



July 18, 2022

Michael Geoghegan  
Interim President and CFO  
Eastern Gateway Community College  
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Sent electronically:  
[mgeoghegan@egcc.edu](mailto:mgeoghegan@egcc.edu)

Sent via Document Center at:  
[cod.ed.gov](http://cod.ed.gov)

Re: Free College Benefit Program  
OPE ID: 00727500

Dear President Geoghegan:

On February 7, 2022, the U.S. Department of Education (Department) began an off-site program review at Eastern Gateway Community College (EGCC). During the course of the review, the Department obtained information regarding the Free College Benefit program that was being administered under contractual arrangements with various outside entities. Although the program review is still ongoing, this letter is to inform you that this program, as currently implemented, violates the Title IV prohibition against assessing charges to Title IV recipients that are higher than those charges assessed to non-Title IV recipients. Consequently, Eastern Gateway must cease providing the Free College Benefit program as currently implemented.

All students enrolled at EGCC under the Free College Benefit Program are charged for tuition, fees, and books. Students who receive Federal Pell Grant (Pell) funds have their Pell disbursements credited to their accounts to reduce total charges. The remainder of the charges are then reduced to zero by applying some form of “scholarship” to the remaining balance. If a student also received a state grant, the “scholarship” was applied after both Pell and the state grant funds. Students who do not receive Pell/state grant funds, have their entire tuition, fee and book charges reduced to zero. The notations on student ledger cards make it appear that there is truly a “scholarship” being funded by one of many outside entities. The Department has determined that outside entities provide virtually no funds. EGCC is merely waiving/writing off all non-Pell/state grant charges on student accounts, and falsely making it appear that the students are being funded by outside entities. Essentially, under this program, students who receive Pell funding are being charged for the program, but students not receiving Pell are not. This is in direct violation of the Higher Education Act of 1965, as amended, 20 U.S.C. 1070 et seq. (Title IV).

The Title IV statute makes clear that when establishing the tuition and fee component for Title IV recipients, an institution must use an amount that is “normally assessed a student carrying the same academic workload.” 20 U.S.C. §§ 108711 (cost of attendance). In implementing this statutory provision, the Department has consistently stated that a recipient of Title IV assistance cannot be assessed charges that are higher than what is charged to a student not receiving Title IV aid. See 2021-2022 Student Financial Aid Handbook, Vol. 3 at 56. As set forth above, Title

IV recipients enrolled under the Free College Benefit Program are charged more than non-Title IV recipients enrolled under the same program. Consequently, this model violates the Title IV statute, and therefore, it cannot be used by EGCC as currently implemented.

In response to the questions raised during the review, EGCC submitted a memo drafted by its attorneys that attempts to support the institution's position that the Free College Benefit Program does not violate the Title IV statute. The memo provides four examples of what counsel calls last-dollar scholarship programs other colleges and universities use that EGCC believes are similar to its Free College Benefit Program. In your interview on April 19, 2022, you mentioned two additional programs, the "Tennessee Promise Program" and "California College Promise Grant" that EGCC also claims are the same. The Department has reviewed the details of all of the programs and concluded that not one of the programs results in Pell-eligible students being charged more than non-Pell students. All programs cited by EGCC are funded by an actual income source, whether it be from the institution's Foundation or the State, and those funds are used for qualifying students. In none of the programs are charges for non-Title IV students written off entirely, resulting in Title IV students being charged and non-Title IV students not, a result that is prohibited under the Title IV Statute.

It should be noted that under the Free College Benefit program, students with lower levels of need have a higher "write-off" and ultimately fewer charges than the needier Pell students. The ultimate result of the implementation of the Free College Benefit Program is that the Pell Grant Program and the State Grants are funding the educational costs of students whose incomes make them ineligible for either. Further, the implementation of the Free College Benefit put EGCC in a very precarious financial position because the funds needed to actually educate students are severely limited forcing EGCC to drastically cut its academic and operating expenses. This calls into question EGCC's continued viability as an educational institution.

EGCC must not disburse Pell funds to any new students enrolling in the Free College Benefit Program until it is redesigned to charge full tuition and fees to all non-Pell eligible students. To accomplish this, EGCC must cease waiving the tuition and fees for non-Pell students. The Department will provide directives regarding currently enrolled students shortly. To assist the Department with this issue, please complete the attached spreadsheet and submit it within the next 14 days. EGCC should submit the spreadsheet to Leslie Orofino at [Leslie.Orofino@ed.gov](mailto:Leslie.Orofino@ed.gov).

If you have any questions concerning this letter, you may contact Leslie at (312) 730-1733 or at the email provided.

Sincerely,

Jeremy Early, Ed.D.  
Division Chief  
Chicago/Denver School Participation Division

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