that have meaningful value in the labor market, students are not left with excessive debt, and students are able to repay any loans accrued in higher education per their discretionary income. This is not occurring with the predatory for-profit schools.

Currently, the education counselors on military installations are not familiar enough with the process to be able to adequately assist veterans and their dependents to choose an appropriate school for college and graduate education.

Predatory for-profit schools have learned how to game the system and obtain monies from DOD and VA. Unfortunately, **once federal agencies turn on the money faucet, there is no oversight or accountability provided**, especially at VA when it comes to oversight of the Post-9/11 GI Bill.

The VA should effectively use its authority to decertify institutions that violate laws that are in place to support student veterans. VA has suspended payments to schools in the past, but later permitted the schools to collect monies. Currently there is not enough oversight to ensure veteran and military educational benefits are spent wisely and that the historic educational investment in veterans pays off.

Higher education and government agencies need to work together to ensure that this substantial investment pays off in degrees with labor market value, such as those found in traditional graduate and professional schools. It would help if more traditional educational institutions would increase their efforts to attract more veterans and active servicemembers into their colleges and universities by offering more flexible education options to include online course work.

To be competitive in the labor market, many companies now require their employees to earn graduate or professional degrees. We now live in a nation that requires higher education to compete for meaningful employment.

The World War II GI Bill gave the United States the greatest generation of scientists, engineers, doctors, lawyers, professors, legislators, business people and Nobel Prize winners that propelled the United States to the economic heights enjoyed during the last half century. Toleration of the behavior of the predatory for-profit schools against our next greatest generation of veterans needs to be stopped.

## Recent Actions

There is finally some movement against the predatory for-profit schools.

The Department of Justice and four states have filed a multibillion-dollar fraud suit against the Education Management Corporation, the nation's second-largest for-profit college company, charging that it was not eligible for the \$11 billion in state and federal financial aid it had received from July 2003 through June 2011.

While the civil lawsuit is one of many raising similar charges against the expanding for-profit college industry, the case is the first in which the government intervened to back whistle-blowers' claims that a company consistently violated federal law by paying recruiters based on how many students it enrolled. The suit said that each year, Education Management falsely certified that it was complying with the law, making it eligible to receive student financial aid. The major class of students that Education Management Corporation has targeted over the years is veterans.

"The depth and breadth of the fraud laid out in the complaint are astonishing," said Harry Litman, a lawyer in Pittsburgh and former federal prosecutor who is one of the attorneys representing the two whistle-blowers whose 2007 complaints spurred the suit. "It spans the entire company — from the ground level in over 100 separate institutions up to the most senior management — and accounts for nearly all the revenues the company has realized since 2003."

Education Management Corporation, which is based in Pittsburgh and is 41% owned by Goldman Sachs, enrolls about 150,000 students in 105 schools operating under four names: Art Institute, Argosy University, Brown Mackie College and South University. This suit is just the start of the move by many to curtail the predatory for-profit schools.

## Recommendations

I would make the following recommendations for the Committee to consider:

-Veterans and active members of the military need to have better information to make informed decisions about what school to attend

-Education counselors on military installations and commands need to be better educated to adequately assist veterans and their dependents to choose an appropriate school for college and graduate education

-There is a need for greater oversight and accountability by DOD and VA of career education programs that have been handing out worthless degrees, loading up students with debt they are unable to repay, or using up one-time GI Bill benefits

-Taxpayer funds should not be wasted on worthless programs – they need to be invested wisely in solid education programs that offer gainful employment and have traditional accreditation.

-For-profit schools should be limited as to how much money can be used for recruiting, marketing and commissions. If a school is receiving federal funds, the sales, marketing and commissions should be limited to a maximum of 10% of the school's revenue.

-Accreditation issues need to be examined to find a way to ensure that a school's accreditation is legitimate and the school has courses that will be recognized by other schools.

-The 90/10 rule should include all federal funds, not just Title IV, and it should especially include DOD TA and GI Bill benefits

-The 90/10 Percent Rule must be enforced. To eliminate a great deal of the predatory school practices I would recommend it be set at a lower percentage, such as 80/20. Given the economic condition of the United States, higher education institutions should continue to strive towards financing their student populations with less reliance on taxpayer dollars.

-Traditional educational institutions should be encouraged to increase their efforts to attract more veterans and active servicemembers into their colleges and universities by offering more flexible education options including online course work.

-The VA should make better use of their enforcement mechanisms that currently exist. This includes not allowing egregious schools to receive federal funds.

-Predatory for-profit schools that persist in the behavior found by GAO should be banned from using military facilities and banned from recruiting on military bases.

In conclusion, I want to point out that had DOD and VA provided proper oversight for the funds they were dispensing to the predatory for-profit schools, we would not be having this hearing today and veterans and their family members would not have been encountering the myriad of problems discussed above.

Any solution considered by the Congress to the above problems must include a way to ensure DOD and VA are held accountable.

This concludes my testimony.

Thank you for your time.

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STATEMENT OF

RYAN M. GALLUCCI, DEPUTY DIRECTOR  
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VETERANS OF FOREIGN WARS OF THE UNITED STATES

BEFORE THE

COMMITTEE ON HOMELAND SECURITY AND GOVERNMENT AFFAIRS  
SUBCOMMITTEE ON FEDERAL FINANCIAL MANAGEMENT  
UNITED STATES SENATE

WITH RESPECT TO

**IMPROVING EDUCATIONAL OUTCOMES FOR OUR MILITARY AND VETERANS**

WASHINGTON, DC

September 22, 2011

MR. CHAIRMAN AND MEMBERS OF THIS COMMITTEE:

On behalf of the more than 2 million members of the Veterans of Foreign Wars of the United States (VFW) and our Auxiliaries, the VFW would like to thank this committee for the opportunity to present its views on educational outcomes for members of the military and veterans who choose to utilize their earned benefits. The VFW played an integral role in passing the Post-9/11 G.I. Bill, and we have a vested interest in ensuring that the veterans who utilize this robust benefit receive quality educational and vocational training outcomes.

During these difficult economic times, military and veterans' education benefits provide a critical tool in ensuring that those who have defended our nation can be competitive in an often cut-throat employment climate. Recent unemployment numbers from the Bureau of Labor Statistics indicate that young veterans of the current conflicts have been hit disproportionately hard by the economic downturn, which means this committee has a vested interest in ensuring that federal education dollars for our military men and women are spent in a responsible manner, training the future leaders of our country.

In the years since the Post-9/11 G.I. Bill took effect, it has come to the attention of the VFW that certain institutions of higher learning – many times predatory for-profit schools – have chosen to prey on those eligible for military and veterans' education benefits, failing to keep their promise of delivering a quality education. The VFW must clarify that this is not an indictment of the for-profit education industry, which many times provides quality educational tools to members of the military and veterans, but rather an indictment of schools that seek to aggressively recruit and

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prey on veterans who are eligible for taxpayer-funded benefits, with no intention of conferring a valuable degree or relevant industry credentials. These kinds of predatory schools have chosen not to focus on the educational outcomes for those they enroll, but rather a bulk of one-time payouts of federal benefits to maintain their bottom line. Businesses that choose this as their business model should be embarrassed by how they have sought to exploit the brave men and women who have fought to defend our nation, and the VFW stands ready to hold such institutions accountable.

Accountability of G.I. Bill dollars is a national imperative to the VFW. In recent months, discussions over fiscal responsibility have made our organization concerned about the continued viability of the program, should veterans not receive the educational opportunities they were promised. Not only is this a disservice to the veteran; but it is a disservice to the nation that so desperately needs the skills of our veterans in the civilian workforce. In passing the G.I. Bill, we have decided to invest in the proven leadership capability of our veterans, cultivating these brave men and women to lead us in the 21<sup>st</sup> century. It worked for our Greatest Generation, and it must work for our newest generation of war heroes.

Sadly, when predatory schools take advantage of veterans, they rob our brave men and women of their hard earned benefits. We are only two years into the Post-9/11 G.I. Bill, so the VFW believes that we have not yet seen the worst of this phenomenon. For example, a student-veteran may have enrolled in a program at a predatory school, wasting up to two years of Post-9/11 G.I. Bill benefits. At this point, the veteran may have realized that the program was worthless and impossible to complete, withdrawing and seeking higher education at another institution. Unfortunately, the new institution will not accept the credits for work completed at the predatory school. The veteran is back at square one, with four years of school ahead, but only two years of benefits remaining. The veteran will now need to pay out-of-pocket to finish a degree, wasting time and taxpayer dollars, while the predatory school walks away with deeper pockets.

G.I. Bill benefits – and particularly the Post-9/11 G.I. Bill – are designed to prepare veterans to lead our nation in the years to come. This is not an entitlement fund from which companies can simply draw a profit. Critics have cried that this is simply a free market at work and that the government should stay out of this fight, since quality for-profits that provide quality educational and vocational training will survive and the bad companies will eventually go out of business. The VFW disagrees with this assertion, since both legitimate and disingenuous for-profit schools continue to profit from government benefits regardless of the quality of the degrees they confer. For example, the VFW equates G.I. Bill funds to federal contracts – taxpayer money set aside to finance a specific deliverable. When the military contracted to build a new hospital at Fort Belvoir, a major for-profit company certainly earned money from taxpayer sources as a result of the project. However, if you visit Fort Belvoir, you will see a new, fully-functional hospital serving soldiers. When students utilize their G.I. Bill benefits, the VFW expects schools to be able to deliver relevant, useful degrees or certificates with which veterans can compete in the job market. If a company's business model ensures that veterans cannot receive such a degree or certificate, they most certainly do not deserve to receive further federal funding.

Unfortunately, predatory schools are not a new problem. Different rules have been in place since the first G.I. Bill of Rights was passed into law to ensure that schools could not prey on veterans'

education dollars. The reasoning behind such rules appears in the 1952 legislative history of the Veterans' Readjustment Assistance Act – or the Korean War G.I. Bill – calling such rules a “sufficient safeguard against the creation of fly-by-night schools.” Over the years, however, these rules have been amended, renamed, moved, and manipulated in ways that have rendered them nearly ineffectual at weeding out an evolving landscape of what legislators called “fly-by-night” schools, but have now evolved into major companies with deeply vested interests.

One rule that has garnered much attention from the veterans' community in recent months is the VA's 85/15 rule and its companion in the Higher Education Act, the 90/10 rule, designed to ensure that schools could not receive all of their funding from federal sources. The first iteration of 85/15 read that student-veterans would not receive education compensation for programs at proprietary schools that enrolled more than 85 percent of students eligible for some kind of military tuition reimbursement or G.I. Bill program. Over the years, this rule was expanded to also include non-profit and public institutions of higher learning. Taking a page from the VA's effective ability to reign in predatory schools, legislators chose to include a similar provision in the Higher Education Act of 1992 to protect Pell Grant recipients and other beneficiaries of federal programs from predatory education programs, seeking to get rich off of taxpayer money.

Interestingly enough, both the 90/10 rule and the 85/15 rule are still on the books, operating independently of each other. 90/10 states that proprietary schools cannot receive more than 90 percent of their revenue from Title 20 and Title 42 sources. 85/15 states that proprietary schools cannot receive more than 85 percent of their revenue from Title 38 and Title 10 sources. Moreover, Post-9/11 G.I. Bill funds, or Chapter 33, are not included in VA's guidelines on administering education benefits with regard to 85/15. To the VFW, this creates a perfect storm through which predatory schools could master a complex cycle of compliance simply by manipulating students eligible for taxpayer-funded education programs. For example, if a school is approaching its 90-percent threshold of Higher Education Act-eligible enrollees, administrators are well served to seek out veterans by any means necessary to help the school stay in compliance with 90/10. Simply enrolling one veteran allows a predatory school to enroll nine more Higher Education Act-eligible students. This business model would ensure that a predatory school could enroll 100 percent of its students on taxpayer-funded programs without relying on investment from customers willing to spend their own money on the school's product.

90/10 and 85/15 are ineffective as stove-piped regulations. To protect military and veterans' education benefits, the VFW would recommend amending these rules to, first, include Chapter 33 benefits, and, second, ensure that all taxpayer-funded programs fall under a single umbrella. The VFW believes that by strengthening 90/10 for all schools – not simply for-profits – will create an incentive to focus on quality education outcomes.

Over the last few months, student outcomes have caught the attention of Congress when discussing predatory schools' usage of G.I. Bill dollars. However, student outcomes are a difficult metric to monitor, given the fractured nature of the higher education system. According to a recent Military Times story, VA has tracked the six-year graduation rate for proprietary schools at only 23 percent, compared to 67 percent for private, non-profit schools and 57 percent for public schools. The VFW believes this is not because proprietary schools are worse than non-profit schools or non-profit schools are easier than proprietary schools. Rather, the VFW believes

these poor graduation rates indicate a system whereby school solvency for predatory for-profit schools is contingent on raw enrollment figures, not alumni success. While the VFW would not recommend legislating specific graduation rate or default rate thresholds to which schools must adhere, the VFW believes that the Department of Education and VA must insist on transparency from institutions eligible to receive taxpayer-funded education dollars. Transparency will provide the necessary incentives for schools to focus on quality education outcomes, instead of raw enrollment.

The VFW has learned that quality for-profits already offer this kind of transparency to their students, developing model programs to improve the services they deliver to their military and veteran students. Other quality for-profits are also looking to enter into Memorandums of Understanding, or MOUs, with the Department of Defense, codifying the services they plan to make available to student-veterans. These schools must be commended for these critical first steps, but the VFW believes that VA should require similar MOUs with specific transparency provisions.

After speaking with several for-profit schools that have led the way in this preparedness effort, we believe that MOUs should include some of the following provisions: Collect and disclose graduation rates; provide in-depth information about school accreditation, including post-enrollment transferability of credits, such as eligible post-graduate programs; disclose specifics on ability to sit for certification and licensure exams; include a comprehensive breakdown of program or degree cost; disclose technical and time requirements to complete programs; include information on military and veterans' faculty points-of-contact and any tutoring or support infrastructure available to student-veterans.

The VFW believes that student-veterans should have all the information to make an informed decision before choosing an education program. Mandating comprehensive MOUs and encouraging transparency from all schools seeking to educate G.I. Bill-eligible veterans will ensure that educational outcomes improve.

Unfortunately, the benefit approval process for veterans and the program approval process for schools seeking to enroll G.I. Bill-eligible students create two more hurdles for those seeking to utilize their benefits. First, VA is solely in the business of verifying benefit eligibility for veterans based on military service obligations. VA does not track whether or not a veteran has the capability to return to school. The VFW has learned that many times students who are ineligible for college courses enroll in schools only to learn that they do not qualify to receive the G.I. Bill for their particular program, either due to missing high school credentials or failure to complete requisite entrance exams, such as the SAT or ACT. Unfortunately, many times a student-veteran already owes the school for a semester of enrollment that VA now refuses to pay. Since VA now pays schools directly for tuition under the Post-9/11 G.I. Bill, the VFW believes that VA must also play a role in verifying a veterans' ability to attend classes before creating a potential financial hardship for veterans who simply sought to improve their employment prospects.

Next, the VFW has learned that many times State Approving Agencies tasked with ensuring compliance with VA eligibility regulations for institutions of higher learning are often

understaffed or inadequately trained. For example, the VFW recently learned that the State Approving Agency tasked with approving education programs in the state of Rhode Island was only one person who assumed the role as a collateral duty. Rhode Island is one of more than 16 states with two or fewer dedicated staff listed for SAA functions on the National Association of State Approving Agencies' website, with many states – including Rhode Island – listing consultants, state education directors, or office administrators as primary points of contact for their collateral duty. Overworked and undertrained SAAs cannot possibly vet education programs adequately. SAAs must have adequate training and staffing to ensure that schools are compliant with regulations.

The VFW must reiterate that G.I. Bill accountability is a concern with national implications, and an imperative for Congress to address during these difficult fiscal times. The VFW looks forward to working with this committee and the education community on developing solutions that best ensure our veterans receive the benefits and training that they have earned.

Mr. Chairman, this concludes my statement. I would be happy to answer any questions that you or the members of the Committee may have.

*Testimony before the*

**Senate Committee on Homeland Security and Governmental Affairs  
Subcommittee on Federal Financial Management, Government  
Information, Federal Services, and International Security**

*Submitted by*

*Dr. Russell S. Kitchner, Vice President for Regulatory and Governmental Relations*

*On behalf of*

*American Public University System*

*September 22, 2011*

### **American Public University System**

American Public University System (APUS) is a regionally accredited, private, proprietary institution based in West Virginia APUS operates through two online universities: American Military University (AMU) and American Public University (APU). Both entities share a common curriculum, facilities, faculty and staff, and a common mission, which is to expand access to a quality post-secondary education, with emphasis on educating the nation's military and public service communities. We do this by providing respected, relevant, affordable, and student-focused online programs that prepare them for service and leadership in a diverse, global society.

#### **The Development of the University**

Retired Marine Corps Major James P. Etter founded the American Military University in 1991, initially to provide a high-quality, accessible, and affordable higher education to military officers, and eventually, to enlisted service members as well. His experience with the difficulty of continuing a specific field of study when relocating as a result of changes in duty stations led to his vision of a university designed to provide an education at a distance, regardless of the student's location throughout the world. His vision was to offer flexible yet rigorous programs that readily accommodated military deployments, addressed internal career advancement, and prepared students for post-discharge careers. In 1995, AMU earned its accreditation from the Accrediting Commission of the Distance Education and Training Council.

Mr. Etter believed that the United States military was one of the world's best employers, committed to training and educating its service members. Many of the first degrees that AMU developed, such as Military Studies (Land Warfare, Naval Warfare, Air Warfare, Amphibious Warfare), Military History, National Security Studies, and Strategic Intelligence were designed to complement the training received from the respective services with theory and history, generally provided from professors who had served in the military. Some of those programs were also tailored to provide the same level of graduate education received at military schoolhouses whose programs were limited to a selected few requiring attendance at times that might prove inconvenient for a service member already engaged in a professional career path, but in locations that did not offer access to traditional, land-based educational options. From the outset, AMU's faculty believed in the value of general education courses and a liberal arts education. In 1995, the university began to offer degree programs in liberal arts subjects such as English, Psychology, History, and Political Science that buttress the valuable lifetime skills of critical thinking.

Recognizing the impact that hidden costs of attending college had on students, in 1999 AMU instituted a commitment to fewer fees, transparency of all institutional costs of attendance, and provided a grant for textbooks to all undergraduate students who maintained a specified Grade Point Average. Early in its history, AMU established the practice of recognizing and accepting American Council on Education (ACE) transfer credit recommendations based on its evaluation of learning associated with military training and experience. This practice has resulted in academic credit being applied toward the completion of career specific programs such as Strategic Intelligence and Emergency and Disaster Management.

Like many working adults, members of the military have periods of work intensity where little time for any other activities is possible and times where flexibility for outside activities is available. Beginning in 2001, AMU established monthly semester starts allowing its students to begin a semester and classes whenever it was convenient. Later on, AMU increased its course offering flexibility for students by providing 8 week accelerated courses with the same content as the standard 16 week courses. Maximum class sizes were capped at 25 students in order to provide an environment where the learning connection between the faculty member and student was not compromised due to classes that were too large for effective online teaching.

By 2001, AMU had created a number of undergraduate and graduate level courses related to national security that enabled it to request accreditor approval for a degree in Homeland Security in July 2001. Since that date and the subsequent events of 9/11/2001, AMU has educated a generation of law enforcement, emergency management, first responders, and others in the field of Homeland Security.

In 2002, after ten years of growth and service to thousands of students, the American Public University System was established, and AMU and a newly formed American Public University (APU) were established as entities operating under the American Public University System (APUS). The APU brand extends the institution's outreach to better meet the needs of civilians interested in programs related to public service, such as criminal justice, public safety, and national security, as well as to respond to the needs of other adult learners interested in advancing their education through a robust, affordable online curriculum.

During the past ten years of troop deployments to Iraq and Afghanistan, AMU has recognized the needs for students to take leaves of absences from their studies. Integrated into the routine for faculty and advisors, AMU allows students deployed in combat to return to their original degree program without having to accommodate any program related changes that may have occurred in the interim. Additionally, a week of faculty training is dedicated toward understanding the culture of compassion at AMU, a culture that provides things like course extensions for soldiers dealing with extensive combat exercises or for time off to grieve and attend a fallen comrade's funeral. AMU established a position of Chaplain for its students. In addition, the AMU faculty initiated a multi-institution discussion group of academics related to recognizing and handling students suffering from PTSD.

Because of its continuing interest in providing a more widely recognized and accepted degree for its students and alumni during an evolutionary period for distance learning, in 2003, APUS applied for affiliation with the Higher Learning Commission (HLC) of the North Central Association. In 2004, its candidacy status was confirmed and in 2006, APUS received the status of initial accreditation with the HLC. In 2011, APUS's accreditation was reaffirmed by HLC and the next comprehensive evaluation was scheduled in 10 years for the 2020-2021 academic year.

### **Institutional Character**

APUS continues to be accredited by the Higher Learning Commission of the North Central Association and the Accrediting Commission of the Distance Education and Training Council. It offers more than 80 associates, bachelors and master's degree programs, including many specifically established to respond to the career learning objectives of military personnel and public servants. All of its courses are offered exclusively online in a format that enables students and faculty to interact asynchronously, regardless of location or time zone. APUS has received several program-specific accreditations as well.

AMU has traditionally distributed "hard copy" books to deployed students whose location or logistics inhibit their ability to access e-books, and it will continue to identify ways in which to ensure that its students have ready access to all instructional materials. It has partnered with both the Army and Air Force in developing their automated centralized Tuition Assistance processes. This centralized control was better for the services branches to disburse and control funds and better for the military student for receiving an automated approval process. In addition, when necessary APUS has provided Tuition Assistance billing/payment arrangements for service members to prevent students from falling victim to disruptions in course attendance if no Department of Defense budget is in place at the end of the federal fiscal year.

Many of the AMU faculty, staff, executives and board of directors and trustees are retired military. They bring with them an understanding of all branches of the service and a loyal relationship with the military. They also understand the practical nature of the assignments of students in fields like intelligence and transportation and logistics. They continue to respond to requests from students for additional degrees related to their career and personal interests such as Reverse Logistics, Space Studies, and Sports Management.

### **Our Students**

Currently, approximately 70 percent of APUS students are active duty military, reservists, or military related personnel. The civilian students include teachers, government employees, government contractors, and law enforcement officials, among others. Over 90 percent of APUS students are working adults who hold full-time positions within their profession, and many of them have had some prior college experience with approximately 85 percent receiving transfer credit. Currently, there is a 67/33 ratio of male to female students, and the average student age is approximately 32. The average class size is 14. APUS is proud of the students that it serves, and it makes a conscientious effort to track their accomplishments after graduation. We are particularly gratified by the fact that over 40% of our graduates enroll at APUS for a second degree. Others who continue their education do so at more traditional schools.

A number of our alumni have achieved the rank of general in the Marines and Air Force. One alumnus served as an astronaut and two alumni have received White House Fellowship appointments.

**Financial Information: Tuition, Federal Student Aid, and Default Rates**

One of the core principles of APUS is to provide quality education at an affordable cost. Undergraduate tuition for all students, military and civilian, is currently set at \$250 per credit hour (\$750 per 3 credit course), and it has not been increased at all since 2001. During this same period, according to data from the College Board, the average four year public university tuition has increased approximately 150 percent (see [http://trends.collegeboard.org/college\\_pricing/report\\_findings/indicator/40](http://trends.collegeboard.org/college_pricing/report_findings/indicator/40)) Based on the College Board's 2009-2010 study, APUS's combined undergraduate tuition and course materials costs are roughly 10% less than the average 4-year public university's in-state rates. And, furthermore, APUS's undergraduate tuition is approximately 34% less than the average tuition among the top 10 online universities.

Approximately 90% of APUS students transfer credit from previously attended colleges and universities, or receive credit from military or corporate training evaluated by the American Council on Education or by APUS faculty. Undergraduates are awarded a book grant that covers nearly the full cost of instructional materials. Total tuition costs for a bachelor's degree is slightly more than \$30,000 assuming that the student has no transfer credits. Graduate tuition is \$325 per credit hour, with total tuition costs for an average MA degree equaling \$11,700 this year. Last year, about 24 percent of APUS revenue stemmed from federal student aid programs under Title IV of the Higher Education Act, and 58 percent came from military tuition assistance and veterans' education benefits.

APUS began participating in Title IV federal student aid programs in 2006, so data on its graduates' student loan default rates is just beginning to develop. On this point, the university's record has been very good as measured by two-year cohort default rates. Our most recent official cohort default rate issued by the Department of Education, FY 2009, was 4.0 percent, which represents a decrease from our FY 2008 cohort default rate of 5.2 percent. That same Department of Education report noted that national student loan cohort default rate had risen to 8.8 percent, up from 7.0 percent in FY 2008. The cohort default rates increased for all sectors: from 6.0 percent to 7.2 percent for public institutions, from 4.0 percent to 4.6 percent for private institutions, and from 11.6 percent to 15 percent at for-profit schools. The university is committed insuring that our rates remain as low as possible in the future.

With respect to expenditures, over the past four years APUS has historically spent more on instructional costs and related academic support than all other operational expenses combined. Furthermore, a substantial portion of APUS students are referred to the institution by friends, professional colleagues, and fellow patriots in uniform, with the result being that the university spent less than 17 percent of revenues on marketing, recruiting, and advertising in 2010.

### **Commitment to Measuring and Reporting Academic Metrics**

The American Public University System is a recognized leader in assessing learning in an online environment. Some of the indicators of our commitment to student learning and “world class” assessment processes include being awarded the 2009 Ralph E. Gomory Award for Quality Online Education by the Sloan Consortium in recognition of our effective implementation of a data-driven approach to creating a culture of excellence and values in online education. The Sloan Consortium (Sloan-C) is an organization of more than 1,400 universities, colleges, and institutions committed to advancing best practices in online learning and expanding the quality of online higher education. APUS was the first 100% online institution (and the first and only for-profit institution) to achieve this distinction, which is presented annually to one institution that demonstrates a commitment to assessing and improving the quality of its online education programs. That same organization recognized a joint APUS/Purdue University research effort with its 2009 Effective Practice Award for using the Community of Inquiry Framework Survey for Multi-Level Institutional Evaluation and Continuous Quality Improvement. This was followed by a 2010 Effective Practice Award for APUS’s use of advanced analytical techniques to ensure course quality.

In addition, APUS is a charter member of Transparency by Design (TbD), which is an institutional accountability initiative developed through The Presidents’ Forum at Excelsior College. The initiative’s members represent regionally accredited, adult-serving, higher education institutions, and include schools such as Rio Salado Community College, Western Governors University, and Capella University. As a participant in this initiative, APUS routinely publishes information on the College Choices for Adults website ([www.collegechoicesforadults.org](http://www.collegechoicesforadults.org)), including data on student demographics, completion rates, educational costs, survey ratings, and program level outcome data.

In February, 2008 APUS joined with 15 other institutions regionally accredited by the Higher Learning Commission of the North Central Association to participate in the HLC Academy for Assessment of Student Learning (Assessment Academy). Participation in the Assessment Academy was intended to assist selected institutions in promoting a culture of assessment, continuous evaluation, and institutional growth. We are currently in the fourth year of this project, and APUS has committed to a subsequent, four-year sequence of events that will target the acceleration and advancement of its efforts to improve student learning.

Two other indicators of the APUS commitment to quality and excellence in analytics are its involvement in recent grant activity. For example, APUS is one of six participants in the Open Academic Analytics Initiative (OAAI) in an ongoing, \$250,000 Next Generation Learning Challenges (NGLC) grant that uses data to promote academic quality and student success. Designed and funded by the Bill & Melinda Gates and William & Flora Hewlett Foundations, NGLC is focused on identifying and scaling technology-enabled approaches to dramatically improve college readiness and completion, especially for low-income young adults in the United States.

In addition, in May, 2011, APUS became a participant and assumed the primary investigator role in the Predictive Analytics Reporting Framework (PAR) project,

initiated by the Western Interstate Commission for Higher Education's Cooperative for Educational Technologies (WCET). Funded by a \$1.05 million grant from the Bill and Melinda Gates Foundation, PAR is a data aggregation and analysis initiative intended to assess issues related to retention and progression across a spectrum of institutional types, with an emphasis on delivering intelligence that will enhance programmatic quality in the higher education sector. Notably the primary focus of this initiative is to develop an understanding of those factors that affect the ability of high risk students to be successful in the post-secondary environment. We believe that these distinctions and initiatives are both the foundation for and a reason for the high regard in which APUS is held by its students, as evidenced by the most recently administered National Survey of Student Engagement (NSSE) and the university's internal surveys that yielded the following results:

**Question: *If you could start over again, would you go to the same institution you are now attending?* 96% of APUS seniors said "yes."**

**Question: *How would you evaluate your entire educational experience at this institution?* 98% of APUS seniors evaluated their experience positively.**

**Question: *Overall, how satisfied are you with the education you have received at AMU?* 98% of students answered that they are satisfied or very satisfied!**

**Question: *Have you decided to go on to pursue an additional degree?* 48% of students said that they have gone on to pursue an additional degree.**

The fact is that 96% of our current seniors indicate that, if they were to begin their educational pursuits over, they would choose AMU again, and 97% would recommend AMU to a friend or colleague.

#### **The APUS Value Proposition for America**

There continues to be considerable discussion of the increasing amount of taxpayer dollars that students are dedicating to their education at for-profit institutions. While those discussions are appropriate, they do not always include thoughtful consideration of the larger picture. Since our inception 20 years ago, we have looked for ways to provide students with an affordable education. Few institutions in America have held their tuition constant over the past ten years like AMU, and we know of no other institution that has provided textbooks to all undergraduates through a grant program that has saved students \$46.7 million during the past 5 years. In addition, since 2006, AMU has saved military students and the DOD millions of dollars by accepting ACE-certified military education and training credits, credits earned at other colleges and universities, and credits awarded through a faculty review of military programs not reviewed by ACE. Some institutions, including non-profit institutions, are less willing to apply such prior learning experiences toward degree completion requirements, thus extending the time to complete a degree and requiring students or their employers to pay twice for equal or comparable education and training. Moreover, during that same period of time, APUS has paid approximately

\$65 million in corporate federal and state taxes alone, which does not account for many millions more in payroll and income taxes paid by or on behalf of its employees.

### **The Issue of 90/10**

**Background:** Since 1992, the Higher Education Act (HEA) has required that private sector for-profit institutions obtain a minimum amount of their revenues (at first 15% and, since 1998, 10%) from sources other than the Title IV federal student aid programs. A rationale for this 90-10 rule was that other funding sources, including a student's willingness to pay some of his or her own funds for tuition would be an indirect indication of institutional quality. This rationale was highly questionable, and lawmakers from both parties have supported repeal of the rule. To our knowledge, no evidence has been presented to support the notion that the 90/10 or 85/15 rules measure anything other than the financial need of a given institution's student population. In the Reauthorization of the HEA of 2008, the rule was retained with modifications to how it was to be applied by the Department of Education.

**The Problem:** Two conditions are currently in play that exacerbated the underlying problems with the 90-10 rule:

First, in the 2008 credit crisis, the private loan market for lower income students essentially disappeared. In response, Congress increased loan limits for federal unsubsidized Stafford loans, and many private sector for-profit institutions began to make their own loans to these students. Both of these steps put these institutions' continued compliance with the 90-10 rule at risk because they increased the amount of available federal student aid, and because Department of Education rules accounted for institutional loans only as they were repaid, typically after students left school. Congress thus adjusted the 90-10 rule in 2008 by, among other things, allowing the unsubsidized Stafford loan limit increase to count toward the required 10% and allowing institutions' loans to be treated the same way as other third party loans, *i.e.*, at the time the loans are made and earned while students are in school.

However, both of these adjustments were to be temporary. The unsubsidized Stafford provision expired on July 1, 2011, and the institutional loan provision will expire on July 1, 2012. However, the private loan market for lower income students has not recovered; and moreover, the current and protracted recession has resulted in the reduction or elimination of other sources of funding for students, such as state grants and employer tuition reimbursement.

Second, Congress has increased federal student aid by over 40% since the 2006-07 financial aid award year. The maximum Pell Grant alone has increased from \$4,050 in 2006-07 to \$5,550 in 2010-11. The subsidized Stafford loan limit has increased from \$2,625 to \$3,500. The unsubsidized Stafford loan limit, noted above, has increased from \$4,000 to \$6,000. Students are entitled to this aid, and institutions may not deny or limit it if a student qualifies and elects to apply for it. This dramatic increase in federal student aid means that for some institutions it covers all - and in the case of APUS, far more than - the total cost of tuition. This excess is more profound since APUS does not have a long list of fees, it awards a book grant for undergraduate students, and it makes a conscious

effort to prevent students from enrolling or re-enrolling if their academic performance does not suggest that they are likely to succeed academically.

By way of a more detailed explanation, for an institution like APUS, the cost of full-time study is \$6,000/year, but a high-need student who qualifies for the maximum amount of aid is entitled to receive a total of \$15,050. The institution's ability to comply with the 90-10 rule then becomes mathematically impossible unless it chooses to raise its tuition dramatically, thus creating the necessary 10% gap that federal financial aid does not cover. Of course, doing that makes tuition less affordable and increases the debt burden on students and their families, which we believe likely increases the risk of default. .

It is our firm belief that Congress and the constituencies that it represents should not, and would not long abide a policy that had the effect of forcing institutions to raise prices during a time of great economic challenges. This would be especially troubling given that such a policy would likely have the effect of diminishing access to those most in need of the benefits of higher education options, thus being in direct conflict with President Obama's ambitious goal of significantly increasing the number of college graduates during the next decade.

By way of a graphic illustration of the perverse effect of the 90/10 rule, consider the following example of two institutions that provide the same academic program but charge different amounts for tuition, fees and books. Institution "A" has an accredited, high-quality program and charges \$10,000 for full-time study. The student is able to pay the full cost with Pell Grant and Federal Direct Loans.

Institution "B" also has an accredited, high quality program, but it charges \$20,000 for full-time study. The student is not able to pay the full cost with Pell Grants and Federal Direct Loans, so (s)he must secure additional funds using private institutional loans, grants or other sources of funds.

**Institution "A"**

Tuition and Fees	\$10,000
Federal Aid	\$10,000
Other Payment Sources	\$0

*If all of Institution A's students were like this, the institution would be 90/10 non-compliant.*

**Institution "B"**

Tuition and Fee	\$20,000
Federal Aid	\$10,000
Other Payment Sources	\$10,000

*If all of Institution B's students were like this, the institution would be 90/10 compliant.*

Ironically, institution "A" must raise tuition to meet 90/10 compliance.

We believe that the 90/10 rule should be eliminated as it has the perverse effect of driving tuition up, rather than focusing on making education more affordable for students and reducing the burden on the American taxpayer.

**Possible Solutions:** The stated objectives that have been articulated by several members of Congress, particularly in the context of Senate hearings such as this, are 1) to eliminate the bad actors that are not serving students, including military students, well, and 2) to do so without limiting the educational opportunities for all Americans, including its service members and veterans. In the context of these objectives, we have been asked our perspective on two potential modifications to the 90/10 rule. The first option would be to count revenues received from the Post-9/11 GI Bill program and the DOD Tuition Assistance Program toward the 90 percent limit on federal funding a proprietary school can receive. The second option would be to exclude DOD and VA revenues altogether from the calculation used to determine 90/10 compliance. In our opinion, neither of the two proposals on the table at this time will accomplish the desired objectives.

Each of these two proposals would reduce the focus by some other institutions on military student recruiting, and while that would undoubtedly reduce competition for APUS in serving the students that are at the core of our mission, in the long term it would not serve to deal with the underlying perverse incentives created by the 90/10 rule, nor would it be better for military students and the American taxpayer. With a reduced incentive to recruit military students, other institutions would no longer have a reason to discount their tuition for military members and would likely have to increase their tuition even more due to the perverse incentive of the 90/10 rule discussed above. And, service members would also likely no longer have the benefit of tuition discounts and would have to come up with additional funds, whether from their own pocket or by turning to the "top-up" option under the GI Bill benefits. This would not be good for students, military or otherwise, and it would not be good for the American taxpayer. The first proposal would also have the unintended consequence of punishing an institution like APUS, whose core mission is to provide an affordable education to our service members.

We understand the concern with the 90/10 rule, its impact on military student recruiting and the motivation behind the two proposed modifications. And, we welcome the opportunity to be part of the discussion to come up with a better system. However, we believe that our attention should be more globally focused on the positive effects of eliminating the 90/10 rule and turning to other measures.

One approach that has received little public discussion to date would be to hold all institutions (for-profit and not for profit) financially accountable for cohort default rates. This could be accomplished by requiring them to cover the costs to the American taxpayer of defaults above a specified percentage or the median default rate for all institutions. The current focus is on what have been cited as disproportionately higher default rates at for-profit institutions. However, this issue is certainly not limited to that sector, and in the interest of ensuring that taxpayer and student interests are both addressed effectively, this approach should apply to all institutions, regardless of funding sources. Doing so should have the added benefit of motivating institutions to place proportionately greater emphasis on academic outcomes.

Coupled with holding institutions financially responsible, we also believe that institutions should be given more latitude with respect to federal student aid programs, including to determine the appropriate amount of borrowing in excess of the actual cost of attendance in order to reduce student loan debt, and providing institutions with the ability to refuse aid to those individuals who may use federal student aid solely as a means of accessing federal student aid program with no intention of dedicating those funds to educational pursuits.

Inherent in this approach is the notion that institutions of all types should maximize and safeguard their use of federal dollars by keeping their costs low and delivering an education that will leave students with the ability to pursue their desired vocations and careers, and thus able to repay what we hope to will be more manageable amounts of education-related debt, free of the artificially induced effects of 90/10.



## University of Maryland University College

**STATEMENT OF GREG VON LEHMEN  
PROVOST  
UNIVERSITY OF MARYLAND UNIVERSITY COLLEGE**

**BEFORE THE  
SUBCOMMITTEE ON FEDERAL FINANCIAL MANAGEMENT, GOVERNMENT  
INFORMATION, FEDERAL SERVICES, AND INTERNATIONAL SECURITY  
HOMELAND SECURITY AND GOVERNMENTAL AFFAIRS COMMITTEE  
UNITED STATES SENATE**

**ON IMPROVED EDUCATIONAL OUTCOMES FOR OUR MILITARY AND VETERAN  
POPULATION  
SEPTEMBER 22, 2011**

Good afternoon Chairman Carper, Ranking Member Brown, and members of the Subcommittee. My name is Greg Von Lehmen and I am the Provost and Chief Academic Officer for University of Maryland University College. On behalf of our president, Susan C. Aldridge, thank you for the opportunity to appear today to discuss improving educational outcomes for our military and veteran population.

University of Maryland University College (UMUC) was established in 1947 to meet the unique academic needs of working adults. Today, it serves 94,000 students in 28 countries and all 50 states, about 40,000 of whom are active duty military service members, veterans and their families. These remarkable men and women take classes onsite at more than 150 locations – including military bases in Iraq and Afghanistan – and online through our award-winning virtual campus, one of oldest, largest, and fastest growing in the world.

The State of Maryland invested in its citizens by creating UMUC as Maryland's open university serving nontraditional students who reside in Maryland, the United States, and throughout the world and to provide the citizens of Maryland with affordable, open access higher education.

Accordingly, UMUC continues to play a critical, and certainly expanding, role within the State's public system of higher education. UMUC is the *only* publicly funded four-year institution in Maryland dedicated entirely to meeting the unique learning needs of working adults. As an open access

university, committed to serving *all qualified applicants*, UMUC attracts an exceptionally diverse student body, representing a myriad of ages and abilities, cultural traditions and socio-economic circumstances. That said, we enroll a substantial number of the State's non-traditional and underserved student populations - including more African American undergraduates than any other four-year Maryland institution, and almost twice the number of African American graduate degree candidates than in all of Maryland's HBCUs. For the most part, UMUC students are in their thirties and forties. Four out of five of them work fulltime; nearly half are married with children; more than half are women; and well more than one-third are self-identified minority group members.

Unlike their traditional, college-aged counterparts, the vast majority of UMUC's students are seeking academic opportunities that support professional advancement in their chosen fields. And in tough job markets such as this one, many of these students want to change careers altogether.

Our dedicated faculty make it possible for UMUC to provide its students with some 130 undergraduate and graduate degree and certificate program options. Our Graduate School of Management and Technology also offers one of only a few Doctor of Management programs in the country, as well as a variety of executive training opportunities, all of which are designed to help our students compete in today's global economy.

UMUC's focus on adult students started with its service to active duty-members, which began with face-to-face programs on military installations in Europe in 1949 and Asia in 1956 and continues to this day. More recently, the university has also sent faculty and staff downrange to offer educational opportunities for servicemembers in Iraq, Afghanistan, Africa and locations in the Middle East.

#### **Accountability, Quality Assurance and Student Support at UMUC**

UMUC has instituted many processes in order to increase positive educational outcomes for all of our students, but especially for our military and veteran students. I would like to highlight a few of these processes below:

##### **1. Office of Enrollment Management**

The Office of Enrollment Management (OEM) has instituted Measures of Accountability to ensure World Class Service adherence. The underlying principle that is the foundation of every interaction and transaction is the university's first core value: Students First. OEM's service purpose is, "We create student success by providing World Class Service". Available, Courteous, Knowledgeable and Responsive are the standards upon which student service is delivered. To measure adherence and provide accountability to these standards, appropriate behaviors have been identified. These behaviors can be measured and monitored. In order to achieve the highest levels of service, quality assurance standards and practices are monitored and measured on a daily basis.

With regard to prospective students, OEM adheres to guiding principles in how to conduct outreach to and with this population. Although the Family Educational Rights and Privacy Act ("FERPA") does not apply to prospective students, we treat every prospect with the same respect, provide the same service and safeguard their information with the same privacy standards as we do with our current students.

During the lead acquisition process, UMUC only acquires leads who have specifically expressed interest in our institution. These proprietary leads have given permission for the university to conduct outreach to them. During the lead qualification process, OEM follows established business protocols to ensure prospective students are only contacted on an intermittent basis and not multiple times a day. At any point in the process, a lead or a student in an applied, matriculated or enrolled status, may request not to be contacted. In these instances, the university will apply a "DNC" (Do Not Contact) indicator on a student's record and only essential information will be sent to the student. Email communications also includes an "Opt-Out". Due to the number of email communications our students receive, it is imperative that they have the option not to receive unwanted communications from the university. In regards to telephone calls, the university records all inbound calls. A caller will hear a recorded disclaimer on each call stating that calls can be monitored and recorded for quality assurance purposes. The department has an extensive evaluation process in place to constantly measure calls to ensure that callers receive the highest level of service. In addition, this affords the department opportunities to recognize staff for exemplary service and to identify areas for improvement. In order to establish consistency, the department utilizes a Customer Relationship Management tool called "Goldmine". Each prospective and current student has a Goldmine record which has a transactional history of every interaction with a contact. Having a record of each student interaction allows the university to customize outreach, research issues and build a better relationship with its students.

The purpose of quality assurance in relation to prospects is to measure and analyze all aspect of the relationship in order to ensure that the customer service levels that are expected are delivered.

## **2. Office of Career Services**

To support the educational needs of the nontraditional student, the Office of Career Services provides quality resources and services to assist UMUC students and alumni worldwide with their career planning and job search needs. These services are available from enrollment through graduation to the working world and are designed to reflect the evolving needs of UMUC's talented and diverse adult population. To this end, our Office of Career Services provides both face-to-face and virtual career fairs, assistance with resume and cover letter drafting, and support from career counselors who can help guide students through the entire job search process. As an example, UMUC provided a virtual career fair for students seeking jobs in the cybersecurity field. This was geared towards students who are serving (or who have served) in the military since they already have a desired security clearance.

### **3. Effective Writing Center**

UMUC's Effective Writing Center provides an array of writing related services to the UMUC community. All UMUC students can receive feedback and advisement on papers either online or in person. Further, faculty members can invite EWC guest lecturers into their classrooms to provide general advice or to assist a classroom of students with a specific paper or topic.

### **4. 24/7 Library Support**

UMUC's Library is available virtually all of the time via e-mail, chat, phone, or in person meetings. At just about any time of the day, UMUC's students from around the world can contact our Librarians for reference assistance, search an online database with access to numerous database and countless research articles, and borrow hard copy and/or electronic books.

### **Recommendations**

I would like to bring to your attention areas in which the federal government can assist in supporting improved educational outcomes for our military and veteran student populations.

#### **1. Military Tuition Assistance**

Returning veterans are coming home to a highly competitive job market and as the unemployment numbers indicate, far too many are unemployed and countless others are underemployed. This is especially true for our younger veterans. When competing against non-veterans, the key differentiator is often a college degree. And the military services have made significant investments in narrowing this gap by funding the cost of college through the Tuition Assistance program. This program has catapulted a significant number of active duty service members toward educational goals that many had once thought to be impossible. The impact of increased investments in Tuition Assistance is substantial. In Fiscal Year 2002, the first year of 100% Tuition Assistance, there was an increase of 32% in individual enrollments and this increase had held steady in subsequent years. We fully support and look forward to working within the new DoD MOU provisions and the Military Voluntary Education Review process. But at the same time, we ask this committee to continue your leadership in this area and to closely examine the impact of proposed changes to the Tuition Assistance program. Thoughtful consideration and further discussion must be given to the long-term implications of a disinvestment in the Tuition Assistance program—especially in terms of providing opportunities to earn the educational credentials necessary to open doors of opportunity for those who serve this great nation with great honor and courage.

## **2. Continued Support of American Council on Education and Servicemembers Opportunity College Programs**

As this committee considers the role of the federal government in improving educational outcomes for our military service members and veterans, I want to draw attention to two investments by the Department of Defense that have a significant impact on accelerating the time-to-degree for active duty, Guard, reserves, and veterans. One is the investment in the academic assessment of military skills training and occupational experiences. Since 1945, the Defense Department has contracted with the American Council on Education (ACE) to review the learning outcomes acquired through this formal training and to publish these findings in the form of college credit recommendations. More than 2,300 colleges and universities rely on these recommendations to award college credit for military training with more than 300,000 transcripts sent out each year.

The second important investment made by the Defense Department is in the establishment and continued support of the Servicemembers Opportunity Colleges (SOC). The SOC Consortium consists of approximately 1,900 institutional members that enroll hundreds of thousands of service members, their family members, and veterans annually in associate, bachelor's, and graduate-level degree programs on school campuses, armories, and military installations within the United States and overseas, and through a variety of distance learning methods. The SOC Degree Network System (DNS), a subgroup of SOC Consortium member institutions, are selected by the military services to deliver specific associate's and bachelor's degree programs to service members and their families. University of Maryland University College is one of 160 accredited institutions that participate in the DNS.

We recommend continuing support for these programs due to the value that individual service members gain from the evaluations of their prior learning. Such evaluations can jump start the veteran's academic progress toward degree completion by recognizing prior learning and accelerate their entry into the work world by shortening their degree completion time. Additionally, on average, service members pursuing associate's degrees in the DNS receive 14.6 semester hours of credit toward their degree; at the bachelor's degree level, 21 semester hours of non-traditional credit have been awarded.

## **3. Putting Teeth in Military Installation Voluntary Education Review (MIVER)**

DoD Directive 1322.25 requires that all institutions participating in the military tuition assistance program sign an MOU with DOD committing them to review all of their programs according to MIVER best practices. In the past, this program has resulted in team visits to installations, review of academic programs and team recommendations about issues or problems to be addressed. Historically, there has been little consequence for institutions that did not observe the principles or address the recommendations. A concrete step that the federal government could take is to create and implement a regime that would produce consequences, including suspension of eligibility to participate in the TA program, for institutions that are seriously out of compliance.

#### **4. Reinvestment in Education Counselors**

While the investments I have discussed provide a remarkable return on investment and promote student success, funding shortfalls have resulted in a drastic reduction in providing service members and veterans with easy and convenient access to highly qualified education counselors. Once the hallmark of the installation education center, prospective students are now relying heavily on colleges and universities to help in determining the right fit in terms of what school to attend, which program to enroll in and what sequence of courses to take. Despite the very best efforts of the services, this latest generation of largely first-time, first-generational students are often left to their own devices to make a decision that should be preceded by unbiased and highly qualified advising. As this committee considers how best to assure sound investments in educational programs and the means by which to increase academic success for our military and veteran populations, we ask the members to examine this issue.

#### **Conclusion**

University of Maryland University College strongly supports the work of this committee in exploring proven practices in improving education outcomes for those who have honorably volunteered to support and defend this great nation of ours. They deserve nothing less than the best we have to offer. I am happy to answer any questions you may have, and welcome the opportunity to work with the Committee going forward.

**Questions for the Record from the  
Senate Committee on Homeland Security and Governmental Affairs  
Subcommittee on Federal Financial Management, Government Information,  
Federal Services, and International Security**

**Hearing on Improving Educational Outcomes for Our Military and Veterans  
September 22, 2011**

**Questions for the Record from Senator Carper (D-DE)**

**Question 1:** You stated that only 1 out of 6000 GI Bill eligible schools was barred from receiving GI Bill payments last year. Please answer the following questions:

a. What is the current eligibility status of this school?

**Response:** VA began collecting this information nationally in FY 2011. Since that time, only one school (Westwood College – three Texas campuses) has been barred from receiving VA education payments due to erroneous, deceptive, or misleading practices. The school's three Texas campuses are still in a withdrawn status. As such, students attending those campuses are not able to receive VA education benefits.

b. Has this school's eligibility been reinstated?

**Response:** No, the school's three Texas campuses are still in a withdrawn status.

c. If the school is now allowed to again receive GI Bill payments, did the school receive GI Bill payments for the period during which the school was suspended?

**Response:** No, the three campuses have not received payments since approval was withdrawn.

**Question 2:** What entity handles misleading advertising about Post 9/11 GI Bill eligibility? Please quantify how many times this entity has issued reprimands for false or misleading advertising by schools? How many schools out of the 6000 or so have received these reprimands?

**Response:** State Approving Agencies (SAAs) are responsible for handling misleading advertising by for-profit schools. Misleading advertising is one of the criteria examined both during the approval process and during compliance reviews. When identified, VA's process for "reprimanding" schools is suspension or withdrawal of VA approval. As stated previously, only one school (three campuses) had approval withdrawn in FY 2011 for misleading or deceptive practices.

**Questions from Senator Scott P. Brown (R-MA)**

**Question 1:** One of the key questions asked during the hearing is how to identify and weed out the institutions that are taking advantage of our Servicemembers and vets from those that are providing a real service and quality education. Your testimony from the hearing talks about how, along with Federal and State statutes, "VA's oversight activities, provide strong monitoring in this area."

a. What do those activities include?

**Response:** VA's Education Compliance Survey Specialists (ECSS) have routinely performed periodic compliance visits to monitor whether the schools were meeting regulatory requirements. VA also contracts with SAAs to perform approval, compliance, and oversight activities of schools in each state. In January 2010, VA increased oversight by implementing face-to-face interviews with Veterans attending for-profit schools during compliance visits. Public Law (P.L.) 111-377 reduced approval work at public institutions for SAAs and freed resources to perform compliance and oversight visits. In FY 2012, VA's compliance will include visits to all institutions with 300 or more Veterans and all for-profit institutions. Compliance visits will be completed by ECSSs and SAAs, and will be conducted throughout the fiscal year in accordance with available compliance resources.

b. In the March GAO report on DoD's Tuition Assistance (TA) program, GAO cited the need for improvements and a more systematic approach to oversight.

i. How is oversight between the TA and Post 9/11 GI bill programs different?

**Response:** During FY 2011, VA, Department of Defense (DoD), and Department of Education (ED) established quarterly meetings to improve information sharing on compliance issues with for-profit schools. VA and SAAs perform routine visits to ensure that the programs available to Veterans and Servicemembers are compliant with regulatory and statutory provisions. SAAs also work with the accreditation bodies recognized by ED to ensure awareness of compliance issues with for-profit schools. SAAs monitor accreditation web sites, which report on issues pending for the schools, and also receive ED audit reports if there are issues.

VA defers to DoD on the oversight methods used for TA.

ii. What kind of response has VA taken to this report in its own programs?

**Response:** VA's statutory provisions require oversight and compliance of all educational institutions approved for VA education benefits. As such,

VA already had processes in place that addressed the recommendations provided to DoD.

c. In your opinion, what are the proper roles for the VA, Department of Education, state authorities, and the education sector with regards to oversight and regulation?

**Response:** VA role is to ensure Veterans are receiving accurate information concerning schools they are considering attending. An individual's personal circumstances may affect the program he/she chooses to pursue and the school he/she decides to attend. VA encourages students to weigh all options and make the best decision for his/her specific situation. It is also VA's responsibility to implement and monitor institutions' compliance with the current statute and regulations to ensure the integrity of the programs approved for use of VA education benefits.

VA defers to ED, SAAs, and the education sector for their respective roles in oversight and regulations. However, P.L. 111-377, Section 203 provided changes that eliminated overlap between ED, Department of Labor (DoL), and VA responsibilities.

**Question 2:** Three different federal departments have a major role in the administration and oversight of educational financial assistance available to our Servicemembers and veterans. In GAO's March report examining DoD's Tuition Assistance (TA) program they cited some significant coordination problems between DoD and Department of Education.

a. If an accreditation agency notifies the Department of Education about putting a school on probation or pulls its accreditation entirely, how does VA learn of this and communicate it to GI Bill students?

**Response:** The accreditation agency contacts the SAA or the state licensing agent, who then contacts the SAA. The SAA notifies VA of any action taken. VA also monitors institutions of higher learning that are approved for VA education benefits. VA requires schools to notify us if they lose accreditation and to indicate the date of expiration. SAAs are also notified by their schools of changes to accreditation or loss of accreditation. SAAs monitor accreditation web sites, Chronicle of Higher Education, and Inside Higher Education. In addition, they maintain contact with other agencies within the state to ensure awareness of accreditation issues. In addition, if a school's VA approval is suspended or withdrawn, the school is required by VA to notify all students using VA education benefits of the change in status.

b. How does the VA coordinate with Education on other oversight measures?

**Response:** GAO's report 07-384 required VA to work with ED to reduce overlapping work. Focus groups found overlaps between the two agencies, and P.L. 111-377, Section 203 removed duplication of work. This provision allowed VA to use SAA resources more for compliance-related work. VA meets regularly with ED and DoD to share best practices, lessons learned, and applicable data with regard to administration of our programs.

c. Do you think we have a coordination problem here?

**Response:** No, coordination is not a problem. During FY 2011, VA, DoD, and ED established quarterly meetings to improve information sharing on compliance issues with for-profit schools.

d. How can we focus the resources better?

**Response:** With the passage of P.L. 111-377, VA refocused resources, particularly in regard to SAAs, to increase oversight and compliance. We defer to DoD and ED on how to better focus their resources.

**Question 3:** According to your testimony, the Department of Veterans Affairs relies on State Approving Agencies (SAAs) to perform the type of oversight over education institutions that accreditation agencies do for most major post-secondary institutions. According to Mr. Garlucci's testimony, the VFW found that many of these SAA's are undermanned and undertrained. The VFW found that in one state, there is only one employee to carry out this function and they do it as a "collateral duty". Other states have only a handful of staff.

a. These state agencies seem to play a pretty significant role in the oversight process. Do the VFW's observations reflect the proper standard of quality and consistency that is needed with these agencies?

**Response:** SAAs perform approval and oversight activities under contract with VA. The resources needed by each SAA vary greatly based upon the number of institutions in the state. By statute, VA is authorized to spend \$19 million annually on SAA contracts. Each SAA is aware of its contractual responsibilities and ensures that it has enough resources. VA routinely performs compliance reviews of the SAAs to ensure that each SAA is meeting contractual obligations. Corrective action plans are developed when issues are identified.

b. How is the VA guiding the improvements that need to be made?

**Response:** VA has and will continue to provide training to SAAs through conferences, teleconferences, and individualized training. VA representatives (Contract Management Team and Education Liaison Representatives for the state) answer questions from SAAs and provide annual training and feedback. VA sponsored two events to provide compliance training, and Education

Compliance Survey Specialists performed hands on compliance training directly in the schools with the SAAs. VA has established performance metrics and quarterly reviews of SAAs. If an SAA is rated less than satisfactory, VA works closely to provide improvement training. The National Association of SAAs also assists VA by assigning a mentor to any agency having performance problems. Finally, VA meets regularly with ED and DoD to share ideas, data, and best practices.

c. If regional accreditation is the "gold standard" for schools offering bachelor degrees and higher, why is the government using these other standards?

**Response:** The current statutes and regulations governing approval of VA education programs allow approval for institutions with national accreditation.

d. Is there a way to improve the accreditation process to include all educational institutions that receive military education assistance dollars?

**Response:** VA defers to ED's Office of Postsecondary Education, where the accreditation office resides.

**Question 4:** When it comes to evaluating schools, we can either look at inputs, as the 90/10 rule does; we can look at outcomes, like graduation rates or career placement; or we can look at both. Either way, the point is to ensure that students are getting a quality education that has real market value post graduation.

a. In AMU's testimony in the next panel, Dr. Kirtchner asked whether or not there is evidence that supports the notion that 90/10 or 85/15 is an actual measure of quality and outcomes rather than simply measuring the financial need of a given institution's student population. In your opinion, what is the value of 90/10 and 85/15 as a measure of quality?

**Response:** The 85/15 rule prohibits VA from approving and paying for new enrollees in a course where more than 85 percent of the individuals in the course are receiving VA benefits. While this statutory provision ensures that schools do not specifically create programs for Veterans or target Veterans for a specific program, the rule, standing alone, is not a measure of quality.

VA defers to ED on the value of the 90/10 rule.

b. Is there a way 90/10 can be improved or changed to address Mr. Kirtchner's concerns?

**Response:** VA defers to ED on potential improvements or changes to the 90/10 rule.

c. Considering the range of different institutions that can receive Post 9/11 GI benefits, how can we best ensure that there is some set of standards that can measure the quality of an institutions programs and the value of that program in the job market?

**Response:** Chapter 36 of Title 38, U.S. Code sets the standards for programs approved for VA education benefits. The standards must be met before the program is approved and the program must be re-examined periodically to ensure continued compliance.

VA defers to DoL on standards that can measure the value of a program in the job market.

**Question 5:** In your written testimony, you state that “[i]t is important for Veterans and their eligible dependents to make informed decisions concerning their VA education business.” It seems that currently the relevant information about schools is scattered and inconsistent. Do you believe that a centralized source of relevant data on cost and outcomes would help students make a more informed decision when choosing a school?

**Response:** Relevant information about schools is available on two websites. Information on costs and outcomes to assist Veterans is available on ED’s college navigator web site. Individuals may get answers to questions regarding VA education benefits on the VA GI Bill website. Questions can be submitted to VA electronically via the website, or by calling a GI Bill customer service representative. Additionally, VA offers free educational/vocational counseling to all beneficiaries. Ultimately, personal circumstances may affect the program an individual chooses to pursue and attend. VA encourages students to weigh all options and make the best decision for his/her specific situation.

TED DAYWALT QFRS

You work with numerous employers when helping veterans find employment. What kind of education do these employers look for when considering veterans? What do they view as a quality education and, conversely, a substandard education? Please use examples if possible.

**What kind of education do these employers look for when considering veterans?**

Answer: The type of education sought by employers is dependent on the position the employer is trying to fill. As a general rule, employers look for educational or training programs that are certified or accredited by the traditional accrediting agencies, not the "fake" ones that have been created by certain schools to accredit themselves – for more information on the fake accrediting agencies, see [http://www.degree.net/accreditation/fake-accrediting-agencies\\_199911302319.html](http://www.degree.net/accreditation/fake-accrediting-agencies_199911302319.html)

As an example, if an employer is looking at a business major, the employer would want to be sure the degree is accredited with the Association to Advance Collegiate Schools of Business (AACSB) which has been around since 1916.

As another example, a Director of Recruiting for a fortune 50 company that said if they were looking at an applicant with a degree from a second or third tier school versus an applicant with a degree from an online school, they would pick the third tier university applicant over the online school applicant every time.

**What do they view as a quality education and, conversely, a substandard education?**

Answer: Quality education is generally recognized as a school that provides content that is reflected in relevant curricula and materials for the acquisition of basic skills, especially in the areas of literacy, numeracy and skills required for the job. The tougher the curricula, the better. Conversely, substandard education would be programs that are not certified or accredited.

**1) In your written testimony, you state that "Many of the military base career counselors seem to lack the necessary knowledge to properly counsel potential students." In what knowledge areas are these counselors generally lacking?**

Answer: The counselors do not seem to be acquainted as to what makes a good educational program. Many seem to rely on referring students to the for-profits and not take advantage of local (off base) technical training schools and colleges.

**2) How often does VetJobs encounter a job seeker who obtained a degree or skills that do not match up to the labor market?**

This happens more with older veterans as most of the transitioning military and National Guard & Reserve job seekers have current, marketable skills.

**On the other hand, do you often encounter a hiring employer who cannot find properly-qualified veteran applicants?**

I hear daily from employers who cannot find qualified applicants. While DOL likes to tout that there are nearly six unemployed people for each job opening in the country, DOL is looking at it wrong. Employers do NOT hire someone just because the person was in the military or the person is a warm body. Employers hire people to fill a need the employer may have. And employers only hire if they are making enough money to be able to hire individuals that are needed. Contrary to many press reports, most veterans coming off active duty are finding jobs! The real veteran unemployment problem resides in the National Guard and Reserve (NG&R). Due to the constant call ups, employers shy from hiring an active member of the NG&R as they cannot run their businesses with their most critical asset, their human capital, being repeatedly taken away for 12 to 18 months. For more information on this issue, see <http://vetjobs.com/media/2011/09/13/5419/>.

## STATEMENT OF

RYAN M. GALLUCCI  
DEPUTY DIRECTOR  
NATIONAL LEGISLATIVE SERVICE  
VETERANS OF FOREIGN WARS OF THE UNITED STATES

RESPONSE TO QUESTIONS SUBMITTED BY  
RANKING MEMBER SCOTT P. BROWN

COMMITTEE ON HOMELAND SECURITY AND GOVERNMENT AFFAIRS  
SUBCOMMITTEE ON FEDERAL FINANCIAL MANAGEMENT,  
GOVERNMENT INFORMATION, FEDERAL SERVICES,  
AND INTERNATIONAL SECURITY

WITH RESPECT TO

**Improving Educational Outcomes for our Military and Veterans**

WASHINGTON, DC

November 14, 2011

- 1) In your written testimony, you recommend that traditional educational institutions should be encouraged to increase their enrollment of veterans and active service members. Why have some of these institutions, which have been around for so long, not been keeping up with the newer schools?**

The VFW believes that the student population of college campuses simply reflects the makeup of a society in which less than one percent of Americans choose to serve in the military. While the VFW would encourage traditional schools to enroll more veterans, the fact remains that very few veterans eligible for education benefits remain. That being said, the VFW believes that predatory schools succeed in enrolling higher percentages of veterans because of targeted marketing and recruitment campaigns. Non-predatory schools do not invest in this resource. Sadly, this is not a new phenomenon, as the legislative history of the G.I. Bill indicates that certain schools have chosen to prey on veterans as income sources since the passage of the original G.I. Bill of Rights after World War II when the 85/15 rule was conceived.

- 2) When it comes to evaluating schools, we can either look at inputs, as the 90/10 rule does. Or we can look at outcomes, like graduation rates or career placement. Or we can look at both. Either way, the point is to ensure that students are getting a quality education that has real market value post graduation. Mr. Kirtchner, from American Military University questioned in his testimony whether or not there is evidence that supports the notion that 90/10 or 85/15 is an actual measure of quality and outcomes rather than simply measuring the financial need of a given institution's student population. In your opinion, what is the value of 90/10 and 85/15 as a measure of quality?**

The VFW believes that the value of 90/10 as a measure of quality can be linked to diversity of clients for a school. With 90/10 in its current form, the VFW believes that schools are exploiting a loophole whereby the Department of Education's 90/10 rule and VA's 85/15 rule operate independently of each other, meaning that predatory schools can use G.I. Bill dollars to ensure compliance with 90/10, while continuing to ensure a single client pays the bill. In this case, the single client is the U.S. government.

The VFW believes that changing 90/10 closes this loophole by ensuring that proprietary schools are held to a very minimal standard in diversifying their client base beyond the federal government. The notion that 90/10 simply measures the financial need of a given institution's student population is a tacit admission to the VFW that certain schools target only students eligible for federal aid or government-funded education programs, and that they intend to receive nearly all revenue from these sources, since their programs cannot survive free market scrutiny. This admission should bring pause to legislators concerned about ensuring quality results from government education programs, like the Post-9/11 G.I. Bill, in the same way as Medicare fraud. Both veterans' education benefits and Medicare are third-party payer systems through which federal dollars can be exploited with little to no accountability for perpetrators, but significant, yet often unnoticed, harm to beneficiaries who rely on the programs.

If a school wishes to secure at least 10 percent of its revenue from sources other than the federal government, such as private employers who would like employees to further their education, or students who can pay out-of-pocket, the VFW believes they would need to improve their educational product to attract these kinds of clients. If a school's answer to 90/10 compliance is to raise tuition to a price point 10 percent higher than federal benefits will cover, the VFW believes that they are missing the intent of the regulation, and will likely be driven out of the education market by delivering an overpriced, low-value product.

**3) The Memorandums of Understanding that DoD is going to require for Tuition Assistance schools seems like a good start in collecting information about outcomes. Are you confident that the information collected as part of the MOU's will find its way to students before they use their benefits?**

The VFW hopes that education offices on military installations will be able to offer this information in a timely manner to potential students. Unfortunately, the VFW believes that Department of Defense needs to play a more proactive role in ensuring that service members have access to accurate, timely information. The VFW believes that DoD is not doing enough on this front at the moment.

As this conversation has developed, the VFW has been posed with this question on several occasions: "If we trust our service members to make life or death decisions on the battlefield, can't we trust them to make good decisions when choosing a school?"

The answer is not a simple yes or no. Instead, we should ask ourselves "what kind of information is available with which to make these decisions?" When we ask service members to make life-or-death battlefield decisions, they are armed with accurate information and training with which to make a competent decision. However, when we ask a student-veteran to make an educational

decision, the deck has already been stacked against them with either bad information, misleading information or incomplete information, since for-profit schools, including predatory institutions, have successfully inundated potential student-veterans with advertisements for their programs at military education fairs, on television, on the internet and across military-specific publications like Army Times and Military.com.

As an example, the VFW's stance on predatory schools was the subject of an Army Times story late this summer. However, the black-and-white news piece appeared interspersed with advertisements from a variety of for-profit schools. Without compelling visuals, we believe our message was likely lost among the noise.

We must clarify that VFW does not see a problem with for-profit schools utilizing the resources at their disposal to reach potential students. However, we must work to ensure that systems are in place whereby student-veterans can make informed decisions, which is why the VFW supports these MOUs and encourages DoD education offices to take a more proactive approach in assisting service members in making sound educational decisions.

*Post-Hearing Questions for the Record*

*Submitted to*

*Dr. Russell S. Kitchner, Vice President for Regulatory and Governmental Relations*

*American Public University System*

*Submitted From*

*Senator Tom Carper and Senator Scott P. Brown*

*"Improving Educational Outcomes for our Military and Veterans"*

*September 22, 2011*

**Post-Hearing Questions for the Record  
Submitted to Russell Kitchner (APUS)  
From Senator Tom Carper**

Dr. Kitchner:

For the Academic Year 2009-2010, can you please tell us how many credit hours did Tuition Assistance beneficiaries pay for at APUS? And how many credit hours did GI Bill beneficiaries pay for?

	2009		2010	
	Courses	Credits <sup>1</sup>	Courses	Credits <sup>1</sup>
Military Tuition Assistance	116,606	349,818	136,277	408,831
Veteran's Benefits	10,262	30,786	1,389	64,167
<b>Total</b>	<b>126,868</b>	<b>380,604</b>	<b>157,666</b>	<b>72,998</b>

<sup>1</sup> Estimate based on average 3 credit courses

**Post-Hearing Questions for the Record  
Submitted to Russell Kitchner (APUS)  
From Senator Scott P. Brown**

*"Improving Educational Outcomes for our Military and Veterans"*  
September 22, 2011

- 1) You testified that protecting military and veteran student populations is a worthy goal. The so-called "90/10 rule" was designed as a tool for accomplishing that goal. However, you briefly mentioned several possible deficiencies in this rule, such as loopholes and perverse incentives. Could you please elaborate on the

strengths and weaknesses of the 90/10 rule in terms of its effectiveness in protecting students?

*When 90/10 was first implemented it was thought that having students pay 10% of their tuition was reasonable. Over the years, the costs of higher education in general have increased at a rate more than double the increase in the average family income. While Pell Grants did not increase at a similar rate, federal loan limits increased substantially, forcing proprietary institutions with a 90/10 problem to increase their tuitions to exceed the federal loan limits by at least 10%. There is no evidence that 90/10 protects students. In fact, the impact of inflation means that institutions capable of efficiencies in operations cannot keep their tuitions low while remaining in compliance with 90/10. In short, 90/10 has the perverse effect of serving neither the interests of students nor taxpayers, particularly in light of the dramatic increase in loan limits that was cited earlier.*

- 2) In all these discussions, we must make sure that any changes or policy improvements are for benefit of our military and veteran populations. Are there policy alternatives or additions to the 90/10 rule that you feel would better protect service members and veterans?

*Yes there are policy alternatives that warrant consideration. For example, in the context of the current 90/10 provisions, institutions should not be permitted to substantially lower their tuition to attract active duty military and veterans for the sole purpose of avoiding a compliance issue with 90/10. An alternative to including Tuition Assistance and VA benefits in 90/10 would be to not include it for institutions that do not charge different rates for students who are relying on various forms of educational benefits or financial aid. In short, establish a flat rate of tuition for all students, regardless of the sources of financial support, thus reducing, if not eliminating any form of tuition-based inducements.*

*The more meaningful opportunities for ensuring that the interests of service members and veterans are protected include the following:*

- a. *Most military students are not as likely as their civilian counterparts to depend on Title IV or other forms of federal financial aid, and thus they are not as likely to be included in an institution's calculated cohort default rate (CDR). Nevertheless, we believe that a high CDR may be indicative of underlying academic or operational issues, and therefore we support – in principle – the concept of establishing a "risk-sharing" approach that requires all institutions to underwrite a portion of expenses related to student loan default rates, with the understanding that the CDR calculation does not include fraudulent attempts to gain access to student loans.*
- b. *Require that all institutions have appropriate revenue and staffing allocation formulae that reflect a priority on operations and functions that directly*

*relate to supporting service members and veterans, and that take into account the circumstances and learning attributes of those populations.*

- c. *Require that all institutions publish in plain view institutional metrics that will provide prospective students with information necessary to make educated decisions about specific program licensure requirements, employment prospects, and other considerations and factors in support of those decisions.*
  - d. *Develop an appropriate methodology for determining the degree of congruence between institutional priorities and service to military populations. Some institutions, such as AMU and UMUC, have a long-standing and coherent mission-specific focus in this regard. Modifications to the 90/10 rule and other policies that compromise such institutions' ability to continue those legacies are not consistent with the interests of our Nation or its service members and veterans.*
- 3) I understand that APUS favors an outcome-based approach to measuring school performance and quality. The difficulty with all these measurements is that schools vary in many kinds of ways - AMU is different than UMUC and they are both different than a trade school. Given that diversity, how can we best compare outcomes across all of higher education?

*Comparing outcomes across all of higher education is nearly impossible because of the wide variety and types of post-secondary institutions in America, and the even more significant diversity of student populations. There is no question that elite colleges and universities serve student populations that are at least risk of academic failure, so it is not surprising that such institutions have the highest graduation rates, particularly as measured by IPEDS metrics which favor such traditional institutions. Minority serving institutions, community colleges, and adult serving institutions generally serve an entirely different cohort – one that faces greater academic and personal life challenges.*

*Retention and graduation rates among these populations are predictably lower, and such rates may not even be particularly relevant, depending on their individual and specific educational objectives. Equally significant, if not more important, is the increasing extent of student "swirling," whereby an individual enrolls at multiple institutions – sometimes concurrently and sometimes sequentially – before finally "landing" at the institution from which he or she completes a program of study. This development has radically changed the institutional performance landscape, since each institution alluded to above can be said to be accountable for a swirling student, yet only the last one is actually in a position to claim her or him as a graduate.*

*In light of these complex dynamics and complicating variables, we suggest that colleges and universities be charged with establishing annual goals for persistence and/or graduation, and subsequently publish the resulting metrics associated with those goals. Further, all institutions should publicly compare their performance with a list of*

*institutions that appear to serve the same types of students, and which may be cited as reasonable benchmarks for prospective students and regulatory agencies. Vocational and trade schools should not be compared with colleges and universities, and their metrics should reflect outcomes that are more directly related to certificate completion rates and trade-related competencies and demonstrable skill proficiencies.*

- 4) For a variety of reasons, a student may attend more than one institution before they obtain a degree. For both the good of the student and the government, it is important that credits earned in good faith can follow the student.
- a. AMU is a regionally-accredited institution, like traditional colleges. Is the credit transfer situation getting better in your opinion?

*Most of the major schools which serve the military community are members of the SOC Consortium which allows for maximum credit transfer. The transfer of earned academic credit among regionally-accredited institutions is somewhat more fluid and uncomplicated than are the processes involved in transferring credits earned from nationally accredited institutions to regionally accredited institutions. These challenges are likely related to the reported academic integrity issues associated with some nationally accredited institutions.*

*That said, receiving institutions continue to maintain their historical prerogative to determine which (and how many) credits they will accept. Moreover, the acceptance of credits does not ensure that all of them will apply to a given program of study. Thus, credit transfer remains a very imprecise, and in some cases a rather arbitrary dimension of American higher education.*

*Nevertheless, while all institutions retain the option of refusing to accept specific credits, they typically are required to publish their transfer credit policies so as to minimize ambiguity and confusion on the part of prospective students. This is a minimum standard of disclosure that should continue to be promoted, if not required.*

- b. How can it be improved and more specifically when it comes to veterans using Post 9/11 GI benefits?

*In our opinion, the Post 9/11 G Bill has not affected the transferability of academic credit, nor was that one of its objectives. However, the large number of veterans who are eligible for educational benefits under this legislation makes it imperative for institutions to promote and implement academic transfer policies that ensure that veterans are treated fairly, their degree completion times are as abbreviated as possible, and that taxpayers are not subsidizing duplicative learning.*

*To those ends, veterans using Post 9/11 GI benefits should have the benefit of clear policies and sound academic advising from every institution (s)he may have attended, or may consider attending. In addition, it is our belief that all institutions should be especially open to accepting transfer credits from military students and veterans given*

*the high probability that such individuals have enrolled in multiple institutions during the period of their military service.*

- 5) Back in March of this year, the Department of Defense (DoD) issued a rule requiring institutions that receive tuition assistance must comply with requirements set out in a Memorandum of Understanding (MOU). This will go into effect in a few months.
- a. What kind of provisions are included in the MOU's that AMU currently has with DoD that promote transparency, such as providing statistics on graduation rates, accreditation, gainful employment?

*The newly issued DoD Memorandum of Understanding (MOU) generally contains reporting requirements that are carryovers from decades-old, service-specific, and in some cases installation-based MOU's with schools that operate on military installations. Requirements related to reporting the names of graduates, TA transactions, grades, degrees awarded and educational plans have been incorporated in those standards for many years. The new MOU does not address graduation rates or learning outcomes, nor does it mention gainful employment. Each of these elements could be useful, but there are legitimate concerns regarding how the associated metrics should be defined and calculated.*

- b. Do you think this is a model for the industry to improve transparency and accountability for those schools that receive military financial aid in general?

*The MOU does not establish any standards of measurement or provide any indication of what the new MVER process will entail. It also does not address how DoD identifies, reports and sanctions schools that engage in egregious marketing activities on military installations.*

- c. How can the MOU process be improved?

*Although schools desiring to maintain eligibility for TA funds must sign the MOU by 1 Jan 2012, we view this document as a "work in progress." In its present form, the document does not address how DoD plans to ensure that service members receive a quality education from the thousands of schools which offer courses and programs to military students. As a start, DoD should collaborate with the various regional and national accrediting bodies to acquire and review accreditation reports which constitute a true third party review of learning outcomes and other factors which serve as measures of accountability, particularly with regard to ensuring an appropriate return on the investment of TA funds, as well as strong indicators of student persistence and overall student success. Also, the need for a DoD-sponsored third party review (MVER) by an outside contractor seems redundant and not cost effective. A strengthened reliance between DoD and the accrediting bodies would provide a cost savings to DoD which*

*could be used to offset the potential reduction in TA benefits that has been a source of considerable Congressional discussion.*

- d. Does AMU have any MOU's with VA currently? If not, is this something AMU is looking into in the future?

*The only current MOU between AMU and the VA is for university officials to have access to and utilize the VAOnce electronic VA claims interface. According to our records, we have had this MOU with the VA since 12.21.2003. While the university is open to the possibility of entering into additional MOU's with the VA, there is some question as to the practicality of such agreements. A stronger case might be made for establishing MOU's between the VA and DoD related to the sharing of information that is already being collected by DoD. Additional institutional performance metrics that might be useful to the VA could be acquired from the various regional and national accrediting agencies.*

**Post-Hearing Questions for the Record  
Submitted to Greg von Lehmen (UMUC)  
From Senator Scott P. Brown**

**“Improving Educational Outcomes for our Military and Veterans”  
September 22, 2011**

- 1) Question: You have extensive experience serving our active duty military students overseas. Drawing upon that experience, can you please characterize how well the military monitors the quality of education that our deployed service members are receiving?

Answer: The Department of Defense has long had a process to monitor the quality of the programs offered by colleges and universities that have formal agreements to provide student services and programs of study on a military installation. Exempted from this rigorous third-party review have been those schools with offices off the military installations and the majority of the online for-profit schools that have recently emerged as top recipients of DoD tuition dollars.

- 2) Question: There are documented cases where students who attended for-profit colleges have difficulty transferring credits to more “traditional” institutions. Of course, the transfer of credits is always at the discretion of the receiving institution and depends upon the applicability of past coursework to their programs, among other factors. Can you please describe the steps that the University of Maryland has taken to ensure that credits earned at credible institutions are transferrable to your programs? Is there any way to streamline this process nationally?

Answer: By design, the transfer credit policy at the University of Maryland University College gives students the opportunity to transfer in as much credit into their degree programs as allowed under Maryland law. Specifically, while transfer credit must correspond to specific degree requirements, it is theoretically possible at UMUC for students to bring in up to 90 hours of credit earned at appropriate institutions toward a bachelor's degree. This is very important since the average student who comes to UMUC has been to five other schools.

Because transfer credit is so important to UMUC students, it is critical that new students be advised as soon as possible about how transfer credit can be applied to their programs. Efficiency is necessary to avoid duplicated course work and wasted federal funds. Through the use of technology and business processes--etranscript receipt capability, a document management system and workflows--the university is able to produce a tentative evaluation in less than one workday and an official evaluation in about three days, provided that all official transcripts have been

received from the other institutions. UMUC won a service leadership award from IMS Global Technology Consortium last year for its innovation in this area.

- 3) Question: In the VFW's testimony from the hearing, Mr. Gallucci recommended that traditional educational institutions should be encouraged to increase their enrollment of veterans and active service members. Why is the University of Maryland ahead of this trend and what was it that made it successful in developing its program early on?

Answer: University of Maryland University College has a distinguished history in providing educational opportunities for active duty service members while they are serving in a combat environment. We were the first U.S. University to offer face-to-face courses in Viet Nam and we have been there in Bosnia, Iraq, and just recently opened up yet another classroom facility in Afghanistan. As these service members return home, they know that when the time comes to continue their education, UMUC will be there to support them as they did in a combat environment. Further, UMUC has made the investments necessary to assure that veterans have access to the highly qualified advisors who will guide them in making the best choice in terms of the right school and program—even if the right school or program is not UMUC.

Additionally, approximately 40% of UMUC's students transfer in from the nearly 70 community colleges that we partner with both within and outside of Maryland. These affiliations are vitally important to the success of our student veterans as the community colleges are often the best fit for a returning veteran.

- 4) Question: You have gone on the record as a supporter of online education, provided that there is good quality control. Especially with today's operational tempo, it seems like the online option might be the only one available for many deployed troops. How do we better ensure that online education is quality education across all post-secondary institutions?

Answer: The starting point is careful definition on key metrics, including retention rates and graduation rates that apply across all institutions serving active duty members, and appropriate benchmarking of those metrics. There is important work within and outside of SOC to do this. Second, is the aggressive use of MIVER as a vehicle for reviewing these institutions while paying particular attention to their program of learning outcomes assessment, ability to provide data on outcomes and evidence that outcome data are being used to review and improve the instructional programs and student support services.

- 5) Question: UMUC has instituted a number of policies to make sure students are honestly recruited. Students face a lot of choices, from finances to course selection when they pick a school. It is important that service members and veterans have the resources available to make an informed decision. Is the right information they need to compare each school readily available in your opinion? How can this be improved?

Answer: In many cases, the military education centers no longer have the capacity to provide that one-on-one advising that is critically important to making informed decisions about the right school and the right program. This is especially problematic in today's environment where the choices are far greater than ever before. Often times, the student will make an independent decision and his or her tuition assistance is approved after a review of administrative requirements rather than being preceded by an advising session. For the veteran, uninformed decisions are even more prevalent. In most cases, service members and veterans find themselves relying on an institution's recruiter to advise them on what is often an irreversible decision.

This situation can only be improved by investments from the military services and the Department of Veterans Affairs in creating an infrastructure that provides convenient access to highly qualified academic advisors and/or education counselors. Virtual counseling and informative websites are not enough, especially in the early decision making process.

- 6) Question: Schools naturally want to put their best foot forward when marketing to students. How do you make sure that you are going further and being transparent with students before they choose your school?

Answer: University of Maryland University College's Office of Enrollment Management (OEM) is primarily responsible for contacting prospective students. As a practice, OEM only conducts outreach to prospective students who have specifically indicated an interest in UMUC by either filling out a request for contact form or landing on a UMUC splash page. During any discussion, an attempt is made to qualify a prospective student by determining whether UMUC is a good fit for the student. Our ultimate goal is to ensure that the academic needs of any student are met at UMUC. Discussions will revolve around programs of interest, the prospective student's motivation, his or her academic background for admissibility purposes, options for financing any possible degree pursuits and intended start date.

To ensure that our advisors are communicating in an appropriate manner with all callers and following established business processes and protocols, OEM relies upon our approach to customer service as well as our quality assurance program. Our customer service philosophy is based on having a service purpose, service standards and measurable service behaviors. Each staff member is trained on OEM's service purpose, four primary service standards, and eight primary service behaviors during his or her Our service purpose is, "We create student success by providing world class service".

A Quality Assurance (QA) approach was developed In order to ensure adherence to our customer service standards as well as transparency in our interactions with prospective and returning students. The university utilizes a state of the art QA system, Witness 360 to help with monitoring, tracking and reporting, all with the intention of improved customer service. All QA coordinators are encouraged to attain their Green Belts in QA from the American Society of Quality. Evaluation forms have twenty-six questions based on our service standards of availability, courteousness, knowledgeable, and responsive. Examples of service behaviors can range from using a prospective student's name, not interrupting, employing effective listening techniques, anticipating needs and thanking a caller for his or her time. We frequently employ a third party vendor to provide mystery shops of our representatives so that we have as comprehensive an overview of our service levels as possible. Our quality assurance motto is, "What can be measured, can be improved".

**Hollister K. Petraeus**

**Assistant Director, Office of Servicemember Affairs  
Consumer Financial Protection Bureau**

**Written Statement for the Record  
Subcommittee on Federal Financial Management, Government Information, Federal  
Services and International Security  
U.S. Senate Committee on Homeland Security and Governmental Affairs  
September 22, 2011**

Chairman Carper, Senator Brown, and distinguished members of the Committee: thank you for the opportunity to provide testimony to you today concerning higher education for our nation's servicemembers and their families. As I'm sure you know, the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act), which was signed into law on July 21, 2010, established the Consumer Financial Protection Bureau (CFPB) as an independent bureau within the Federal Reserve System and charged it with ensuring that consumers have timely and understandable information to make responsible decisions about financial transactions. In addition, the law assigns my office, the Office of Servicemember Affairs (OSA), the responsibility to "educate and empower service members and their families to make better informed decisions regarding consumer financial products and services," and I am happy to take part in a dialogue like this one to ensure that military families have all the information they need to make sound decisions about where and how they spend their military education dollars.

As I believe many of you know, I come from a military family. My husband just retired from the Army after 37 years of service, and I'm a military daughter and mother, as well. So I've been around the military community my entire life, and I've seen the evolution of the military education benefits that are being discussed today. When my husband first entered the service in 1974 officers were expected to have a bachelor's degree but it was unusual for enlisted servicemembers to have a two-year or especially a four-year college diploma. That has changed over the years and now the expectation is that officers who desire to advance will earn a graduate degree, and that enlisted personnel who want to advance to senior noncommissioned officer status will earn a bachelor's degree.

The government has provided two important benefit programs to assist in that educational process: first, the Military Tuition Assistance (TA) program that is designed to be used to take courses while on active duty; and second, the GI Bill which may be used mostly after military service in pursuit of a college or technical degree. These are valuable benefits and I think we would all like to see them replicate the success story that happened after World War II, when a generation of veterans came home, went to college on the GI Bill, and became the engine that drove our economy to tremendous success.

I think it's accurate to say that holding at least a bachelor's degree is a "must" for many jobs in today's economy. We're also seeing a new generation of servicemembers and veterans who are

eager to earn bachelors and advanced degrees, hoping to give themselves the best possible chance for success—both in the military and beyond. To meet this demand, there are an increasing number of for-profit colleges eager to enroll them as students, due in large part to the “90-10 rule” created by the 1998 amendments to the Higher Education Act (HEA). Put simply, the 90-10 rule says that a for-profit college has to obtain at least 10 percent of its revenue from a source other than Title IV federal education funds. It is my understanding that this rule is designed to ensure that a for-profit college does not support itself solely with federal Title IV money, but offers an education valuable enough that people are willing to pay for it through other means.

Although TA and the GI Bill are certainly federally funded, they are not Title IV student aid funds administered by the Department of Education, putting them squarely in the 10-percent category of the 90-10 rule. And therein lies a problem. For every servicemember that a for-profit college recruits who will be using TA or GI Bill funds (and the spouse or child of a servicemember, in the case of the Post 9-11 GI Bill), the college can then go out and enroll nine other students who are using Title IV funds. This has given to some for-profit colleges 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. A particularly egregious example was featured in a “Bloomberg Business Week” article in 2010, concerning a Marine Corps Corporal with traumatic brain injury. A college recruiter from a for-profit university had visited the Wounded Warrior Battalion barracks at Camp Lejeune, North Carolina, to sign up military personnel for college courses. As the article put it: “US Marine Corporal James Long knows he’s enrolled...he just can’t remember what course he’s taking.” The for-profit institution involved in that instance has been reported as having 77,000 students and 1,700 recruiters, yet only one full-time employee tasked with job placement for its graduating students.

According to the Department of Defense (DoD), for-profit colleges’ share of TA dollars has soared in recent years. These colleges have taken pains to advertise themselves as military-friendly and, in particular, have adapted their programs to cater to servicemembers’ desire to be able to take courses online. Online education fits well with the military lifestyle of deployment, military training, and frequent moves. DoD’s FY2010 Voluntary Education Report showed that 71 percent of TA-funded courses are now being delivered online. A recent study in the “Military Times Edge” magazine used publicly-available data to determine where active-duty troops were using their TA benefits in FY2010. Six of the top ten colleges on its list, ranked by number of enrolled military students using TA benefits, were for-profit colleges.

Given the higher costs of many for-profit colleges as compared to public colleges, the increased enrollment in for-profit colleges has been a major factor in the exponential growth of TA costs in the last ten years, on what I have heard described as an unsustainable upward trajectory. If, in order to get TA costs under control, the benefit is cut back at a future date and servicemembers are asked to pay a greater share of the cost of courses taken under the TA program, for-profit colleges may encourage servicemembers to use loans to fill the gap. And with the 90-10 rule as it now stands, a for-profit college is apt to drive servicemembers not to a Title IV loan, but instead to the school’s own private student loan arrangement – even though it is likely to be more expensive – in order to keep those revenues in the ten percent category for purposes of the 90-10 rule.

On many of my trips to military communities, I've heard stories that raise concerns about unscrupulous marketing by for-profit colleges – and poor service and treatment once servicemembers are enrolled. On a recent visit to Fort Campbell, Kentucky to hear about the financial concerns of servicemembers there, I heard from both the on-post Education Counselor and a military spouse about the aggressive marketing techniques of for-profit colleges. The counselor said that if you indicate an interest online or fill out a card provided by a local recruiter, you will be called immediately and repeatedly. The spouse said that after filling out an interest card she got seven to nine phone calls a day until she enrolled in what she, interestingly, called a “military-affiliated” for-profit college. The college actually had no official military affiliation, but had obviously marketed itself to her in such a way that she received that impression. Although they were on the phone with her repeatedly during the recruitment process, after the first day of classes the shoe was on the other foot. When she had connectivity problems that made it impossible for her to sign on to her online class, she found it difficult to get anyone to return her calls or do anything other than blame her computer for the problem. She was unable to complete the coursework that semester because she couldn't log on consistently, but got billed for the full tuition regardless.

Support problems can be a serious challenge for troops on combat deployments overseas. When a unit has a casualty the military “locks down” all internet communications for that unit to prevent rumors from spreading before the official casualty notifications are made to family members. This obviously prevents the soldier from logging onto the online school, but I have heard about instances where no flexibility was shown by the college and the student received an “F” for failure to submit the work on time. The tuition bill, of course, was still expected to be paid.

On the Web, online marketing by for-profit colleges has increased dramatically. For-profit colleges have bought a number of URLs to use as lead generators, with names that use “GI Bill” or “Military” – or both – in their titles. Although they present themselves as offering unbiased, helpful advice on GI Bill benefits, I took a look at one of these sites and found that the schools listed on the home page as “GI Bill Schools” all happened to be for-profit colleges. When I clicked on the link “More GI Bill Schools” it led me straight back to the home page. A member of my staff went on another of these sites and filled out an application to see what course of study they would recommend for him. He put on the form that he had a law degree and a post-doctoral degree in physics. Their suggestion: that he consider getting a vocational certificate at a local for-profit college!

I should mention that the OSA is not the only office at the CFPB interested in these issues. CFPB has an Office of Students and, in time, will have a Private Education Loan Ombudsman focused on private student loans. And CFPB will have reporting requirements to Congress on the topic of student loans. Some of the issues that must be addressed in these reports include: the private education loan indebtedness of borrowers; whether they exhaust their Federal loan options before taking out a private loan; whether the private educational lenders are for-profit or non-profit, and whether the lenders are themselves colleges or other institutions of higher education; the terms, conditions, and pricing of private education loans; and whether Federal

regulators and the public have access to sufficient information to determine lender compliance with fair lending laws.

Private loan issues are a military issue according to a number of sources, including the Senate Committee on Health, Education, Labor and Pensions, who have reported that for-profit colleges are encouraging military students to take on private loan debt in order to pay for courses that cost more than the GI Bill or TA will pay. (And, as I mentioned earlier, if the TA benefit is cut the situation will only get worse.) Unfortunately, in a number of instances an unscrupulous college recruiter has told a prospective military student that the GI Bill or TA will pay for everything, so there will be no extra cost to the student. But often the story changes after enrollment when a confusing array of paperwork is presented by the financial aid office. Before the student knows it, he or she not only has used up military education benefits, but also is locked into a private loan that may not be the best deal – or make sense at all – for that individual.

These problems in the marketing of private student loans are compounded by the fact that, although there are some for-profit colleges with solid academic credentials and a history of success for their graduates, as a group and compared with other institutions, for-profit colleges have low graduation rates and a poor gainful employment history. They also tend to have a higher-than-average student loan default rate, which can be an indicator that students are being recruited with little concern for their ability to do the coursework. And there are a number of for-profit colleges with questionable academic credentials, with accreditation that is not accepted by other institutions, which makes it very difficult to transfer credits.

In brief, the real and growing concern is that, just as in the days of unchecked payday lending before the implementation of the Military Lending Act, military communities are once again under siege by a group that sees big money to be made off the military: for-profit colleges. The richness of the military education benefits is a big draw, with the 90-10 rule adding a significant extra incentive. To give an example of the explosive growth in the amount of military benefit money that is now flowing from the government to for-profit colleges: between 2006 and 2010, combined VA and DoD education benefits received by just 20 for-profit education companies increased from \$66.6 million in 2006 to an estimated \$521.2 million in 2010, a 683 percent increase!

The well-being of our military personnel is, of course, not just an issue of dollars and cents. Financial problems and paperwork hassles can be a dangerous distraction for the troops, who need to focus their attention on the difficult and dangerous missions they are asked to perform. Piling private student loan debt on top of an already stretched family budget can be a major stressor. And unique to the military is the fact that financial problems can lead military personnel to lose their security clearances, which may mean that they are no longer permitted to do the job for which they have been trained.

For veterans, the GI Bill should be the opportunity to build a better future. We all want our veterans to become successful, productive contributors to our society. Education can be the key to success, and the wonderful education benefits provided to our military and their families should not be wasted on programs that do not promote – and may even frustrate – this outcome.

In conclusion, the CFPB and the Office of Servicemember Affairs are already working hard to ensure that servicemembers, who devote their lives to protecting our nation, will have a strong advocate to help protect them and their families from financial threats. We will work with the Congress, the Department of Defense, the Department of Veterans Affairs, the Department of Education, the rest of the public sector, and the non-profit and business communities towards the goal of every military family being a well-educated family, armed with the knowledge of how to avoid poor financial decisions, and willing and able to invest towards long-term goals that lead to a successful future.

Thank you for the opportunity to testify to the Committee.



**IRAQ AND AFGHANISTAN  
VETERANS OF AMERICA**

September 22, 2011

The Honorable Thomas R. Carper  
Chairman  
Subcommittee on Federal Financial Management  
Senate Committee on Homeland Security and Governmental Affairs  
432 Hart Senate Office Building  
Washington, D.C. 20510

Chairman Carper,

The Post 9/11 GI Bill is arguably the most transformational veterans benefits since WWII. In addition to providing veterans with an opportunity at a first class future, it allows military families to expand their educational and vocational horizons. IAVA was a leader in the passage and later upgrade of the New GI Bill and we are constantly fighting against any threats to the New GI Bill, ensuring that it is available to help shape the future of veterans and their families.

Since implementation of the New GI Bill, for-profit colleges have received a disproportionate amount of GI Bill dollars. Of the ten educational institutions collecting the most V.A. benefits, eight are for-profit schools. Together, those eight companies collected \$1 billion last year (24% of all benefits). Many of them have not provided the educational value and employment services that were promised to veterans when they enrolled.

It is important to note that there are many for-profit schools that provide important educational opportunities and services to veterans who use distance learning or seek vocational degrees that are not available elsewhere. These schools are helping veterans and their families continue their education and find meaningful employment. However, several reports have found that some for-profit educational companies will do anything to tap this pool of students. The result is that veterans, service members, and their families are not getting the educational training they have earned and as a result they lose out on their benefits. The trouble they experience varies. Many lose credits when transferring from for-profits to other schools that won't accept the credits. Many come out with degrees that do not help them achieve their professional goals. IAVA believes that we must find ways to protect veterans' educational options while ensuring that the bad actors in the for-profit educational industry are no longer able to take advantage of veterans and their families.

IAVA wishes to thank Senator Carper for bringing this issue to the forefront. We are eager to review any legislation that will bring accountability to for-profit schools that are taking advantage of loopholes in the law and victimizing veterans. We are proud to offer our assistance. If we can be of help, please contact Tom Tarantino, IAVA's Senior Legislative Associate, at (202) 544-7692 or tom@iava.org.

Sincerely,

Paul Rieckhoff  
Founder and Executive Director  
Iraq and Afghanistan Veterans of America (IAVA)

292 Madison Ave, 10<sup>th</sup> Floor New York, NY 10017 · P (212) 982-9699 F (212) 982-8645



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22 September 2011

Senator Thomas R. Carper, Chairman  
 Senator Scott Brown, Ranking Member  
 Senate Committee on Homeland Security and Government Affairs  
 Subcommittee on Federal Financial Management,  
 Government Information, Federal Services and International Security  
 SH-432 Hart Senate Office Building  
 Washington D.C. 20510

Dear Chairman Carper and Ranking Member Brown:

The Reserve Officers Association (ROA) is a 60,000-member professional association, chartered by Congress, which represents over one million Reserve Component members of all the uniformed services of the United States. The Association believes that both our returning veterans and the federal government should get the best return on the education dollars being spent.

The Post 9/11 GI Bill provides education opportunities for a new generation of young men and women who selflessly served their country, but it also provides an opportunity for abuse. While not all, some "for profit" schools are taking advantage of veterans and servicing men and women, and their families, who are eligible for educational benefits through the Departments of Defense (DoD) and Veterans Affairs (VA), by not providing them with accredited education that will help them with re-employment and the beginning of new careers.

ROA encourages your subcommittee to work with the Senate HELP Committee, as well as the Veterans Affairs and Armed Services Committees to find ways to provide better oversight, and regulation of schools to ensure the quality, affordability and accrediting of education. The Association also suggests that legislation be put forth to require the DoD and VA to track the outcomes from all educational programs in which these beneficiaries participate.

ROA applauds the leadership of this Subcommittee and the Senate HELP Committee's interest in helping to correct these problems and protect the futures of our service men and women, veterans, and their families. Please contact CAPT Marshall Hanson, legislative director, at (202) 646-7713 or mhanson@roa.org for further assistance.

Sincerely,

A handwritten signature in black ink, appearing to read "David R. Bockel".

David R. Bockel  
 Major General, USA (Ret.)  
 Executive Director

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**RESERVE OFFICERS ASSOCIATION OF THE UNITED STATES**  
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Support. Connect. Empower.

September 19, 2011

The Honorable Thomas R. Carper  
 Chairman  
 Subcommittee on Federal Financial Management  
 Senate Homeland Security and Governmental Affairs Committee  
 432 Hart Senate Office Building  
 Washington, DC 20510

Dear Chairman Carper:

I am writing today on behalf of Blue Star Families, in advance of your hearing regarding the military community and higher education. We are concerned over some of the reports we have heard both anecdotally through our military families as well as through evidence generated by the Senate HELP committee, based on their year-long study of for-profit institutions and their interaction with our veterans, service members, and their families. As our military community members seek to use the Post 9/11 GI Bill and/or Department of Defense Tuition Assistance Program funding, they are being sought out by higher education institutions, sometimes with deceptive business practices, and it seems that most of this predatory behavior is coming from for-profit institutions.

Holly Petraeus, of the Office of Servicemember Affairs in the Consumer Financial Protection Bureau of the Treasury Department, has stated of for-profit institutions, "For every one GI Bill or tuition assistance recipient you recruit, you can get nine other students in your Title IV category...I think military folks are seen at this point like a dollar sign wearing a uniform in the for-profit model. They're seen as cash."

Petraeus' concern stems from the current loophole in what is commonly known as the 90/10 rule, which regulates federal funding levels for our nation's higher education institutions. Currently, educational funding coming from the Department of Defense and the Department of Veterans Affairs does not apply towards the 90 percent cap of total revenue a university can receive in federal funding. The Consumer Financial Protection Bureau, and other military advocate groups like Blue Star Families, are apprehensive towards the effect this loophole has caused.

The surge of funds being utilized by these schools to recruit military members and their families shows their interest in financial gain through military-affiliated enrollment. Unfortunately, we feel, this interest might not extend past the initial goal of attracting federal funding. At eight of the ten for-profits that take in the most funding through the GI Bill, more than half of students drop out within a year of matriculation.

PO Box 322, Falls Church, VA 22040  
[www.BlueStarFam.org](http://www.BlueStarFam.org)



Support. Connect. Empower.

Blue Star Families respectfully requests your immediate attention in addressing this issue within our military community. Our service members and their families sacrifice a lot on behalf of our nation. They do so willingly and with a sincerity borne of a belief in the public interest and that what they are doing makes a difference. Our nation's institutions of higher education, whether for-profit, non-profit, or private, owe them a commiserate level of genuineness in their interactions.

Blue Star Families thanks you for your continued dedication to protecting our nation's military families' best interests. We'd appreciate your upmost attention towards this matter.

Very Respectfully,

A handwritten signature in cursive script that reads "V. W. Greentree".

Vivian W. Greentree  
Blue Star Families  
Director of Research and Policy

PO Box 322, Falls Church, VA 22040  
[www.BlueStarFam.org](http://www.BlueStarFam.org)



September 21, 2011

The Honorable Thomas R. Carper  
 Chairman  
 Subcommittee on Federal Financial Management  
 Senate Homeland Security and Governmental Affairs Committee  
 432 Hart Senate Office Building  
 Washington, DC 20510

Dear Chairman Carper:

On behalf of Paralyzed Veterans of America (PVA), I write to share with you our concern over issues affecting veterans, service members and qualifying family members and their use of Post 9/11 GI Bill and Department of Defense (DoD) Tuition Assistance Programs. PVA has strong misgivings over reports that certain "for-profit" educational institutions have engaged in deceptive and aggressive recruitment practices in order to enroll veterans, members of the military and their families using these Department of Veterans Affairs (VA) and DoD benefits. PVA is the only Congressionally-chartered veterans' service organization solely dedicated to representing veterans with spinal cord injury and/or dysfunction.

It is our understanding that federal law forbids "for-profit" colleges from receiving more than 90 percent of their total revenues from federal financial aid dollars. This federal funding includes financial assistance in the form of Pell grants and Stafford loans. However, this so-called 90/10 rule does not apply to educational benefits provided under the Post 9/11 GI Bill or DoD tuition assistance. As a result, veterans and military families have become targets of opportunity for many unscrupulous for-profit colleges that offer elaborate promises of a high value education and swift entry into a well paid career. What these schools fail to disclose in many cases are their high rates of default, difficulties experienced by students in transferring credits to four year non-profit institutions of higher learning and reluctance on the part of many employers to recognize their degrees.

These service members and veterans have served their country honorably and many have come home with severe and devastating injuries. These DoD and VA education benefits were put in place to try to assist these men and women in rebuilding their lives

after military service or to give their families a chance to care for them by advancing their own economic self-sufficiency. Veterans and their families, as well as American taxpayers, have every right to expect that federal funds expended on their behalf will be properly used and produce positive results.

PVA appreciates your attention to these issues and your interest in protecting these valuable benefits earned by our nation's servicemen and women.

Sincerely,

A handwritten signature in black ink, appearing to read "Douglas K. Vollmer". The signature is written in a cursive style with a large initial 'D'.

Douglas K. Vollmer  
Associate Executive Director



**VADM Norbert R. Ryan, Jr. USN (Ret)**  
*President*

September 21, 2011

The Honorable Thomas R. Carper  
 Chairman, Subcommittee on Federal Financial Management, Government Information, Federal Services,  
 and International Security  
 United States Senate  
 Washington, DC 20510

The Honorable Scott Brown  
 Ranking Member, Subcommittee on Federal Financial Management, Government Information, Federal  
 Services, and International Security  
 United States Senate  
 Washington, DC 20510

Dear Chairman Carper and Ranking Member Brown:

On behalf of the 370,000 members of the Military Officers Association of America (MOAA), I am writing to voice our strong support for legislative action to curb an alleged pattern of waste, fraud and abuse by certain For Profit colleges that prey upon our service men and women, veterans and their family members who are eligible for Departments of Defense (DoD) and Veterans Affairs (VA) educational benefits.

The scheduled hearing before your Subcommittee on 22 September -- "Improving Educational Outcomes for Military and Veterans" -- will consider incentives and mechanisms to modify the behavior of certain "career colleges" to better serve their military and veteran students.

**90/10 Rule.** MOAA strongly supports a potential modification of the "90/10" rule so that DOD and VA educational assistance funding is counted on the "90 side" of the formula. This or similar approaches is intended to curb abusive practices as documented in an investigation by the Senate Health, Education and Labor (HELP) Committee.

In considering an adjustment to the 90/10 rule, MOAA respectfully requests that your Subcommittee work with the Senate HELP, Veterans Affairs and Armed Services Committees to preclude unintended consequences from a formula change. MOAA recommends legislative or Report language to accompany any Subcommittee legislation specifying that military and veterans' Federal taxable income and eligibility for other Federal financial aid will not be adversely affected by any option the Subcommittee adopts with respect to the 90/10 rule.

**Outcome Measures.** Since the enactment of the Post-9/11 GI Bill in June 2008, MOAA has staunchly advocated for legislation to require the DoD and VA to track outcomes from all educational programs they administer. At present, the VA mostly tracks consumption of GI Bill benefits -- the number of months eligibility used up and the total amount of dollars expended. In our view, the most effective way to monitor the government's return on investment and to keep tabs on all educational and training programs is to require full reporting of program completion information, including degree(s), completion date, certifications and licensures and related information. MOAA strongly recommends that the Subcommittee work with the Veterans Affairs and Armed Services Committees to require the government to track outcomes from all GI Bill and military tuition assistance programs.

**Military Tuition Assistance.** MOAA is pleased to note the recent issuance of revised DoD policy governing military tuition assistance. All educational providers will now be required to adhere to the same rules by signing

201 N. Washington Street  
 Alexandria, VA 22314-2539  
 800.234.6622 phone  
 www.moaa.org

a comprehensive Memorandum of Understanding (MOU) with the Department, if they wish to continue to receive military tuition assistance. Despite this commendable progress, MOAA believes more can and should be done. For example, the MOUs do not require schools to disclose whether successful completion of their program qualifies students to take the examination or license required as a precondition for employment or to meet any additional conditions that are needed for employment in the occupation for which the program is represented to prepare them. The MOUs also do not require schools to disclose to students their completion/graduation, job placement, loan default rates and other student-outcome information that would enable service members to make an informed decision. In addition, they do not require schools to let students know whether they will be able to transfer their credits to other institutions. MOAA recommends the Subcommittee work with the Armed Services Committee and the DoD to take the next steps to protect military students and foster better outcomes that are beneficial to military professional development, readiness and family member employability.

**Consumer Education.** Based on the Senate HELP Committee's comprehensive investigation of For Profit Colleges, it's clear that certain schools and their parent companies have preyed upon our nation's military families and veterans and cared little about the quality of their educations or graduating. MOAA believes that DoD and the VA must do more to enable its military and veteran populations to have access to more robust tools to evaluate and compare the quality, cost and outcomes from various educational and training options. The government should not consider aggressive marketing and interest in these populations as an indicator that they are "military or veteran friendly".

**Reputable For-Profit Colleges.** Quality For-Profit College programs have nothing to fear from proposed changes to the 90/10 rule and other measures that the Subcommittee and Senate HELP Committee are considering, as evidenced by the active engagement of industry representatives at the full Senate HELP Committee hearing on 21 July on "Improving For-Profit Higher Education: A Roundtable Discussion of Policy Solutions" that included the testimony of Ms. Holly Petraeus, the Director of the Office of Servicemember Affairs in the Consumer Financial Protection Bureau.

We applaud the leadership of this Subcommittee and the Senate HELP Committee for taking a balanced and fair approach that considers the interests of the military and veterans communities and the nation's investment in the futures of those who have volunteered to defend the rest of the nation.

MOAA respectfully requests that a copy of this letter be entered into the official record of the hearing scheduled before the Subcommittee on 22 September 2011.

Sincerely,



Cc: Senators Harkin, Murray, Burr, Levin, McCain, Webb




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 VETERANS OF FOREIGN WARS OF THE UNITED STATES
 

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[www.vfw.org](http://www.vfw.org) | [info@vfw.org](mailto:info@vfw.org)

September 21, 2011

The Honorable Thomas R. Carper  
 Chairman, Federal Financial Management Subcommittee  
 Senate Committee on Homeland Security & Government Affairs  
 425 Hart Senate Office Building  
 Washington, DC 20510-6250

Dear Chairman Carper:

On behalf of more than 2 million members of the Veterans of Foreign Wars of the United States (VFW) and our Auxiliaries, I am writing to express our concern over reported rampant exploitation of our veterans and military members eligible for robust education benefits such as the Post-9/11 G.I. Bill and the Department of Defense Tuition Assistance programs.

It has come to our attention that many veterans choosing to pursue higher education are actually becoming victims of predatory and disingenuous institutions that fail to fulfill their obligations to educate our nation's heroes. The VFW has also discovered that a fractured American education system has offered more lenience to institutions that wish to collect federal education dollars, yet consistently fail to deliver adequate educational outcomes. To correct this injustice, we believe that old safeguards within the education system must be restored or strengthened to ensure institutions of higher learning that fail to comply are held accountable, and that the Pentagon and VA must establish new benchmarks through which eligible educational institutions must be vetted.

Both the Post-9/11 G.I. Bill and DOD Tuition Assistance are benefits funded by the American taxpayer. During these uncertain fiscal times it is our obligation to ensure that these funds are used effectively. Reports of impropriety in education, coupled with daunting unemployment numbers for our veterans make this effort a national priority.

The VFW played a key role in ensuring the passage of the Post-9/11 G.I. Bill, recognizing that the men and women who serve today are the future leaders of our great nation. The VFW thanks you and your staff for your attention to this issue, and we stand ready to assist in ensuring our brave service members receive the quality educational opportunities they deserve through their earned military and veterans' benefits.

Sincerely,

A handwritten signature in cursive script that reads 'RC Kelley'.

Raymond C. Kelley  
 Director, National Legislative Service

cc: Hon. Scott Brown, Ranking Member

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 National Headquarters | 406 W. 34th Street | Kansas City, MO 64111 | 1.816.756.3390  
 Washington D.C. Office | VFW Memorial Bldg. | 200 Maryland Ave. N.E. | Washington, D.C. 20002 | 1.202.543.2239 | Fax: 202.543.6719
 

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Student Veterans of America  
 P.O. Box 77673  
 Washington DC 20013  
 866-320-3826

September 21, 2011

The Honorable Thomas R. Carper  
 Chairman  
 Subcommittee on Federal Financial Management  
 Senate Homeland Security and Governmental Affairs Committee  
 432 Hart Senate Office Building  
 Washington, DC 20510

Dear Chairman Carper:

On behalf of Student Veterans of America (SVA), I am writing today in advance of the September 22, 2011 hearing regarding service members and veterans in higher education to express our concern over a very serious and troubling matter. Thousands of veterans, military spouses, dependents, and service members that are using the education benefits they've earned, namely the Post-9/11 GI Bill, are falling victim to the deceptive and predatory behaviors of numerous for-profit educational institutions. While SVA is in no way implying that every "for-profit" college is engaging in these behaviors, we are aware of several that would seemingly prefer to profit from a veteran rather than rewarding their service with a quality education.

As outlined by federal law, for-profit colleges, which are mainly owned and operated by publically traded companies or equity firms, must subscribe to what is commonly known as the 90/10 rule. It states that for-profit colleges must receive 10 percent of their total revenue from nonfederal sources to be eligible to receive federal student aid. Federal funds are taxpayer dollars that often come in the form of Pell grants and Stafford loans. The 90/10 rule, which governs the majority of America's institutes of higher education, is meant to protect service members and veterans from predatory business practices.

Unfortunately, a loophole in current federal regulations and the allure of massive profits has incentivized even more sinister recruiting practices among proprietary schools. The 90/10 rule does not apply to the robust education benefits found in the Post-9/11 GI Bill or the Department of Defense Tuition Assistance Program. As a result, many for-profit schools make false promises to entice veterans, but offer inept services once they are enrolled. This blatant lack of care for the academic success of a student veteran is an insult to anyone that has worn the uniform and an affront to the promise of the GI Bill.

In short, for-profit schools have seen their profits soar with the passage of the Post-9/11 GI Bill.

YESTERDAY'S WARRIORS | TODAY'S SCHOLARS | TOMORROW'S LEADERS



Sadly, that has not been the case for veterans graduating from such institutions. Many find that their degree is less valuable than those of their peers that attended community colleges or accredited four-year institutions. For-profit colleges are seeking to enroll veterans not out of compassion, concern, or appreciation, but because of money. Veterans have become a means to circumvent the 90/10 rule and that is shameful.

SVA respectfully requests your immediate action to close the 90/10 loophole, thus ensuring that veterans are able to fulfill the great promise of the Post-9/11 GI Bill and become a New Greatest Generation that is ready to answer the challenges of tomorrow. SVA thanks you for your continued dedication to protecting the entitlements of our nation's veterans, service members, spouses, and dependents. Thank you in advance for your quick, decisive action.

Very Respectfully,

A handwritten signature in black ink, appearing to read "Michael Dakduk", is written over a thin, light-colored horizontal line.

Michael Dakduk  
Executive Director  
Student Veterans of America



**SERVING  
WITH  
PRIDE**



**A M V E T S**

NATIONAL  
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1647 Forbes Boulevard  
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20706-4360  
TELEPHONE: 301-459-9600  
FAX: 301-459-7924  
>MAIL: amvets@amvets.org

September 19, 2011

The Honorable Thomas R. Carper  
Chairman  
Subcommittee on Federal Financial Management  
Senate Homeland Security and Governmental Affairs Committee  
432 Hart Senate Office Building  
Washington, DC 20510

Dear Chairman Carper:

On behalf of AMVETS (American Veterans), I am writing today in advance of the September 22, 2011 hearing regarding military and veteran higher education to express our concern over this very serious and troubling matter, that has just recently been brought to our attention. AMVETS has recently learned that thousands of veterans, servicemembers and qualifying family members seeking higher education through their earned entitlements, the Post 9/11 GI Bill and/or the Department of Defense Tuition Assistance Program, are falling victim to deceptive business practices and predatory behaviors being displayed by numerous "for-profit" educational institutes. While AMVETS is in no way implying that every "for-profit" college is engaging in these behaviors, we are aware of several very large ones that are, and we find that unacceptable and reprehensible.

As outlined by federal law, "for-profit" colleges, which are mainly owned and operated by publically traded companies or equity firms, are prohibited from receiving any financial funds above 90 percent of their total revenues from federal financial aid dollars. This federal funding is primarily composed of taxpayer dollars and these funds include, but are not limited to, financial assistance in the form of Pell grants and Stafford loans. This funding level law, which governs the majority of this country's institutes of higher education, is often referred to as the 90/10 rule and protects our current and former servicemembers from predatory business practices.

Unfortunately, due to a loophole in current federal regulations mandating tuition assistance, the men and women who have promised to protect our country are now unknowingly falling victim to duplicitous and predatory behaviors displayed by numerous "for-profit" colleges. These colleges have figured out how to make money off of enrolling veterans and servicemembers, since the 90/10 rule is not applicable to the robust educational benefits found in the Post 9/11 GI Bill or the Department of Defense Tuition Assistance Program. If you go onto any military base or into any Department of Veterans Affairs facility you will see all of the posters and brochures these schools advertise, promising a "veteran friendly

environment” and assistance in finding a job. Neither of which have proven to be true, for the most part.

The surge of funds being used by these schools to heavily increase “veteran and military enrollment” has had a huge financial pay off for these schools and the equity companies that own them. Sadly, this huge surge by many “for-profit” colleges in seeking out veterans for enrollment is not out of compassion, concern or appreciation for their service to our country, but rather a way to circumvent the 90/10 federal funding rule.

AMVETS respectfully requests your immediate action in addressing this blatant disservice being done to veterans, servicemembers and their eligible family members through the failure of these colleges to provide an accredited and adequate education as they have promised through receipt of both federal and private funds. Furthermore, during a time of such fiscal uncertainty it is critical for congress to ensure the proper use of all federally provided money.

AMVETS thanks you for your continued dedication to protecting the entitlements of our nation’s veterans and servicemembers and thanks you in advance for your quick action on the aforesaid matter.

V/r

Christina M. Roof  
AMVETS  
National Deputy Legislative Director



**SERVING  
WITH  
PRIDE**



**A M V E T S**

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a program of United Spinal Association

September 21, 2011

The Honorable Thomas R. Carper  
Chairman  
Subcommittee on Federal Financial Management  
Senate Committee on Homeland Security and Governmental Affairs  
432 Hart Senate Office Building  
Washington, D.C. 20510

Dear Chairman Carper:

VetsFirst, a program of United Spinal Association, wishes to express our concern about the treatment of our nation's veterans by some for-profit educational institutions.

VetsFirst strongly believes that educational benefits, particularly for veterans with disabilities, are very important to helping them to reintegrate into their communities. Thus, every effort must be made to ensure that veterans who receive educational assistance due to their military service are not preyed upon but are provided both the education and supportive assistance they need to succeed.

Unfortunately, it appears that some for-profit educational institutions fail to place much effort on providing a marketable educational experience or the supports that students need to fully benefit from their course work. Exploring whether the aggressive recruitment of veterans by for-profit institutions is a result of the manner in which veterans' educational benefits are counted by these institutions, may help to resolve this issue. Student veterans must not simply provide an opportunity to generate income for the educational institution. There must be an equal investment by these institutions in the success of our nation's veterans.

We appreciate the committee's attention to this important issue and urge further action to ensure that veterans, particularly those with disabilities, are able to secure the educational experience they have earned. If you have any questions, please contact Heather Ansley, Director of Veterans Policy, at (202) 556-2076, ext. 7702 or by e-mail at [hansley@vetsfirst.org](mailto:hansley@vetsfirst.org).

Sincerely,

A handwritten signature in black ink that reads "Heather L. Ansley".

Heather L. Ansley, Esq., MSW  
Director of Veterans Policy  
VetsFirst, a program of United Spinal Association

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VetsFirst ★ 1660 L St., NW, Suite 504, Washington, D.C. 20036 ★ [www.vetsfirst.org](http://www.vetsfirst.org) ★ 202-556-2076



# 90/10 RULE ≠ AFFORDABLE TUITION

## 90/10 RULE COMPLIANCE = TUITION INCREASES

⊗ **Non-Compliant**  
Institution A 90/10 ratio = 100%

Tuition & Fees	\$10K
Federal Aid	\$10K
Other Non-Federal Payment Sources	\$0

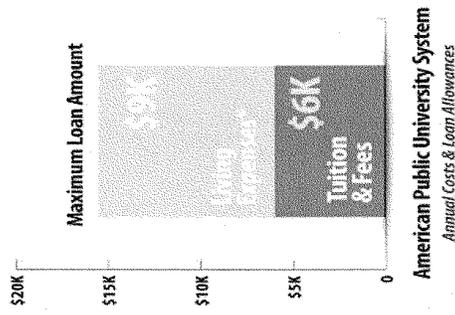
⊕ **11.1%**  
Minimum tuition increase to comply with 90/10

⊙ **Compliant**  
Institution B 90/10 ratio = 50%

Tuition & Fees	\$20K
Federal Aid	\$10K
Other Non-Federal Payment Sources	\$10K

American Public University System  
American Military University | American Public University

## OVERBORROWING AT LOW COST INSTITUTIONS



American Public University System  
Annual Costs & Loan Allowances

\* Figures are determined by a national average obtained from the Bureau of Labor and Statistics

