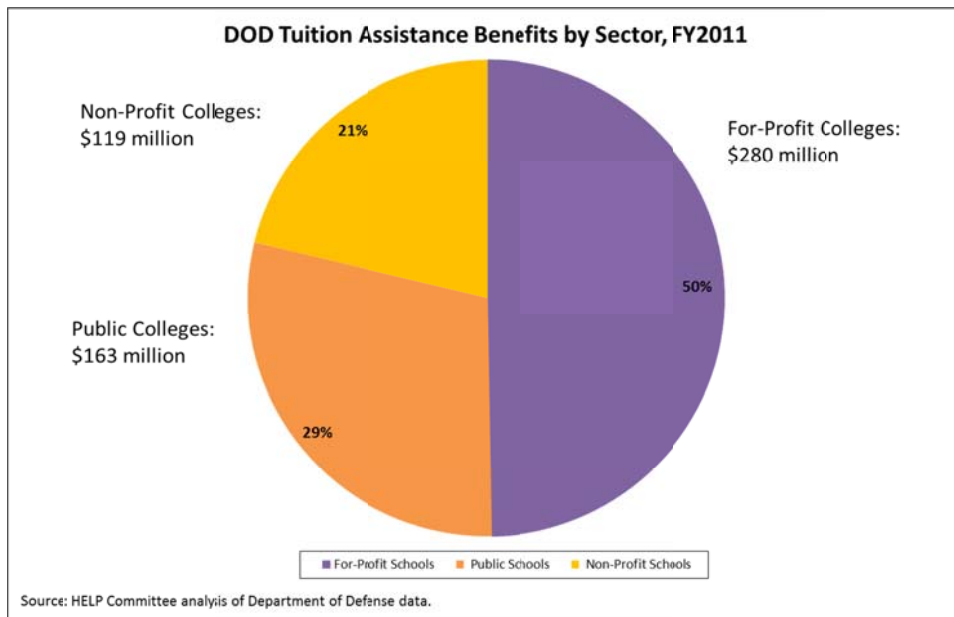


## DEPARTMENT OF DEFENSE DATA REVEALS FOR-PROFIT COLLEGES ARE TAKING IN THE BULK OF MILITARY EDUCATION BENEFITS

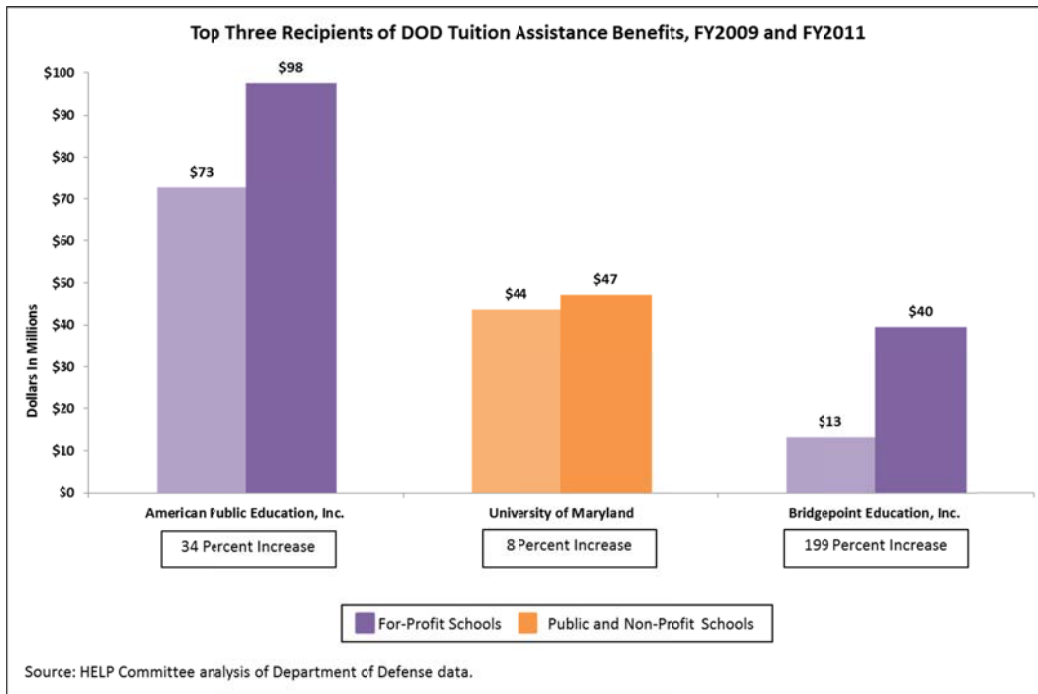
New information provided by the Department of Defense (DOD) and analyzed by the majority staff of the U.S. Senate Committee on Health, Education, Labor and Pensions (HELP) shows that **for-profit colleges are receiving one of every two military Tuition Assistance (TA) dollars – \$280 million of the total \$563 million spent on the program.** In addition, more than 60 percent of education benefits available to military spouses through the Military Spouse Career Advancement Accounts (MyCAA) program - \$40 million of the \$65 million total - are going to for-profit colleges. The fact that a larger share of the benefit pool available to active-duty servicemembers and their families is flowing to for-profit colleges than any other federal education program raises concerns about current oversight practices at the Department of Defense and the strength of protections in place for servicemembers and their families.



The long-standing TA program gives servicemen and women and members of the Selected Reserve the chance to begin taking postsecondary education classes while on active duty. The TA program provides a benefit of \$250 per academic credit, capped at \$4,500 per year, to increase servicemembers' opportunities for promotion and help advance their personal, professional and intellectual development. The newly released DOD data shows that six of the top ten recipients of Tuition Assistance are for-profit schools: American Public

Education, Inc., Bridgepoint Education, Inc., TUI Learning, LLC, Apollo Group, Inc., Columbia Southern University and Grantham University. Those six companies, alone, collect 41 percent of all TA dollars.

Both the dollar amount and the total share of benefits flowing to for-profit colleges are increasing quickly. **For example, among the top three TA recipients, American Public Education, Inc. increased the amount of TA dollars the company received by \$25 million (34 percent) in just two years while Bridgepoint Education, Inc. increased TA revenues by \$27 million, from just \$13 million to \$40 million (199 percent) in the same 2 year period.** The University of Maryland (including online provider University of Maryland University College) increased its TA funding by just \$3 million in the same period.



According to recent reports by the Government Accountability Office and National Bureau of Economic Research and Harvard University researchers, students at for-profit colleges have lower success rates than similar students in public and nonprofit colleges, including graduation rates, employment outcomes, student satisfaction with academic offerings, debt levels and loan default rates. Analysis by the HELP Committee also showed that the schools receiving the

largest sums of money have huge amounts of students dropping out of school.

Institution	Bachelor's Students Withdrawn	Associate Students Withdrawn
American Public Education, Inc.	35.1%	46.4%
Bridgepoint Education, Inc.	63.4%	84.4%
TUI Learning Center, LLC	51.3%	N/A
Apollo (University of Phoenix)	50.3%	66.4%

Given the significant problems uncovered in the for-profit college sector, including misrepresentation of programs and tuition costs, aggressive recruitment strategies that urge admissions officers to prey on potential students' "pain" and "fear," high drop-out rates and high debt burdens for students while companies' profits soar, today's news that the DOD is paying more to for-profit colleges than public and non-profit institutions is highly troubling.

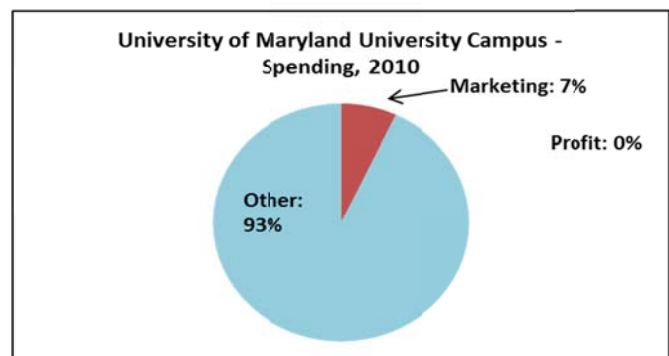
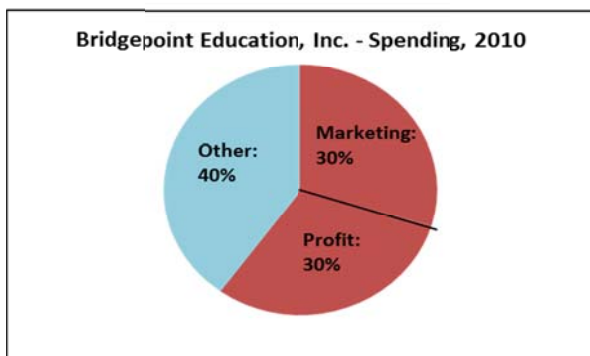
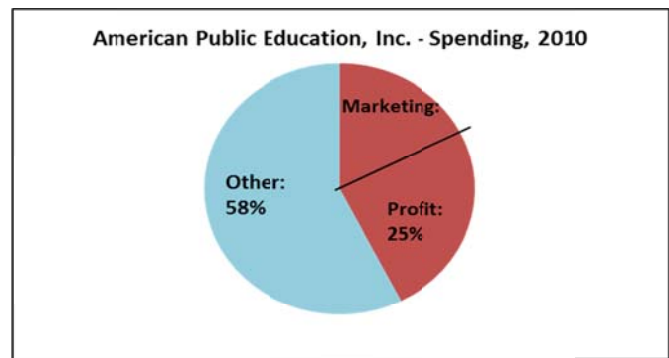
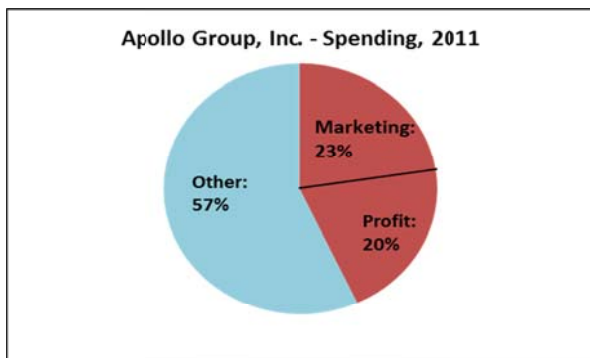
### Perverse Incentives to Target Military Students

**For-profit colleges that receive the bulk of their revenue from federal financial aid have a perverse incentive to target and enroll servicemembers, veterans and spouses for their benefits.** Although they are federal educational benefits, military Tuition Assistance, MyCAA, and G.I. Bill funds do not technically count as such under the U.S. Department of Education's 90-10 rule, a requirement that no more than 90 percent of a for-profit colleges' revenues can come from federal financial aid. The 90-10 rule is based on a long-standing G.I. Bill requirement that schools receiving veterans' benefits enroll at least 15 percent of students who are not veterans. That rule, known as 85-15, was a response to disreputable schools looking to cash in on World War II veterans' G.I. Bill benefits. In its current incarnation the rule should protect students and taxpayers from wasting benefits on low quality schools, but the TA and G.I. Bill loophole has had the opposite effect, launching unscrupulous and aggressive recruitment campaigns that go after servicemembers, veterans and their spouses.

For example, a document provided to the HELP Committee by a for-profit college includes the following instructions, “Probably one of the most important potential short and long-term targets for Education Management Corporation (EDMC) are the 800,000-plus military spouses who have been authorized, for the first time in history, for a one time entitlement of up to \$6,000 that can be used for training...”

The new DOD data confirms the result: the share of TA program dollars going to for-profit companies has increased from 42 percent to 50 percent in just two years during which the companies have also secured nearly 38 percent of all G.I. Bill funds. If these funds were to be counted as federal student aid dollars, some of the largest for-profit colleges including Kaplan, EDMC and Westwood would already be receiving more than 90 percent of funds from federal taxpayers.<sup>1</sup>

Ironically, these federal military benefits help the companies ensure they don’t exceed the limit on federal revenues, but it is unclear whether the revenues translate into meaningful educational investments for military students. Some schools in the for-profit sector spend far less revenue on educational services than their non-profit counterparts, diverting it instead to marketing and profit.



In 2010, the largest recipient of TA dollars, American Public Education, Inc., spent 17 percent of its revenue on marketing and admissions and 20 percent on profit. **Bridgepoint Education, Inc., the third largest recipient, devoted 60 percent of its revenue to marketing and profit combined. Per student, it spent \$2,714 on recruitment, \$1,522 on profit, and just \$700 on education.**<sup>2</sup> Last year the sixth largest recipient, Apollo Group, spent 23 percent on marketing and 20 percent on profit. **In comparison the public University of Maryland system, second largest recipient of TA and sixth largest recipient of MyCAA, spent just 1.5 percent of their overall revenue (\$33.4 million) toward marketing and admissions.**

UMUC, the online component of the University of Maryland system which advertises widely, put 6.5 percent of overall revenue (18.4 million) toward marketing and advertising. With balance sheets showing such little focus on education, it may be no surprise that some of these for-profit colleges have poor student outcomes and run

<sup>1</sup> Because this figure includes other federal funds allowed to be temporarily excluded from the 90/10 calculation, these colleges are not currently in violation of the restriction.

<sup>2</sup> [HELP Committee analysis of Bridgepoint Education, Inc. expenditures](#)

into compliance violations. The Senate HELP Committee’s investigations uncovered that American Public Education, Inc., Apollo Group Inc., and Bridgepoint Education Inc. all had high drop-out rates among their associate’s degree students – 46.4 percent, 66.4 percent and 84.4 percent, respectively. The fourth largest recipient of TA dollars, TUI Learning, LLC, (recently renamed Trident University International) had a previous U.S. Department of Education citation for mismanagement of federal financial aid.<sup>3</sup> TUI is also currently in danger of losing its regional accreditation with the Western Association of Schools and Colleges for failing to properly track the credits their transfer students brought to the school from other institutions.<sup>4</sup> Apollo Group, Inc., the sixth largest TA recipient, spent \$78.5 million in 2009 to settle a whistleblower lawsuit accusing its University of Phoenix of defrauding the government of billions in federal financial aid by violating the U.S. Department of Education’s incentive compensation ban.<sup>5</sup>

### Ashford University: Military Friendly?

Student complaints by military servicemembers, spouses and dependents attending Bridgepoint Education Inc.-owned Ashford University, the third largest recipient of TA dollars, illustrate some of the problems servicemembers and families experience with top-TA receiving schools. Many of the students who submitted these complaints admitted they chose Ashford for its “military friendly” reputation but were disappointed by the school’s lack of attention and response to their concerns. **The complaints detail misrepresentations regarding the cost of attending:**

*“I would not have attended Ashford without my TA covering all my tuition. There are many Masters programs put there that take care of active duty servicemembers with 100% of tuition;”*

**Misrepresentations about TA processing:** *“His response was ‘Trust me I deal with this all the time. The military will back pay you.’ This is not the case;”*

**And delays and refusal in processing refunds:** *“I was told they didn’t know I was a military student and to fax in proof...when I did I was told I would not receive a refund for the previous courses. After contacting numerous people I was finally told ...I could get the refund. That was in January 2009 [11 months previous] and I have yet to see a refund despite dozens of phone calls and follow-ups.”*

**The MyCAA program is no different:** *“We could easily have resolved this if the school would have notified us before the end of the class. My CAA could have covered the whole class if notified by the last day. We believe Ashford should cover this bill instead of trying to have us pay half and be harassed by some debt recovery specialist who keeps using the school President’s name.”*

Finally, one servicemember used her GI Bill benefit in addition to TA – a program known as “Top Up” that provides TA recipients the ability to pay for class expenses by drawing down their G.I. Bill funds. Experiencing difficulty in getting her Ashford courses properly documented by the Veterans Administration (VA), the servicemember remarked in her formal complaint *“I find it amazing that Ashford University has no problem asking for money for any courses, but has a problem reporting my courses correctly to the VA Department.”* Unfortunately, neither the Department of Defense nor the Veterans Administration collect data on how many servicemembers are tapping into their G.I. Bill benefits early. More information on the “Top Up” program is needed to ensure that servicemembers are not being pressured to use their G.I. Bill benefits needlessly.

### MyCAA: A Safe Haven for Unregulated Schools?

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<sup>3</sup> In 2009 it was audited by the U.S. Department of Education for awarding nearly \$1 million in federal financial aid to ineligible students. The audit showed that much of the aid was provided for students who had already withdrawn from the school.

<http://www2.ed.gov/about/offices/list/oig/auditreports/fy2009/a09i0009.doc>

<sup>4</sup> [Inside Higher Ed, “Accreditation at Risk, 7/15/2011](#)

<sup>5</sup> [Bloomberg News, “Apollo Settles University of Phoenix Recruiting Suit, 12/14/2009](#)

The new DOD data also finds that for-profit colleges are receiving the bulk of all Military Spouse Career Advancement Accounts (“MyCAA”) program funds. The MyCAA program, which offers spouses of certain servicemembers an opportunity to take classes toward earning associates degrees, certificates and licensures, provides a benefit of \$2,000 per year with an overall cap of \$4,000 over three years. For FY 2011, for-profit schools received 61 percent of all MyCAA dollars. **More troubling, at least 19 percent of the program’s total funds (\$12 million) went to just four for-profit schools that do not participate in the U.S. Department of Education’s Title IV federal financial aid programs.** Because these schools operate outside of the regulatory regime set up to ensure minimal levels of program integrity, students at these schools are more likely to be subject to abuse. For example, schools that do not participate in Title IV are not required to comply with prohibitions on paying recruiters per student enrolled or to refrain from misrepresenting their programs to students. And if a military spouse attending one of these institutions needed to pay for additional courses to complete a degree, he or she cannot access federal student loans and is forced to turn to private student loans which have far less favorable terms. Consider the case of Animal Behavior College, an online dog training school that operates in all fifty states and received \$2.7 million in MyCAA benefits last year and heavily markets that “Full Scholarships [Are] Available to Qualified Military Spouses.”<sup>6</sup> Career Step, LLC has no accreditation whatsoever, a key requirement for eligibility to receive TA and Title IV federal financial aid.<sup>7</sup> With no measures in place to ensure proper use of taxpayer dollars, real questions arise about the quality of the education students at these schools are receiving and scarce taxpayer dollars are funding.

### Stronger Oversight and Enforcement is Needed

Acknowledging concerns about the need for greater oversight of the military’s Tuition Assistance program, the Department of Defense undertook a process to require all schools wanting to participate in the TA program to sign a Memorandum of Understanding (MOU) with the DOD. The purpose of the MOU should be to provide consumer protections to servicemembers by ensuring that schools are familiar with DOD policies before enrolling military students and that schools meet a minimal level of quality and provide some support services for servicemembers.

Scheduled to go into effect on January 1, 2012, the requirement was delayed amidst bipartisan concerns raised by 52 Senators that the poorly-drafted MOUs both did not go far enough to protect servicemembers while also dissuading many high quality public and non-profit colleges and universities from participating in the program.<sup>8</sup>

As the Department of Defense is working to revise the MOU language, this data is further evidence of the urgent need for these MOUs to be rethought and strengthened. It is deeply troubling that no federal agency knows how many servicemembers are using GI benefits to supplement funds provided by the TA program, that no transparent complaint process exists for servicemembers using these benefits, that neither DOD nor the servicemembers have any way of determining how servicemembers are doing at the schools, and that at least 19 percent of MyCAA funding is going to schools that are not subject to many of the protections and program integrity requirements required by the U.S. Department of Education. Moreover, the disproportionate amount of DOD education program revenue going to for-profit schools confirms that servicemembers and families are being targeted by the large for-profit sales force, which sometimes employs misleading and deceptive tactics. This analysis underscores the need to revisit the 90-10 rule and count all federal dollars, including TA, MyCAA and G.I. Bill benefits, toward the existing limit on federal dollars for-profit colleges may receive. Doing so would eliminate the perverse incentive schools now have to aggressively target servicemembers, their spouses and veterans. In addition, DOD should take steps to raise the bar for quality and strengthen protections, such as by setting specific student outcome thresholds that schools must meet or maintain to receive TA dollars,

<sup>6</sup> [Animal Behavior College Tuition Page](#); [Animal Behavior College commercial](#).

<sup>7</sup> [Career Step website: “Career Step is registered under the Utah Post-Secondary Proprietary School Act and is currently pursuing national accreditation”](#)

<sup>8</sup> [December 8, 2011 Bipartisan Letter](#) to Secretary of Defense Leon Panetta

revising and enforcing commercial solicitation policies to protect servicemembers and their families on and off the base from predatory sales practices and inducements, increasing coordination with federal and state agencies on data sharing and oversight, improving educational counseling, and providing user-friendly and important consumer information to prospective students through disclosures on school characteristics and performance. Overall, more must be done by DOD to ensure that students' time and benefits and taxpayer dollars are not wasted on schools with dubious practices and poor outcomes.