

**THE GAINFUL EMPLOYMENT REGULATION:
LIMITING JOB GROWTH AND STUDENT CHOICE**

JOINT HEARING

BEFORE THE

SUBCOMMITTEE ON REGULATORY AFFAIRS,
STIMULUS OVERSIGHT AND GOVERNMENT
SPENDING

OF THE

COMMITTEE ON OVERSIGHT
AND GOVERNMENT REFORM

AND THE

SUBCOMMITTEE ON HIGHER EDUCATION
AND WORKFORCE TRAINING

OF THE

COMMITTEE ON EDUCATION
AND THE WORKFORCE

HOUSE OF REPRESENTATIVES
ONE HUNDRED TWELFTH CONGRESS

FIRST SESSION

JULY 8, 2011

Serial No. 112-77

Committee on Oversight and Government Reform

Serial No. 112-32

Committee on Education and the Workforce

Printed for the use of the Committees on Oversight and Government Reform
and Education and the Workforce



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

U.S. GOVERNMENT PRINTING OFFICE

71-822 PDF

WASHINGTON : 2012

For sale by the Superintendent of Documents, U.S. Government Printing Office
Internet: bookstore.gpo.gov Phone: toll free (866) 512-1800; DC area (202) 512-1800
Fax: (202) 512-2104 Mail: Stop IDCC, Washington, DC 20402-0001

COMMITTEE ON OVERSIGHT AND GOVERNMENT REFORM

DARRELL E. ISSA, California, *Chairman*

DAN BURTON, Indiana	ELLJAH E. CUMMINGS, Maryland, <i>Ranking Minority Member</i>
JOHN L. MICA, Florida	EDOLPHUS TOWNS, New York
TODD RUSSELL PLATTS, Pennsylvania	CAROLYN B. MALONEY, New York
MICHAEL R. TURNER, Ohio	ELEANOR HOLMES NORTON, District of Columbia
PATRICK T. McHENRY, North Carolina	DENNIS J. KUCINICH, Ohio
JIM JORDAN, Ohio	JOHN F. TIERNEY, Massachusetts
JASON CHAFFETZ, Utah	WM. LACY CLAY, Missouri
CONNIE MACK, Florida	STEPHEN F. LYNCH, Massachusetts
TIM WALBERG, Michigan	JIM COOPER, Tennessee
JAMES LANKFORD, Oklahoma	GERALD E. CONNOLLY, Virginia
JUSTIN AMASH, Michigan	MIKE QUIGLEY, Illinois
ANN MARIE BUERKLE, New York	DANNY K. DAVIS, Illinois
PAUL A. GOSAR, Arizona	BRUCE L. BRALEY, Iowa
RAÚL R. LABRADOR, Idaho	PETER WELCH, Vermont
PATRICK MEEHAN, Pennsylvania	JOHN A. YARMUTH, Kentucky
SCOTT DESJARLAIS, Tennessee	CHRISTOPHER S. MURPHY, Connecticut
JOE WALSH, Illinois	JACKIE SPEIER, California
TREY GOWDY, South Carolina	
DENNIS A. ROSS, Florida	
FRANK C. GUINTA, New Hampshire	
BLAKE FARENTHOLD, Texas	
MIKE KELLY, Pennsylvania	

LAWRENCE J. BRADY, *Staff Director*

JOHN D. CUADERES, *Deputy Staff Director*

ROBERT BORDEN, *General Counsel*

LINDA A. GOOD, *Chief Clerk*

DAVID RAPALLO, *Minority Staff Director*

SUBCOMMITTEE ON NATIONAL SECURITY, HOMELAND DEFENSE AND FOREIGN
OPERATIONS

JASON CHAFFETZ, Utah, *Chairman*

RAÚL R. LABRADOR, Idaho, <i>Vice Chairman</i>	JOHN F. TIERNEY, Massachusetts, <i>Ranking Minority Member</i>
DAN BURTON, Indiana	BRUCE L. BRALEY, Iowa
JOHN L. MICA, Florida	PETER WELCH, Vermont
TODD RUSSELL PLATTS, Pennsylvania	JOHN A. YARMUTH, Kentucky
MICHAEL R. TURNER, Ohio	STEPHEN F. LYNCH, Massachusetts
PAUL A. GOSAR, Arizona	MIKE QUIGLEY, Illinois
BLAKE FARENTHOLD, Texas	

COMMITTEE ON EDUCATION AND THE WORKFORCE

JOHN KLINE, Minnesota, *Chairman*

Thomas E. Petri, Wisconsin	George Miller, California, <i>Senior Democratic Member</i>
Howard P. "Buck" McKeon, California	Dale E. Kildee, Michigan
Judy Biggert, Illinois	Donald M. Payne, New Jersey
Todd Russell Platts, Pennsylvania	Robert E. Andrews, New Jersey
Joe Wilson, South Carolina	Robert C. "Bobby" Scott, Virginia
Virginia Foxx, North Carolina	Lynn C. Woolsey, California
Bob Goodlatte, Virginia	Rubén Hinojosa, Texas
Duncan Hunter, California	Carolyn McCarthy, New York
David P. Roe, Tennessee	John F. Tierney, Massachusetts
Glenn Thompson, Pennsylvania	Dennis J. Kucinich, Ohio
Tim Walberg, Michigan	David Wu, Oregon
Scott DesJarlais, Tennessee	Rush D. Holt, New Jersey
Richard L. Hanna, New York	Susan A. Davis, California
Todd Rokita, Indiana	Raúl M. Grijalva, Arizona
Larry Bucshon, Indiana	Timothy H. Bishop, New York
Trey Gowdy, South Carolina	David Loebsack, Iowa
Lou Barletta, Pennsylvania	Mazie K. Hirono, Hawaii
Kristi L. Noem, South Dakota	
Martha Roby, Alabama	
Joseph J. Heck, Nevada	
Dennis A. Ross, Florida	
Mike Kelly, Pennsylvania	

Barrett Karr, *Staff Director*

Jody Calemine, *Minority Staff Director*

SUBCOMMITTEE ON HIGHER EDUCATION AND WORKFORCE TRAINING

VIRGINIA FOXX, North Carolina, *Chairwoman*

John Kline, Minnesota	Rubén Hinojosa, Texas <i>Ranking Minority Member</i>
Thomas E. Petri, Wisconsin	John F. Tierney, Massachusetts
Howard P. "Buck" McKeon, California	David Wu, Oregon
Judy Biggert, Illinois	Timothy H. Bishop, New York
Todd Russell Platts, Pennsylvania	Robert E. Andrews, New Jersey
David P. Roe, Tennessee	Susan A. Davis, California
Glenn Thompson, Pennsylvania	Raúl M. Grijalva, Arizona
Richard L. Hanna, New York	David Loebsack, Iowa
Larry Bucshon, Indiana	George Miller, California
Lou Barletta, Pennsylvania	
Joseph J. Heck, Nevada	

CONTENTS

	Page
Hearing held on July 8, 2011	1
Statement of:	
Cortes, Dario A., president, Berkeley College; Karla Carpenter, graduate of Herzing University; Anthony Carnevale, director, Center on Education and Workforce, Georgetown University; and Harry C. Alford, president and CEO, National Black Chamber of Commerce	26
Alford, Harry C.	49
Carnevale, Anthony	41
Carpenter, Karla	34
Cortes, Dario A.	26
Letters, statements, etc., submitted for the record by:	
Alford, Harry C., president and CEO, National Black Chamber of Commerce, prepared statement of	51
Carnevale, Anthony, director, Center on Education and Workforce, Georgetown University, prepared statement of	43
Carpenter, Karla, graduate of Herzing University, prepared statement of	36
Cortes, Dario A., president, Berkeley College, prepared statement of	29
Cummins, Hon. Elijah E., a Representative in Congress from the State of Maryland:	
Letter dated February 3, 2011	7
Prepared statement of	17
Prepared statement of Ms. Issa	13
Foxx, Hon. Virginia, a Representative in Congress from the State of North Carolina, prepared statement of	4
Hastings, Hon. Alcee L., a Representative in Congress from the State of Florida, prepared statement of	76
Hinojosa, Hon. Rubèn, a Representative in Congress from the State of Texas, prepared statement of	24
Waters, Hon. Maxine, a Representative in Congress from the State of California, list of program integrity negotiators	82

THE GAINFUL EMPLOYMENT REGULATION: LIMITING JOB GROWTH AND STUDENT CHOICE

FRIDAY, JULY 8, 2011

HOUSE OF REPRESENTATIVES, SUBCOMMITTEE ON REGULATORY AFFAIRS, STIMULUS OVERSIGHT AND GOVERNMENT SPENDING, COMMITTEE ON OVERSIGHT AND GOVERNMENT REFORM, JOINT WITH THE SUBCOMMITTEE ON HIGHER EDUCATION AND WORKFORCE TRAINING, COMMITTEE ON EDUCATION AND THE WORKFORCE,

Washington, DC.

The subcommittees met, pursuant to notice, at 10 a.m., in room 2154, Rayburn House Office Building, Hon. Jim Jordan (chairman of the Subcommittee on Regulatory Affairs, Stimulus Oversight and Government Spending) presiding.

Present from Subcommittee on Regulatory Affairs, Stimulus Oversight and Government Spending: Representatives Jordan, Buerkle, Labrador, Kucinich, Speier, and Braley.

Present from Subcommittee on Higher Education and Workforce Training: Representatives Foxx, Petri, Biggert, Platts, Roe, Hanna, Ross, Hinojosa, Tierney, Wu, Bishop, Andrews, Davis of California, and Miller.

Also present from Subcommittee on Regulatory Affairs, Stimulus Oversight and Government Spending: Representatives Meehan, Davis of Illinois, Towns, Hastings, and Waters.

Also present from Subcommittee on Higher Education and Workforce Training: Representative McCarthy.

Staff present from Subcommittee on Regulatory Affairs, Stimulus Oversight and Government Spending: Ali Ahmad, deputy press secretary; Robert Borden, general counsel; Lawrence J. Brady, staff director; Sharon Casey, senior assistant clerk; John Cuaderes, deputy staff director; Gwen D'Luzansky, assistant clerk; Adam P. Fromm, director of Member liaison and floor operations; Linda Good, chief clerk; Christopher Hixon, deputy chief counsel, oversight; Justin LoFranco, press assistant; Mark D. Marin, senior professional staff member; Kristina M. Moore, senior counsel; Laura L. Rush, deputy chief clerk; Matthew Tallmer, staff investigator; Sharon Meredith Utz, research analyst; Becca Watkins, deputy press secretary; Peter Warren, policy director; Ronald Allen and Kevin Corbin, minority staff assistants; Jaron Bourke, minority director of administration; Ashley Etienne, minority director of communications; Jennifer Hoffman, minority press secretary; Carla Hultberg, minority chief clerk; Leah Perry, minority chief investigative counsel; Dave

Rapallo, minority staff director; and Cecelia Thomas, minority counsel/deputy clerk.

Staff present from Subcommittee on Higher Education and Workforce Training: Jennifer Allen, press secretary; Katherine Bathgate, press assistant/new media coordinator; Casey Buboltz, coalitions and Member services coordinator; Heather Couri, deputy of education and human services policy; Lindsay Fryer, professional staff member; Amy Raaf Jones, education policy counsel and senior advisor; Brian Melnyk, legislative assistant; Krisann Pearce, general counsel; Linda Stevens, chief clerk/assistant to the general counsel; Alissa Strawcutter, deputy clerk; Aaron Albright, minority communications director for labor; Ahlgren Kate, minority investigative counsel; Tylease Alli, minority clerk; Daniel Brown, minority junior legislative assistant; Jody Calemine, minority staff director; Megan O'Reilly, minority general counsel; Julie Peller, minority deputy staff director; and Melissa Salmanowitz, minority communications director for education.

Mr. JORDAN. The joint hearing will come to order, and I want to thank our witnesses and guests today. Unfortunately, I have to leave and get to a meeting in the Whip's office, but we are going to be in the able hands of the gentlelady from North Carolina, Ms. Foxx. So she will take over, but I guess I officially had to hit the gavel. So again I apologize, but we are looking for to a great hearing, and I will turn things over to Ms. Foxx.

Ms. FOXX [presiding]. Thank you, Chairman Jordan. There are a lot of things going on around here today and people are going to be moving in and out, as I am sure most of you know.

The committee will come to order. I want to welcome everyone here today. I appreciate the opportunity to hold a joint hearing with the Oversight and Government Reform Subcommittee on Regulatory Affairs, Stimulus Oversight and Government Spending. And I would like to thank all of our witnesses and guests for joining us today.

Supporting freedom of choice in higher education should be a priority for all Members of Congress. Postsecondary education opens doors for greater job opportunities and the chance for a more stable career path, both of which are critical for Americans struggling to make ends meet and support their families in this tough economy. Unfortunately, the administration's efforts to impose the widely criticized gainful employment regulation on proprietary colleges could severely limit education and job training opportunities for millions of students and inhibit local economic development in communities across the country.

Proprietary colleges are unique institutions with the flexibility to offer courses in formats that meet the demands of the student population and in subjects based on the needs of the local community. The majority of students attending a proprietary institution are what we commonly refer to as "nontraditional students," meaning they are not attending college right after graduating from high school. In fact, 48 percent of students enrolled in a 2-year proprietary program and 72 percent of 4-year program students are 25 years of age or older. Many of these students have families, full-time jobs, or seek job training for career opportunities in a new field. The option to take courses in the evenings, on the weekends,

at an accelerated pace, or even online, can be a valuable alternative for students who may otherwise be unable to pursue post-secondary education.

Proprietary colleges serve several fast-growing industry sectors, including the computer data processing and health care fields. From 2008 to 2009, for example, 79 percent of the allied health and medical assisting work force and 11 percent of nurses were educated at proprietary colleges. Students who choose to attend proprietary institutions often benefit from the institution's close working relationship with local business owners and hiring managers, which helps the schools better develop programs that meet the needs of the local work force.

In a hearing held by the Education and the Workforce Committee earlier this year, a hiring supervisor with Orbital Sciences Corp. in Arizona praised a local proprietary institution's efforts to gain input from business leaders that would better prepare students to compete in the job market, "Private postsecondary educational institutions actively practice continuous improvement through the use of industry advisory committees," the witness said. "These advisory committees allow industry leaders the opportunity to provide constructive feedback and recommendations for curriculum enhancement based on graduate performance in the industry. This approach has an immediate benefit for employers, as new graduates enter the industry armed with the skills and knowledge to solve real issues in the workplace."

The reams of red tape in reporting requirements established by the Department of Education's gainful employment regulation could make it more difficult for proprietary schools to create the career training programs valued by local businesses. In turn, this could force businesses to outsource job opportunities to find skilled candidates or even relocate to another part of the country. The new unemployment numbers released by the Department of Labor this morning show private sector job growth remains sluggish. More than 14 million Americans are out of work and the unemployment rate continues to hover above 9 percent. Our economy added only 18,000 jobs in June. That is simply unacceptable.

It is absolutely critical that Congress do everything in its power to rein in harmful regulations that hamper economic growth and job creation, and we must start by putting an end to the misguided gainful employment regulation.

I hope today's hearing will shed additional light on the serious ramifications that this regulation could have on students, employers, job creation in the economy as a whole. I look forward to our witness testimony.

I would now like to recognize Mr. Cummings from Maryland for his opening statement.

[The prepared statement of Hon. Virginia Foxx follows:]



**AS PREPARED FOR DELIVERY
July 8, 2011**

**CONTACT: Press Office
(202) 226-9440**

**Opening Statement of Rep. Virginia Foxx (R-NC)
Chairwoman, Subcommittee on Higher Education and Workforce Training
Hearing on "The Gainful Employment Regulation: Limiting Job Growth and Student
Choice"**

Supporting freedom of choice in higher education should be a priority for all Members of Congress. Postsecondary education opens doors for greater job opportunities and the chance for a more stable career path, both of which are critical for Americans struggling to make ends meet and support their families in this tough economy. Unfortunately, the administration's efforts to impose the widely criticized gainful employment regulation on proprietary colleges could severely limit education and job training opportunities for millions of students and inhibit local economic development in communities across the country.

Proprietary colleges are unique institutions with the flexibility to offer courses in formats that meet the demands of the student population and in subjects based on the needs of the local community. The majority of students attending a proprietary institution are what we commonly refer to as "non-traditional students," meaning they are not attending college right after graduating from high school. In fact, forty-eight percent of students enrolled in a two-year proprietary program and 72 percent of four-year program students are 25 years of age or older.

Many of these students have families, full-time jobs, or seek job training for career opportunities in a new field. The option to take courses in the evenings, on the weekends, at an accelerated pace, or even online can be a valuable alternative for students who may otherwise be unable to pursue postsecondary education.

Proprietary colleges serve several fast-growing industry sectors, including the computer-data processing and health care fields. From 2008 to 2009, for example, 79 percent of the allied health and medical assisting workforce and 11 percent of nurses were educated at proprietary colleges.

Students who choose to attend proprietary institutions often benefit from the institution's close working relationship with local business owners and hiring managers, which helps the schools better develop programs that meet the needs of the local workforce.

In a hearing held by the Education and the Workforce Committee earlier this year, a hiring supervisor with Orbital Sciences Corporation in Arizona praised a local proprietary institution's efforts to gain input from business leaders that would better prepare students to compete in the job market.

(MORE)

"Private postsecondary educational institutions actively practice continuous improvement through the use of industry advisory committees," the witness said. "These advisory committees allow industry leaders the opportunity to provide constructive feedback and recommendations for curriculum enhancement based on graduate performance in the industry. This approach has an immediate benefit for employers as new graduates enter the industry armed with the skills and knowledge to solve real issues in the workplace."

The reams of red tape and reporting requirements established by the Department of Education's gainful employment regulation could make it more difficult for proprietary schools to create the career training programs valued by local businesses. In turn, this could force businesses to outsource job opportunities to find skilled candidates, or even relocate to another part of the country.

The new unemployment numbers released by the Department of Labor this morning show private sector job growth remains sluggish. More than 14 million Americans are out of work, and the unemployment rate continues to hover above 9 percent. Our economy added only 18,000 jobs in June. That is simply unacceptable. It is absolutely critical Congress do everything in its power to rein in harmful regulations that hamper economic growth and job creation – and we must start by putting an end to the misguided gainful employment regulation.

I hope today's hearing will shed additional light on the serious ramifications this regulation could have on students, employers, job creation, and the economy as a whole. I look forward to our witness testimony, and with that, I yield back the balance of my time.

#

U.S. House Committee on Education and the Workforce

Mr. CUMMINGS. Thank you very much, Madam Chairlady.

There is one principle we should all be able to agree on today: our Nation's young adults deserve the best education they can get and scarce taxpayer dollars should be used to maximize their opportunities to ensure that they receive quality instruction and to prepare them to become successful members of our Nation's work force.

This hearing should not be about protecting jobs at for-profit schools. It should be about creating millions of jobs for American students who are striving to better themselves and our society.

Unfortunately, the record of for-profit schools raises significant concerns. Generally, students at for-profit schools are less likely to graduate, less likely to find a job, more likely to have higher debts, and more likely to default on those debts than students at public and private nonprofit schools. In addition, low-income and minority students, who make up a substantial part of the student body at for-profit schools, are three times more likely to borrow Federal student loans, four times more likely to borrow private loans, and less than half as likely to graduate than the same groups of students at nonprofit schools. For this reason, nearly every major civil rights group in the country, including the NAACP, La Raza, LCCR, MALDEF, and others have expressed serious concerns about this problem.

Madam Chairlady, I ask unanimous consent to enter into the record a letter sent on February 3rd from 17 major civil rights and consumer protection groups relating to this issue and a statement from Wade Anderson of the LCCR. I ask unanimous consent to have those placed into the record.

Ms. Foxx. Without objection.

[The information referred to follows:]

The Leadership Conference
on Civil and Human Rights

1629 K Street, NW 202.466.3311 voice
10th Floor 202.466.3435 fax
Washington, DC www.civilrights.org
20006



February 3, 2011

The Honorable Arne Duncan
Secretary of Education
U.S. Department of Education
400 Maryland Avenue, SW
Washington, D.C. 20202

RE: Proposed "Gainful Employment" Rule, Docket ID ED-2010-OPE-0012

Dear Secretary Duncan:

On behalf of The Leadership Conference on Civil and Human Rights, a coalition charged by its diverse membership of more than 200 national organizations to promote and protect the rights of all persons in the United States, along with the undersigned organizations, we write to express our collective support for a strong "gainful employment" rule.

The Department's proposed regulation to define gainful employment under Title IV of the Higher Education Act of 1965 and to protect students from programs that do not deliver on their marketed promises of a better future falls within our mission and has generated significant support from our members. In fact, many of our members – including the American Association of University Women, the American Federation of Teachers, the Mexican American Legal Defense and Educational Fund, the National Council of La Raza, the National Education Association, and the United States Student Association – submitted comments in response to the Federal Register notice published on July 26, 2010. Accordingly, we urge the prompt adoption of a strong final gainful employment rule, one that will protect students and taxpayers no later than the 2012 academic year.

In order to be eligible to receive student financial aid grants and loans under Title IV, current federal law requires all post-secondary career education programs, including *all* public and nonprofit college programs of less than two years and nearly all for-profit college programs, to "prepare students for gainful employment in a recognized occupation." What constitutes "gainful employment," however, has yet to be defined. The proposed rule, if finalized, would fill this void and enable long overdue federal enforcement, protecting students and taxpayers alike from millions of dollars in wasted Pell Grants and defaulted student loans.

The need for the rule is particularly urgent for students enrolled in the for-profit school sector. *The American Prospect* recently noted that "[f]or-profit schools have little incentive [now] to care whether their students land well-paying jobs; if graduates can't pay back their loans, taxpayers will, because the federal government guarantees the loans." Students enrolled in for-profit schools represent just 10 percent of all postsecondary students in the United States but account for 44 percent of all student-loan defaults. The proposed rule would provide significant protection to students, by sparing them entry into a proven dead-end educational track, while also sparing taxpayers otherwise on the hook for their federal student loans.

Officers
Interim Chairperson
Justin L. Luchman
National Partnership for Women
& Families
Vice Chairperson
Karen K. Harstad
Asian American Justice Center
Secretary
Sary Banci
- AARP
Treasurer
Lora A. Saunders
American Federation of State
County & Municipal Employees

Executive Committee
Barbara Altmire
Lawyer's Committee For
Civil Rights Under Law
Atlanta Hall Baker
JEL, CIO
Marco Greenberger
National Women's Law Center
Linda D. Hallinan
American Association of
University Women
Mary Kay Henry
Service Employees
International Union
Andrew J. Imparato
American Association of People
with Disabilities
Benjamin Jealous
NAACP
Michael B. Keegan
People For The American Way
Phyllis Kohn
Japanese American Citizens
League
Marc H. Medal
National Urban League
Janet Murray
National Council of La Raza
Debra Neus
National Partnership for Women
and Families
Terry O'Neill
National Organization for Women
Jacqueline Johnson Pata
National Congress of
American Indians
John Payton
NAACP Legal Defense and
Educational Fund, Inc.
Dennis Van Roekel
National Education Association
Anthony Romo
American Civil Liberties Union
Thomas A. Saenz
Mexican American Legal Defense
& Educational Fund
David Saperstein
Religious Action Center for
Reform Judaism
Sharna L. Smith
National Fair Housing Alliance
Joe Solonkness
Human Rights Campaign
Randi Weingarten
American Federation of Teachers
Mary G. Wilson
League of Women Voters
Sara Najari-Wilson
American-Arab Anti-
Discrimination Committee

**Compliance/Enforcement
Committee Chairperson**
Karen K. Harstad
Asian American Justice Center
President & CEO
Yvonne J. Henderson
Executive Vice President & COO
Karen McGill Lawson



We support the approach in the proposed rule, which makes program eligibility under Title IV contingent on median student debt-to-income ratios and repayment rates. Such markers are sound proxies for meaningful preparation for employment and ensuring that students are not incurring unmanageable levels of student loan debt. Those programs that serve their students well will easily pass this review, narrowing the Department's focus to those that fall short on delivering the American Dream.

These proposed protections are particularly important for (1) **students of color**, who represent about half of the undergraduate students in for-profit programs; (2) **low-income students**, who make up 6 in 10 for-profit college students; (3) **women**, who comprise nearly two-thirds of for-profit college undergraduates; and (4) **armed-service members and veterans**, a growing target student body for many of for-profit colleges since the passage of the Post-9/11 G.I. Bill:

- **Minorities**: While most (66 percent) underrepresented minority students attend public colleges, they are disproportionately represented at for-profit colleges. African-American and Hispanic students make up 28 percent of all undergraduates, but they represent nearly half (46 percent) of undergraduates at for-profit colleges.
 - Source: National Postsecondary Student Aid Study 2008
- **Low-Income**: While most (70 percent) low-income students attend public colleges, they are disproportionately represented at for-profit colleges. Sixty-four percent of students attending for-profit colleges have incomes below the median for all students.
 - Source: National Postsecondary Student Aid Study 2008
- **Intersection of Minority and Low-Income Groupings**: At for-profit colleges, low-income and minority undergraduates are about three times more likely to borrow federal student loans, and four times more likely to borrow private student loans, as their counterparts at public or private nonprofit colleges. Eighty-eight percent of students with below-median incomes attending for-profit colleges borrowed federal student loans in 2007-08, compared to 33 percent of those attending public and private nonprofit colleges. Forty-one percent of students with below-median incomes attending for-profit colleges borrowed private (nonfederal) student loans in 2007-08, compared to 12 percent of those attending public and private nonprofit colleges. Eighty-six percent of African-American undergraduates attending for-profit colleges borrowed federal student loans in 2007-08, compared to 29 percent of those attending public and private nonprofit colleges.
 - Source: National Postsecondary Student Aid Study 2008
- **Women**: Women make up almost two-thirds (64 percent) of the undergraduates attending for-profit colleges. The gender imbalance is especially stark at private for-profit colleges of less than two years, where women comprise three out of four (75 percent) of undergraduates. To put this in context, women make up 55 percent of those attending public colleges of all levels and 58 percent of those attending private nonprofit colleges.
 - Source: 2008-09 data from the federal Integrated Postsecondary Education Data System
- **Armed-Service Members and Veterans**: The Senate Health, Education, Labor and Pensions Committee found that 20 for-profit colleges pulled in \$521 million in taxpayer-funded military and veterans tuition assistance in 2010, nearly eight times more than in 2006.

February 3, 2011
Page 3 of 4



- o Source: John Lauerma, *For-Profit Colleges Scam Military for \$521 Million, Report Says*, Bloomberg Newswire, Dec. 9. 2010.

To be clear, the civil and human rights community supports policies that maximize *meaningful* post-secondary educational and *equitable* employment opportunities. Unfortunately, too many for-profit college recruitment practices targeted at vulnerable students appear to sacrifice “quality” college opportunities in favor of “quantity” profits for the institutions. It is worth noting, however, that we do not believe all for-profit colleges are bad actors. The way to separate the wheat from the chaff is to finalize and enforce a vigorous gainful employment rule.

We understand the final comment period has closed. Given that opponents of the rule have asked the Department to retract, delay or weaken the regulation, however, we feel a strong need to communicate our members’ support for a strong regulation. In addition, on behalf of our members that *did* weigh in with the Department during the public comment process, we respectfully request a meeting with you to discuss the benefits of the proposed rule and to reply to claims by opponents.

Finally, as raised by some of our members during the comment period, many stakeholders believe the final rule should be stronger than the draft rule. For example, a number of organizations believe that students – and in particular the more vulnerable and underrepresented students who disproportionately attend for-profit colleges – deserve career education programs that are held to even *higher* standards than those that the Department has proposed. Given that student indebtedness and default rates are on the rise, we believe this is an important first step for the Department to take and one that should be taken immediately.

In closing, we agree with your recent observation that “some bad actors are saddling students with debt they cannot afford in exchange for degrees and certificates they cannot use.” To that end, we applaud the Department for proposing these regulations, which will provide much-needed oversight for career education programs that leave students with little other than burdensome debt and dashed dreams. We encourage the Department to act quickly and decisively and issue a final regulation.

We look forward to hearing back from your office regarding a meeting with members of The Leadership Conference. In order to schedule the meeting, or to discuss any of the points raised in this letter, please contact Dianne Piché, Leadership Conference Senior Counsel, at 202-466-3311.

Thank you for your consideration.

Sincerely,

Wade Henderson
President & CEO

Nancy Zirin
Executive Vice President

February 3, 2011
Page 4 of 4



American Association of University Women
American Federation of Teachers
AFL-CIO
Center for Media and Democracy
Consumers Union
Gay Lesbian and Straight Education Network
Hip Hop Caucus
Mexican American Legal Defense and Educational Fund
National Association for the Advancement of Colored People
National Council of La Raza
National Education Association
National Partnership for Women and Families
National Women's Law Center
Southeast Asia Resource Action Center
Southern Poverty Law Center
United States Student Association

Cc: Sen. Tom Harkin
Sen. Michael Enzi
Rep. John Kline
Rep. George Miller
Melody Barnes, Director of the Domestic Policy Council
Gene B. Sperling, Director of the National Economic Council

Mr. CUMMINGS. Thank you, Madam Chair.

I want to make clear that I fully support the educational mission of for-profit schools. I have attended numerous graduation ceremonies, actually spoke at three graduation ceremonies in Baltimore recently. I have met personally with their CEOs and presidents, and I have seen the gleaming faces of graduates holding diplomas in their hands.

My concerns relate to whether U.S. taxpayers are fueling an incentive structure that encourages for-profit schools to use Federal student loans to pay their CEOs exorbitant salaries, to pay their shareholders lucrative dividends, and to plow millions of dollars into recruitment and marketing campaigns, all while spending less on education and job placement programs that would actually help students fulfill their dreams.

For example, the CEO of Strayer Education made more than \$40 million last year, many times more than the highest paid president of a private nonprofit university, and Strayer spent more than \$100 million on marketing for admissions. In the 2008 and 2009 school year, Strayer received 77 percent of its revenue from hard paid Federal dollars, taxpayer dollars. Despite these numbers, Strayer's 6-year graduation rate is just 14 percent, compared to 55 percent for public schools and 65 percent for nonprofit schools. Strayer's loan repayment rate is 25 percent less than half that of public and nonprofit schools, and I would venture to guess that there is no member of these subcommittees or committee, if you were running a firm, would stand for that, that kind of effectiveness.

A bipartisan coalition of 10 State attorneys general have now launched an investigation into deceptive marketing practices and misrepresentations by for-profit schools. The attorney general of Kentucky, Jack Conway, who was leading the probe said, "I want to make sure these institutions are as interested in educating their students as they are in collecting Federal loan money. I want to make sure that students aren't being misled and left owing tens of thousands of dollars in student loans for credits that don't transfer or a degree that will not benefit them."

Consider the story of Yasmine Issa, a 24-year-old mother of twin 3-year-olds who recently divorced. In a written statement submitted for today's hearing, she describes her experience at Sanford-Brown Institute in White Plains, New York. She said this, "The school's recruiters did not know much or give much detail about the program. It seemed like they were just trained to be very aggressive and sell the seat for the program, which would cost me a little over \$32,000. They said I would not have a hard time finding a job and that career services at the school would be dedicated to helping me find a job. The recruiters kept calling me and told me that the seats for the program were filling fast and I needed to hurry up and sign up for the program."

After successfully completing the program, Ms. Issa tried for months to find a job. Only then did she discover that the program was not accredited and she was unable to become certified for her ultrasound degree. As she explained in her statement, "I continued to search for a job. This time I visited a hospital in New Jersey. The supervising ultrasound tech informed me that if I had attended an accredited school I would be able to sit for the registry

exam immediately after graduation. This was the first time I found out that Sanford-Brown Institute did not offer an accredited ultrasound program.”

I ask unanimous consent to enter Ms. Issa’s statement into the record, Madam Chairlady.

Ms. FOXX. Without objection.

[The information referred to follows:]

Yasmine Issa

July 7, 2011

House Oversight and Government Reform Committee and House
Committee on Education and Work Force

Hearing on "The Gainful Employment Regulation: Limiting Job Growth
and Student Choice"

Dear Members of Congress:

I was 24 years old, divorced, with 3 year old twin girls. I needed to work in order to support my self and my children. It was not a good time for me to go back to college and figure out what career path I wanted to pursue. So I began looking for ultrasound schools online in October of 2005, because I thought it would be both a promising and rewarding field to go into. When I searched online, Sanford Brown Institute was the only one to come up. So I went in to the school and spoke with a school representative. They explained that I need at least 32 college credits to enter the program; which was not a problem for me, because I had 59 college credits. The first day I went in to inquire, I was told to take an entrance exam, which I passed. Now that I look back, the school recruiters did not know much or give much detail about the program, it seemed like they were just trained to be very aggressive and sell the seat for the program which would cost me a little over \$32,000. They said I would not have a hard time finding a job, and that career services at the school would be dedicated to helping find a job. The recruiters kept calling me and told me that the seats for the program were filling fast and I needed to hurry up and sign up for the program. I decided to make a quick decision and enroll in the program. I did not have time to waste from being unemployed, I kept in mind that I had a family to take care of.

I sat with the financial aid counselor who basically punched in some numbers into the computer and told me that my monthly payments while I was in school would be around \$981.00, and that I would also have to take out a loan for \$15,000 at a %6.8 interest rate through a private loan company called Sallie Mae. I believed going

back to school would be a return on investment, so I used some of the child support money that I received for my children because that was the only way I can pay for school. I was told that the program was eighteen months consisting of 12 months of accelerated classes and 6 months of internship in a doctor's office or hospital. I understood from the advisers that my only options for sitting for the registry exam was either to have a bachelors degree in any field or to work full time for 1 year as an ultrasound sonographer. They made it sound so easy. I was also informed by the school that they assisted in job placement, so I can find a job as soon as I completed the ultrasound program.

After all that hard work, I finally completed the program in June of 2008. I began looking for a job aggressively, I believe I covered the tri-state area as well as posted my resume on Monster.com and other job hunting sites. In the beginning I would call to check in with Michelle Rawlins, the lady who was in charge of job placement. I told her where I applied and asked her if there was anything else I should do, she told me to just keep looking and check in with her every week. After applying for four months, I realized I was getting the same answers everywhere I went. The hospitals or doctors offices wanted either one of two requirements, either for the ultrasound tech to be registered by the ARDMS, or have 1-2 years of employed ultrasound experience. I became more and more discouraged because the more I didn't use my ultrasound skills; the more I was losing the skill. So I called to complain to Michelle Rawlins, I explained how this policy of the employers was unfair, and asked if there was some way I can get another internship in a hospital in order to keep up my skill and better my chances of being hired there. I was transferred to the dean of the school, his name was dean Manna. I explained to him that I was a single mother of two, still not working, and that I was due to pay off 15 thousand dollars in student loans beginning January 2009, and this policy for being employed as an ultrasound tech was unfair to the new graduating ultrasound students. He sounded as if he was concerned and told me he will see what he can do and give me a call back. Two weeks went by and I still had not heard from dean Manna, so I called back and left a message for him to return my call. He never did. Five months had past without employment, and then I received a call from a Sanford Brown employee, saying that she will assist me with the job search and she will check in with me every week. That was the first and last time I heard from the representative.

The pressure was building up; I had no job, a family to take care of, rent, bills, and an outstanding student loan that kept going into default. I currently owe a little over \$21,000 including a \$5,000 dollar

loan I had from my 2years of college. I was depressed, I felt like I wasted my time and money on a phony school with false promises and representation. I had never felt so unaccomplished in my life.

I continued to search for a job, this time I visited a hospital in New Jersey, and as I anticipated I got the same answer from the supervisors, either registered or have 1-2 years experience. And then the supervising ultrasound tech informed me that if I attended an accredited school, I would be able to sit for the registry exam immediately after graduating. This was the first time I found out that Sanford Brown Institute did not offer an accredited ultrasound program, although they claim to be accredited overall as an institute. After finding out all this information about accredited programs, the ultrasound supervisor at the hospital in New Jersey suggested I go onto the ARDMS official website and find a listing of accredited ultrasound schools in the area. There were only three in the area and Sanford Brown Institute was not one of them. I called Bergen Community College, in New Jersey; one of the schools that offered an accredited ultrasound program. I wanted to find out if there was any way I can transfer my ultrasound certificate and take a few more ultrasound courses from that school in order for me to qualify to sit for the registry exam immediately, but I was told that I could not. I also asked about the cost of their diagnostic medical ultrasound program, and to my surprise it was a fraction of what I paid Sanford Brown Institute. I also went online to see if there were any complaints about Sanford Brown Institute, and there were several complaints from the students not only in New York locations, but in several of their different locations in the United States. The complaints were if not the same, very similar to mine. Like the people complaining, I felt like a victim of a scam. And like the people filing these complaints, we wanted to take some kind of action against this school, but didn't know how to go about it.

I worked as a temp ultrasound sonographer for a private doctor for two months back in April 2009. I would occasionally get called in from the doctor when his ultrasound tech wanted to go on vacation. That was the closest I came to find a real ultrasound position.

It has been a year since I testified before the senate. After my testimony, I took a review course in order to qualify to sit for the first prerequisite exam before taking the actual registry, and thankfully I passed in January 2011. I continued searching for an ultrasound job, in hopes of having a better chance at being hired with one exam out of the way. But no matter who I knew in the field or how hard I tried; I

Mr. CUMMINGS. Our committee has responsibility to determine whether taxpayer dollars are being spent effectively and efficiently, or are being abused. If billions of dollars in student loans could be used to help increase graduation rates and employment placement after graduation, rather than enriching CEOs and corporate shareholders, our job is to examine the best ways to do just that.

I commend the Department of Education for developing the gainful employment rule in an open manner and, in addition to this comment period, the Department held six public hearings and hundreds of meetings with stockholders.

With that, Madam Chair, I see my time has run out. Therefore, I yield back and would submit my statement.

[The prepared statement of Hon. Elijah E. Cummings follows:]

DARRELL E. ISSA, CALIFORNIA
CHAIRMAN

DAN BURTON, INDIANA
JOHN L. MICA, FLORIDA
TODD RUSSELL PLATTS, PENNSYLVANIA
MICHAEL R. TURNER, OHIO
PATRICK MURPHY, NORTH CAROLINA
JIM JORDAN, OHIO
JASON CHAFFETZ, UTAH
CONNIE MACK, FLORIDA
THOMAS WALTERS, MICHIGAN
JAMES LANKFORD, OKLAHOMA
JUSTIN AMASH, MICHIGAN
ANN MARIE BUEKLE, NEW YORK
PAUL A. GOSAR, D.D.S., ARIZONA
RAUL R. LABRADOR, IDAHO
PATRICK MEEHAN, PENNSYLVANIA
SCOTT DUKAKIS, M.D., TENNESSEE
JOE WALSH, ILLINOIS
TROY GOWDY, SOUTH CAROLINA
DENNIS A. ROSS, FLORIDA
FRANK C. QUINTA, NEW HAMPSHIRE
BLAKE FARENTHOLD, TEXAS
MIKE KELLY, PENNSYLVANIA

LAWRENCE J. BRADY
STAFF DIRECTOR

ONE HUNDRED TWELFTH CONGRESS

Congress of the United States
House of Representatives

COMMITTEE ON OVERSIGHT AND GOVERNMENT REFORM

2157 RAYBURN HOUSE OFFICE BUILDING

WASHINGTON, DC 20515-6143

MAJORITY (202) 225-5074
FACSIMILE (202) 225-3974
MINORITY (202) 225-8051

<http://oversight.house.gov>

Opening Statement

Ranking Member Elijah E. Cummings

ELIJAH E. CUMMINGS, MARYLAND
RANKING MINORITY MEMBER

EDDIEPHUS TOWNS, NEW YORK
CAROLYN B. MALONEY, NEW YORK
CLEANOR HOLMES NORFOLK,
DISTRICT OF COLUMBIA
DENNIS J. KUCINICH, OHIO
JOHN F. TERNER, MASSACHUSETTS
WM. LACY CLAY, MISSOURI
STEPHEN F. LYNCH, MASSACHUSETTS
JIM COOPER, TENNESSEE
GERALD E. CONNOLLY, VIRGINIA
MIKE DUGLEY, ILLINOIS
DANNY K. DAVIS, ILLINOIS
BRUCE L. BRALEY, IOWA
PETER WELCH, VERMONT
JOHN A. YARMUTH, KENTUCKY
CHRISTOPHER S. MURPHY, CONNECTICUT
JACKIE SPEIER, CALIFORNIA

Subcommittee on Regulatory Affairs, Stimulus Oversight, and Government Spending
The Gainful Employment Regulation: Limiting Job Growth and Student Choice

July 8, 2011

There is one principle we should all be able to agree on today: our nation's young adults deserve the best education they can get, and scarce taxpayer dollars should be used to maximize their opportunities, to ensure that they receive quality instruction, and to prepare them to become successful members of our nation's workforce. This hearing should not be about protecting jobs at for-profit schools—it should be about creating millions of jobs for American students who are striving to better themselves and our society.

Unfortunately, the record of for-profit schools raises significant concerns. Generally, students at for-profit schools are less likely to graduate, less likely to find a job, more likely to have higher debts, and more likely to default on those debts, than students at public and private non-profit schools.

In addition, low-income and minority students, who make up a substantial part of the student body at for-profit schools, are three times more likely to borrow federal student loans, four times more likely to borrow private loans, and less than half as likely to graduate, than the same group of students at non-profit schools.

For this reason, nearly every major civil rights group in the country, including the NAACP, La Raza, LCCR, MALDEF, and others have expressed serious concerns about this problem. I ask unanimous consent to enter into the record a letter sent on February 3 from 17 major civil rights and consumer protection groups relating to this issue.

I want to make clear that I fully support the educational mission of for-profit schools. I have attended numerous graduation ceremonies, I have met personally with their CEOs and Presidents, and I have seen the gleaming faces of graduates holding diplomas in their hands.

My concerns relate to whether U.S. taxpayers are fueling an incentive structure that encourages for-profit schools to use federal student loans to pay their CEOs exorbitant salaries, to pay their shareholders lucrative dividends, and to plow millions of dollars into recruitment and marketing campaigns, all while spending less on education and job placement programs that would actually help students.

For example, the CEO of Strayer Education made more than \$40 million last year—many times more than the highest paid president of a private non-profit university. And Strayer spent more than \$100 million on marketing for admissions. In the 2008-2009 school year, Strayer received 77% of its revenue from federal taxpayers. Despite these numbers, Strayer's six-year graduation rate is just 14%, compared to 55% for public schools and 65% for non-profit schools. Strayer's loan repayment rate is 25%, less than half that of public and non-profit schools.

A bipartisan coalition of ten state Attorneys General has now launched an investigation into deceptive marketing practices and misrepresentations by for-profit schools. The Attorney General of Kentucky, Jack Conway, who is leading the probe, said this: "I want to make sure these institutions are as interested in educating their students as they are in collecting federal loan money. I want to make sure students aren't being misled and left owing tens of thousands of dollars in student loans for credits that don't transfer or a degree that will not benefit them."

Consider the story of Yasmine Issa, a 24-year old mother of twin three-year-olds who was recently divorced. In a written statement submitted for today's hearing, she described her experience at Sanford-Brown Institute in White Plains, New York. She said this:

"[T]he school recruiters did not know much or give much detail about the program, it seemed like they were just trained to be very aggressive and sell the seat for the program which would cost me a little over \$32,000. They said I would not have a hard time finding a job, and that career services at the school would be dedicated to helping find a job. The recruiters kept calling me and told me that the seats for the program were filling fast and I needed to hurry up and sign up for the program."

After successfully completing the program, Ms. Issa tried for months to find a job. Only then did she discover that the program was not accredited, and she was unable to become certified for her ultrasound degree. As she explained in her statement:

"I continued to search for a job, this time I visited a hospital in New Jersey. ... [T]he supervising ultrasound tech informed me that if I attended an accredited school, I would be able to sit for the registry exam immediately after graduating. This was the first time I found out that Sanford Brown Institute did not offer an accredited ultrasound program."

I ask unanimous consent to enter Ms. Issa's statement into the record.

Our Committee has a responsibility to determine whether taxpayer funds are being spent effectively or are being abused. If billions of dollars in student loan funds could be used to help increase graduation rates and employment placements after graduation—rather than enriching CEOs and corporate shareholders—our job is to examine the best ways to do that.

I commend the Department of Education for developing the gainful employment rule in an open manner. In addition to the comment period, the Department held six public hearings and hundreds of meetings with stakeholders, including with some industry representatives who are here today. Although I think it could have done more, I understand this modest rule is intended to curb the worst abuses, and I support it.

Contact: Ashley Etienne, Communications Director, (202) 225-5051.

Ms. FOXX. Thank you, Mr. Cummings.

I now recognize Vice Chairman Ann Marie Buerkle.

Ms. BUERKLE. Thank you, Madam Chairman.

Earlier this week, Americans across this great Nation came together to celebrate Independence Day and the many opportunities that this great Nation offers to its people. For generations, citizens of this country have strived to obtain the American dream.

However, the persistence of this great recession and chronically high levels of unemployment have led many Americans to lose confidence in this dream. Just this morning we learned that the unemployment rate actually rose to 9.2 percent. One of the contributors to the economic morass are the layers of bureaucratic red tape and the onerous regulations that stifle entrepreneurial activity and suppress the private sector to create jobs.

As part of the committee's commitment to promote job creation, today's hearing continues our ongoing examination of Federal regulations, regulations that are preventing millions of American businesses from creating jobs and putting Americans back to work, contrary to the American dream.

Sometimes the testimony received by this committee is unsettling; sometimes it is disturbing. For example, in February a small business owner from Ohio was asked, would you do it all over again, knowing what the regulatory environment is today in this country? His response was disturbing and it was heartbreaking: No, sir, I would not. But he is not alone. Every hearing brings in more Americans who are frustrated, discouraged, and believe that the American Government is actually working against them, failing their success rather than supporting their efforts to help expand the U.S. economy and create jobs.

Today's hearing will explore an issue that we first learned about in February 2011, the Department of Education's gainful employment regulation. The regulation is targeted at for-profit institutions of higher learning, such as the University of Phoenix and Strayer University, to name just two well-known schools. These schools provide opportunities for Americans who may be the first in their family and to high-risk students, in other words, those whose previous collegiate experiences were interrupted by family responsibilities, military obligations, financial crisis, or perhaps some who were simply not ready to persevere as younger students. Additionally, many of their programs are designed to fit lifestyles of non-traditional students, like working moms, or economically displaced individuals who seek to gain new skills so that they can pursue a second career.

In addition to the opportunities that these institutions provide to many of our fellow Americans, there is some evidence that some bad actors have left some students with unaffordable debts and poor employment prospects. In response to these concerns, the Department of Education announced final gainful employment regulations on June 2, 2011.

As the committee has reviewed this regulation, it has heard from many students, employers, and universities that it will hurt both reputable as well as problematic programs equally, eliminating postsecondary options for many students.

As a general matter, institutions of higher learning offer important opportunities to Americans seeking to expand their skills and earn postsecondary degrees and certificates. The unemployment rate for Americans with a Bachelor's degree or higher is 4.5 percent less, that is less, than half of the national rate of 9.2 percent. Of the 18 million undergraduate students in fall of 2009, 9 percent, or 1.62 million, attended for-profit institutions, for them, as will the other students obtaining a Bachelor's degree, a proven way to combat unemployment and to obtain the American dream that so many Americans strive for.

However, according to one study, the gainful employment rule will cause 1.2 to 2 million students to decline to enter postsecondary schooling over the next decade. This includes 700,000 to 1.3 million female students, 200,000 to 360,000 Black students, and 200,000 to 330,000 Hispanic students. In addition to eliminating educational choice, Americans employed by for-profit institutions may be impacted if their employer is forced to eliminate programs or if it experiences shift in enrollment. The uncertainty of how this regulation will affect for-profit schools may also affect new program development, investment and infrastructure, and, worse yet, hiring.

Concern for these regulations has been bipartisan. House Minority Leader Nancy Pelosi voted, along with distinguished former chairman of this committee, Ed Towns, and a majority of members of the House, to block the Obama administration from implementing the regulations. The administration, however, ignored the concerns and moved forward with finalizing the rules.

Today we will hear from the most directly impacted by the gainful employment regulations: students, schools, and the business community who all rely on for-profit institutions for educational opportunities. The testimony we will hear today will help us examine how these regulations will impact job creation as we attempt to foster an economic recovery that puts Americans back to work.

I yield back. Thank you, Ms. Chairman.

Ms. FOXX. Thank you very much.

I now recognize the distinguished member of the Subcommittee on Higher Education and Workforce Training, the gentleman from Texas, Mr. HINOJOSA, for his opening statement.

Mr. HINOJOSA. Madam Chair, I am going to request unanimous consent that Representatives Alcee Hastings, Maxine Waters, Ed Towns, and Danny Davis be permitted to participate in this hearing and ask questions of the witnesses. Also include Caroline McCarthy.

Ms. FOXX. We welcome our distinguished colleagues to the hearing today.

Mr. HINOJOSA. Thank you.

Chairman Jordan, Ranking Member Kucinich, and Chairwoman Foxx, as ranking member of the Subcommittee on Higher Education and Workforce Training, I strongly support the Department of Education's final rule on gainful employment for a number of reasons.

First of all, as members of these two committees, we have a tremendous responsibility to exercise oversight and ensure that these taxpayer dollars are spent wisely and in the best interest of students and taxpayers.

During my 15-year tenure in Congress, I have fought vigorously to expand accessibility and affordability in higher education by working with my colleagues to increase the maximum Pell Grant award to \$5,550 and provide our students access to affordable student loans.

These investments in Federal financial aid support President Obama's college completion goals and increase America's global competitiveness and are indeed necessary to educate and graduate greater numbers of students in our Nation's colleges and universities.

At the same time, the Federal Government must be assured that students and taxpayers are receiving an adequate return on their investment, particularly in the sectors of higher education that are growing rapidly and rely heavily on Title IV funds.

In 2008–2009, for-profit institutions enrolled approximately 12 percent of all the students enrolled in Title IV institutions. In 2010, the Department of Education awarded \$9.2 billion in Pell Grants to for-profit colleges, or 25 percent of the total Pell Grants awarded, and \$27.2 billion in student loans, representing 26 percent of all student loans awarded to students enrolled in for-profit institutions. Importantly, approximately 15 percent of for-profit institutions derive between 85 and 90 percent of their total revenue from Title IV funds.

We know that students at for-profit institutions are more likely to borrow. According to the Education Trust, 97 percent of students attending the 2-year for-profit schools took out student loans in 2007–2008, compared to just 14 percent of students attending public community colleges.

Students who attended for-profit colleges are also more likely to default than students who attended nonprofit schools. Whereas 10.8 percent of the 2008 cohort who attended public colleges defaulted on loans within 3 years, the default rate for students attending for-profit institutions was 25 percent.

In today's hearing, some of my colleagues may argue that the gainful employment regulation limits educational opportunity for low-income and minority students. Ladies and gentlemen, this is simply not the case. I find these assertions troubling and misleading.

To be clear, this rule is fair, targeted, and promotes a rehabilitative approach by giving underperforming programs 3 years to improve before removing eligibility for student aid. The rule targets the worst actors, who I believe are 2 percent, who fail to improve student outcomes and incentivizes programs to make improvements, lower default rates, and increase graduation rates.

It is important to note that the gainful employment rule applies to 55,000 programs, which includes 37,000 programs at public institutions, 5,000 at private, nonprofit institutions, and 13,000 at for-profit institutions.

I also want to underscore that the rule does not harm minority and low-income students. Instead, the rule helps low-income and minority students access higher quality programs that increase their employment prospects.

What is more, the U.S. Department of Education estimates that only 2 percent of all the programs would ultimately lose eligibility

under the rule. In fact, programs lose eligibility only after failing each metric three times within a 4-year period, and no program could be ruled ineligible for Title IV funds until the year 2015.

In closing, I want to say that we must put students and taxpayers before company profits. There is no doubt that Pell Grant scholarships and affordable student loans expand educational opportunity and help our students prepare for family sustaining jobs, careers, and life. The final gainful employment rule protects the integrity of these vital Federal financial aid programs, particularly in the for-profit sector.

With that, I yield back.

[The prepared statement of Hon. Hon. Rubèn Hinojosa follows:]



Hinojosa Statement on “The Gainful employment Regulation: Limiting job growth and Student Choice”

WASHINGTON, D.C. – *Below are the prepared remarks of U.S. Rep. Rubén Hinojosa (D-TX), senior Democrat on the House Education and the Workforce Committee, for a Joint Subcommittee Hearing with Higher Education and Workforce Training and the Committee on Oversight and Government Reform's Subcommittee on Regulatory affairs, stimulus oversight and Government Spending on "The Gainful employment Regulation: Limiting job growth and Student Choice"*

Chairman Jordan, Ranking Member Kucinich, and Chairwoman Foxx, as Ranking member of the Subcommittee on Higher Education and Workforce Training, I strongly support the Department of Education's final rule on Gainful Employment for a number of reasons.

First of all, as members of these committees, we have a tremendous responsibility to exercise oversight and ensure that these taxpayer dollars are spent wisely and in the best interest of students and taxpayers.

During my tenure in Congress, I have fought vigorously to expand accessibility and affordability in higher education, by working with my colleagues to increase the maximum Pell Grant award to \$5,550 and provide our students access to affordable student loans.

These investments in federal financial aid support President Obama's college completion goals, increase America's global competitiveness, and are indeed necessary to educate and graduate greater numbers of students in our nation's colleges and universities.

At the same time, the federal government must be assured that students and taxpayers are receiving an adequate return on their investment, particularly in sectors of higher education that are growing rapidly and rely heavily on Title IV funds.

In 2008-2009, for-profit institutions enrolled approximately 12% of all students enrolled in the Title IV institutions. In 2010, the Department of Education awarded \$9.2 billion in Pell Grants to for-profit colleges or 25% of total Pell grants awarded and \$27.2 billion in federal student loans, representing 26% of all student loans awarded, to students enrolled in for-profit institutions.

Importantly, approximately 15% of for-profit institutions derive between 85 and 90 percent of their total revenue from Title IV funds.

We know that students at for-profit institutions are more likely to borrow. According to the Education Trust, 97% of students attending 2-year for-profit schools took out student loans in 2007-08, compared to just 14% of students attending public community colleges.

Students who attended for-profit colleges are also more likely to default than students who attended nonprofit schools. Whereas 10.8% of the 2008 cohort who attended public colleges defaulted on their loans within 3 years, the default rate for students attending for-profit institutions was 25%.

In today's hearing, some of my colleagues may argue that the gainful employment regulation limits educational opportunity for low-income and minority students. Ladies and gentlemen, this is simply not the case. I find these assertions troubling and misleading.

To be clear, this rule is fair, targeted, and promotes a rehabilitative approach by giving underperforming programs three years to improve before removing eligibility for student aid. The rule targets the worst actors who fail to improve student outcomes and incentivizes programs to make improvements, lower default rates, and increase graduation rates. It's important to note that the gainful employment rule applies to 55,000 programs, which include 37,000 programs at public institutions, 5,000 at private non-profit institutions and 13,000 at for-profit institutions.

I also want to underscore that the rule does NOT harm minority and low-income students. Instead, the rule helps low-income and minority students access higher quality programs that increase their employment prospects.

What's more, the U.S. Department of Education estimates that only 2% of all programs would ultimately lose eligibility under the rule. In fact, programs lose eligibility only after failing each metric 3 times within a 4-year period and no program could be ruled ineligible for title IV funds until 2015.

We must put students and taxpayers before company profits. There is no doubt that Pell grant scholarships and affordable student loans expand educational opportunity and help our students prepare for family-sustaining jobs, careers, and life.

In my view, the final gainful employment rule protects the integrity of these vital federal financial aid programs, particularly in the for-profit sector.

I yield back.

###

Ms. FOXX. Thank you very much, Mr. Hinojosa.

Members may have 14 days to submit opening statements and extraneous material for the record.

We will now welcome testimony from our witnesses, and I will take just a couple of minutes to introduce our distinguished witnesses today.

Dr. Dario A. Cortes is the president of Berkeley College, Ms. Karla Carpenter is a graduate of Herzing University, Dr. Anthony Carnevale is the director of the Center of Education and Workforce at Georgetown University, and Mr. Harry C. Alford is the president and CEO of the National Black Chamber of Commerce.

Pursuant to Oversight Committee's rules, all witnesses will be sworn in before they testify, and I would like to ask the witnesses if they now would rise and raise your right hands.

[Witnesses sworn.]

Ms. FOXX. Let the record reflect that the witnesses answered in the affirmative. Thank you very much. Please be seated.

We know that we are going to be called for votes very, very shortly. In fact, we thought it would be by now, but I am going to make a couple more comments, and I think if it is okay with the other members of the committee, we will go ahead to recognize Dr. Cortes and then we will break to go vote.

So I would like to recognize Dr. Cortes for 5 minutes. I hope you see the lights in front of you. When it turns to orange you have 1 minute left; when it turns to red, your time is up. And we would appreciate your staying as close as possible to the 5-minutes. Thank you very much.

STATEMENTS OF DARIO A. CORTES, PRESIDENT, BERKELEY COLLEGE; KARLA CARPENTER, GRADUATE OF HERZING UNIVERSITY; ANTHONY CARNEVALE, DIRECTOR, CENTER ON EDUCATION AND WORKFORCE, GEORGETOWN UNIVERSITY; AND HARRY C. ALFORD, PRESIDENT AND CEO, NATIONAL BLACK CHAMBER OF COMMERCE

STATEMENT OF DARIO A. CORTES

Mr. CORTES. Good morning, Chairman Jordan, Chairwoman Foxx, Chairman Issa, Chairman Kline, Ranking Member Kucinich, Ranking Member Hinojosa, Ranking Member Cummings, Ranking Member Miller, and other distinguished members of the respective committees. A special greeting also to Berkeley College Members of Congress, Rob Andrews, Caroline McCarthy, and Ed Towns, to whom I sincerely thank for their leadership and support for private sector education.

My name is Dr. Dario Cortes. I am privileged to serve as the president of Berkeley College. I applaud you for holding this joint hearing and appreciate the invitation to share our perspective on the impact of the new Federal gainful employment regulation on our colleges, communities, family owned businesses, and jobs in the New York and New Jersey region.

Fully accredited and family owned and operated, Berkeley College has four New York and four New Jersey campuses and Berkeley College online. We have serious concerns about the final Federal rule. On the surface, the question of how it will affect our stu-

dents, faculty, and campuses and programs seems quite clear, but the answer is quite the opposite. The honest response, however, is we just don't know. The honest and in spite of the changes included in the final version of the rule is institutions will essentially be navigating a minefield blindfolded and using an updated map.

Before I elaborate on the rule, I would like to provide you with a snap shot of Berkeley College. This year we celebrate 80 years. Since our founding in 1931, during the Great Depression, Berkeley College has been a leader in business education. We now have enrollment of nearly 9,000 students, including more than 800 international students in our Baccalaureate and Associate degree programs. Our student demographic is comprised of 31 percent Hispanic, 29 percent African-American, 17 percent White, 4 percent Asian, and 19 percent other.

Our female enrollment is 68 percent and 46 percent of our students are over the age of 23. Berkeley College's offerings are more than 20 career fields, including health sciences, information systems, business administration, accounting, criminal justice, and fashion marketing, among others. Our professors bring a rich array of real world experience to the classroom and, additionally, 50 percent of our faculty members hold doctoral degrees in their own field.

I was appointed president of Berkeley College in July 2008. Prior to accepting this position at the college, I served in senior roles at the Fashion Institute of Technology, Fairleigh Dickinson University in New Jersey, University of Maryland at College Park, Johns Hopkins University, North Carolina State University, and University of Wisconsin at Madison. The opportunity to serve both at traditional and private sector institutions has really, truly opened my eyes to the positive impacts that our sector and our college has on our students, many of whom may not have been able to pursue the college dream otherwise.

As Berkeley College has evolved over the past 80 years, we have cultivated relationships with our business communities. We strongly believe that it is essential for students to gain work experience while acquiring their degrees, and this is why the internship experience is a graduation requirement at Berkeley. We have student success philosophy. This is evident through our many programs and initiatives which are aimed at encouraging financial literacy, reducing student debt, and increasing retention and graduation rates, and providing scholarships and grants.

Turning to the new Federal gainful employment rule, I have three major concerns. First, we believe that the gainful employment rule will create uncertainty and unnecessary confusion about the status of our programs under the rule not only for students, for the school, leaving the Federal Government the only entity completely in the know about the full impact of the rule. Specifically, the initial data the Department of Education will provide to schools will measure the loan repayment histories of students who graduated or entered the loan repayment so long ago, we question whether that information is even accurate. Further, the Department's proposed alternative data collection means are impractical, as most States do not have the appropriate data collection infrastructure in place and most institutions like ours, family owned

schools, do not have the staff or the capability to conduct the required service.

Second, there remains a lack of clarity regarding the debt-to-income calculation and institutions' ability to exclude costs outside of tuition fees such as living expenses.

Finally, and third, the rule will impose significant undue regulatory burdens. This would only result in diverting precious college resources away from the core mission of teaching and learning and educating our students in favor of gathering and maintaining volumes of data to report to Washington, none which measure the quality of our institution, our programs, or the satisfaction of our students.

I appreciate the opportunity to address the joint subcommittee today and I would be happy to answer any questions following my testimony. Thank you very much.

[The prepared statement of Mr. Cortes follows.]

Written Testimony of Dario A. Cortes, PhD

President
Berkeley College

House Committee on Oversight and Government Reform, Subcommittee on Regulatory
Affairs, Stimulus Oversight, and Government Spending
and
House Committee on Education & the Workforce, Subcommittee on Higher Education and
Workforce Training

July 8, 2011 Joint Hearing on
“The Gainful Employment Regulation: Limiting Job Growth and Student Choice”

Good Morning, Chairman Jordan, Chairwoman Foxx, Ranking Member Kucinich, Ranking Member Hinojosa and other distinguished Members of the respective committees. My name is Dr. Dario Cortes and I am privileged to serve as the President of Berkeley College. On behalf of the students, faculty, and administration at the College, and other family-owned, private sector colleges and universities in New York, New Jersey, and throughout the country, I applaud you for holding this joint hearing and I thank you for the invitation to share Berkeley College’s perspective on the impact of the new federal gainful employment regulation on communities, family-owned businesses, and jobs. While Berkeley College applauds the efforts of the Department of Education to enhance student success, we have serious concerns about the final rule. On the surface, the question of how the rule will affect our students, faculty, campuses, and programs seems quite clear; but the answer is decidedly less so. Because the honest response is: I just don’t know. Despite the changes included in the final version of the rule, institutions will essentially be navigating a minefield, blindfolded and using an outdated map.

Before I elaborate on the rule, I would like to provide you with a snapshot of Berkeley College. This year, the College celebrates our 80th anniversary. Since our founding in 1931, during the Great Depression, Berkeley College has been a leader in business education, and we now have an enrollment of nearly 9,000 students — including more than 800 international students — in our Baccalaureate and Associate degree programs. Originally founded as a training school for young women interested in pursuing secretarial careers, throughout the following years we have striven to be at the forefront of academic evolution and technological advancement by offering educational opportunities to traditionally ignored or underserved students, as well as embracing the newest technologies in the classroom. In 1966, the Berkeley College campuses were among the first to be accredited as two-year business schools by the Accrediting Commission for Business Schools. Today, the College is accredited by the Middle States Commission on Higher Education, and has been since 1983. Family owned and operated,

Berkeley College has four New York campuses, Midtown Manhattan, Lower Manhattan in the Wall Street area, Brooklyn, and White Plains; four New Jersey campuses, Woodland Park, Paramus, Woodbridge, and Newark; and Berkeley College Online. We also have Our student body is quite diverse, as it is comprised of 31 percent Hispanic, 29 percent African-American, 17 percent white, 4 percent Asian, and 19 percent other/unknown students. Women also make up 68 percent of enrollments, and 46 percent of our students are over the age of 23. Berkeley's program offerings are in more than 20 career fields including Health Services Administration and Management, Information Systems Management, Business Administration, Accounting, Criminal Justice, and Fashion Marketing and Management. Berkeley College Online also offers full degree programs. Our professors bring a rich array of "real world" experience to the classroom. Many have held positions of influence in the corporate world, and because we keep our classes small, our students are able to benefit from that experience on a one to one level. Additionally, more than 54 percent of our faculty members hold doctorates in their chosen fields.

I was appointed President of Berkeley College in July of 2008. Prior to accepting the position at the College, I held a broad range of positions at both private and public universities. I was the President and Executive Director of the American School Foundation, A.C. (ASF), Mexico City and Vice President for Academic Affairs at Fashion Institute of Technology, the State University of New York. In addition, I held the position of Dean at Fairleigh Dickinson University in New Jersey and Associate Dean of Graduate Studies and Research at the University of Maryland at College Park. I also served in many senior administrative and faculty positions, including those at Johns Hopkins University, North Carolina State University, and the University of Wisconsin – Madison. I bring up my professional history to illustrate that my postsecondary experience prior to my role at Berkeley College was largely defined as being within the "traditional" sector of higher education rather than the private sector. This institutional diversity has provided me with a broad, comprehensive understanding of the many issues facing postsecondary education. For the record, I am tremendously proud to be part of the Berkeley College legacy. The opportunity to serve as President has truly opened my eyes to the positive impact that our College has had on students who may have been left by the wayside if it were not for the College, as well as the vital role private sector colleges and universities play in educating, training, and empowering students to succeed in their careers.

As Berkeley has evolved over the past 80 years, we have created programs and undertaken initiatives to support the changing needs of our students and our communities. For example, we have cultivated relationships with the business communities surrounding our campuses, as well as the communities at large, to ensure that our graduates are prepared to provide a positive contribution to the community upon graduation, both as qualified members of the workforce and as upstanding citizens who believe in personally investing in the communities

where they live and work. We strongly believe in the importance of gaining work experience while students acquire their degrees, which is why internships are part of the required curriculum in order to graduate from Berkeley College. It is our belief that this work experience empowers our students to enter their chosen profession with confidence and with the practical understanding of how to succeed professionally. Additionally, we seek the input of Advisory Committees to draw upon the real world experience of professionals in each of our majors. These boards advise us regarding curriculum and internships. As an example of responding to the needs of the business community, our Medical Coding and Billing Program is highly effective in supporting the needs of the New York allied health job market. Berkeley College has the resources and infrastructure to respond quickly to the needs of a region where trained graduates are needed to support the local economy, and as new employment demands arise, we have the experience and ability to thoroughly and quickly create new programs that both meet the needs of employers and encourages economic growth. As each new program is created, a new Advisory Board is created to lend expertise.

Students choose Berkeley College for many reasons, including our specialized curriculum, small class sizes, convenient scheduling options, and commuter-friendly campuses. We have a very student-centric philosophy that can best be observed through our many programs and initiatives, which are aimed at encouraging financial literacy and reducing student debt, increasing retention and graduation rates, and providing scholarships and grants, to name a few. Some of these efforts are new, others have been in existence since the 1990s, and our Tuition Freeze Policy has been in existence since the 1980s. Following my submitted testimony you will find a more comprehensive listing and description of these programs. Choosing the college that will meet the specific needs of each student can be an overwhelming task, and we strive to ensure that every potential student is provided with the most transparent, understandable information possible.

Turning to the new federal gainful employment rule, my top three concerns are as follows: (1) the significant uncertainty regarding the actual impact of the new rule on students in both the short and long terms; (2) the continued lack of clarity on the debt-to-income ratio calculation and the lack of transparency about the data by which programs will be measured; and (3) the undue administrative burden the new federal rule will impose on our schools, as a result of the sweeping and complex nature of the metric.

First, we believe that the new federal rule imposes a layer of unnecessary confusion, in different respects, for both prospective and current students, as well as for institutions, rather than providing the transparency that is so necessary. The momentum and excitement to expand and grow Berkeley College has been lost, given the chilling effect that the federal rule will almost certainly have. More specific to our concerns with the metric, the first set of data

that the Department of Education will provide to schools to “help them identify and improve their failing programs and to help current and prospective students make informed choices,” for fiscal years 2012 and 2013, will actually measure the loan repayment histories of students who graduated or entered into loan repayment in the 2007-2010 timeframe, or even students who were enrolled in 2005-2007. Furthermore, the data that the Department of Education will primarily use to calculate the actual earnings of the students being measured - Social Security Administration data - is confidential. This means neither schools nor the Department of Education will ever have the opportunity to review or challenge the SSA data. The Department’s proposed SSA alternative data collection means are also impractical, as most states, New York included, do not have the appropriate data-collection systems in place, and most institutions, particularly smaller, family-owned schools, do not have the staff or the capability to conduct National Center for Education Statistics (NCES)-caliber internal surveys. The result of this convoluted process will almost certainly be confusion and uncertainty about the status of programs under the rule for students and schools, leaving the federal government the only entity completely in the know about the full impact of the rule.

The next issue I would like to address concerns the lack of clarity regarding the debt-to-income calculations, and institutions’ ability to exclude costs outside of tuition and fees, such as living expenses. While the Department acknowledges that students may take out loan funds over and above what is necessary to pay direct educational costs, the manner of excluding this “over borrowing” in the debt-to-income calculations does not provide a realistic picture of how much excess loan funds a student may actually receive. Students may receive many forms of financial aid, including: state grants, such as New York TAP Grants; Federal Title IV aid, including Pell Grants, SEOG, and Federal Perkins Loans; Post-9/11 GI Bill or Department of Defense Tuition Assistance Program funds; institutional aid; and more. In addition, students can take out up to the annual maximum of Federal subsidized and unsubsidized loans for which they are eligible even if those loan funds are not needed to pay direct educational costs – and institutions may legally prevent the students from doing so. The federal gainful employment rule will allow institutions to report the total amount of tuition and fees for each student, and limit the amount of loan debt included in the debt-to-earnings calculations to this amount. However, this completely disregards borrowing on top of other financial aid received, and borrowing more than is necessary to pay educational costs. Students then receive these loan funds for “living expenses.” A simple fix to this problem would be to allow institutions to report the amount of funds disbursed to the student as “living expenses.” A field could easily be added to National Student Loan Data System to track this amount. The amount is auditable, and private sector institutions already track it for 90-10 purposes. Monitoring living expenses in this manner will provide an accurate picture of over borrowing by students. Additionally, allowing institutions to report actual over borrowing amounts will provide an additional check for the debt-to-earnings calculations. While institutions will not have the opportunity to verify income

information, they would be able to ensure only debt accumulated for actual educational charges is being included in the calculation.

Finally, I would like to discuss the regulatory burden that the new federal rule will impose on private sector institutions. While Berkeley College has always been in compliance with the strict state regulations in New York and New Jersey governing our sector of higher education – arguably the most stringent state higher education regulations in the nation the federal gainful employment rule will add significant additional and undue administrative burden imposed by the Department of Education, which will only result in diverting precious college resources away from our core mission of educating students in favor of gathering and maintaining volumes of data to report to Washington, none of which measures the quality of our institution or programs or the satisfaction of our students. We question why the new rule was constructed with such sweeping federal regulatory ambition over this sector of higher education when the Department of Education has many, many tools in its toolkit under current law to end the conduct of so-called “bad actors” who simply should not be in the business of educating students.

Chairman Jordan, Chairwoman Foxx, Ranking Member Kucinich, Ranking Member Hinojosa and other distinguished Members of the Joint Committee, this concludes my testimony. Again, I appreciate the opportunity to address the joint Subcommittee today and would be happy to answer any questions following my testimony.

Ms. FOXX. Thank you, Dr. Cortes. I forgot to mention that the entire written statement will be made a part of the record.

Ms. Carpenter, you are recognized for 5 minutes.

STATEMENT OF KARLA CARPENTER

Ms. CARPENTER. Chairwoman Foxx and Ranking Member Hinojosa and Chairman Jordan and Ranking Member Kucinich and other distinguished subcommittee members, thank you for holding this joint hearing and for the opportunity to share my educational story with you.

A special greeting to Congressman Petri, a member of the Education and Workforce Committee. Thank you for your continuing support for students and graduate of career colleges. We greatly appreciate it.

My name is Karla Hammer Carpenter. I am a mother of boys ages 15 and 18. I am a 2007 graduate of Herzing University in Madison, WI, and now, thanks to my education, I am employed in my chosen field of work. I work as a program manager for Quest Software, a California-based multinational company that develops, sells, and supports enterprise level software for public and private sector businesses all across the globe. I have been employed at Quest Software since finishing my one and a half year of studies to attain my Associate's degree in computer networking from Herzing University 4 years ago. My degree has proven to be of high value to me and to my employer.

Prior to starting my family and being out of the paid workforce for 14 years, I spent the 10 years after high school working without a college degree. After high school and through my early twenties, I briefly attended Luther College in Decorah, Iowa, the University of Wisconsin-Madison, UW Extension School-Baraboo, and Madison Area Technical College. After several shifts in my academic focus, I entered the work force full-time without a postsecondary degree.

During a portion of that time, I worked at an emerging manufacturing company not far from Madison; you may have heard of it, Trek Bicycle Corp. I gave that job up to stay home with my children when I started my family. But after 14 years at home and removed from the rigors of formal academic study and technological changes in the workplace, I found myself forced to return to work to support my two boys after the end of my marriage.

The last five and a half year journey from housewife duties to my current software management responsibilities has not been without great effort. Given the nature of the technological shift timed against my absence from the work force, it clearly necessitated that I return to college in order to be marketable.

When I decided to return to school, I knew that I needed to select the correct college environment that I could afford that would mesh well with my existing life. The local community colleges had considerable wait lists, could not guarantee me availability of my preferred programs, or, most importantly, class times.

Without question, Herzing University offered me the best daily schedule via block programming, the best program options for viable employment with highly desirable skills in the local marketplace, the best graduation time line, incredible faculty accessibility and career services, and the best total value of any program or

school I investigated in the area. I met the admissions requirements for every school in the area, but I did not think these other schools met my requirements, except for Herzing University.

By participating in this hearing, I would like to give an additional voice to many who are seeking educational options to better their lives and contribute more fully to our economy and society. I attended classes and partnered on projects with many students who had little to no family support, financially or emotionally, as first generation college attendees, many armed services veterans and enlisted soldiers on leave, and many various minority members of society who all felt that Herzing University was a special and caring environment where faculty and staff were invested in helping each and every student attain their educational goals.

While enrolled, my fellow students and I often joked, as we learned more about each other, shared our reasons for attending school, and disclosing our dreams for our futures, that we seemed to be in the "Hallowed Halls of Second Starts."

Just as business practices have changed over the years to accommodate global, more technologically advanced business operations, so too our schools must adapt in equal measure on the educational front. But education policy changes should not impact student choice, and I worry about the negative impact that the gainful employment rule will have on future students who are currently my sons' ages and younger, and other returning adult students in the work force currently. My fear is that fewer, not more, students will fulfill our national educational vision of more Americans obtaining a higher level of postsecondary training.

As a final note, as a returning adult student, I represent an important and growing demographic of students that our educational institutions will need to serve in order to best fulfill our national goals for postsecondary education and work force development.

Six years ago it was I who stood at a crossroads in my professional life as I contemplated going back to college. Many more prospective students will soon face this same crossroad. I only hope that others have the opportunity to attend a college as fine as my alma mater, Herzing University. I hope they can attend a school of their true choice that meets their needs perfectly, just as Herzing University did for me.

Thank you, and I stand ready to answer your questions that you may have.

[The prepared statement of Ms. Carpenter follows:]

**Testimony of Karla Hammer Carpenter
Graduate of Herzing University (Wisconsin)**

Before the

**United States House of Representatives, Committee on Education and the Workforce,
Subcommittee on Higher Education and Workforce Training
Joint Hearing with the
Committee on Oversight and Government Reform, Subcommittee on Regulatory Affairs,
Stimulus Oversight and Government Spending**

July 8, 2011

"The Gainful Employment Regulation: Limiting Job Growth and Student Choice"

Chairwoman Foxx and Ranking Member Hinojosa, Chairman Jordan and Ranking Member Kucinich, and other distinguished Subcommittee Members, thank you for holding this joint hearing and for the opportunity to share my educational story with you on the topic of "The Gainful Employment Regulation: Limiting Job Growth and Student Choice."

My name is Karla Hammer Carpenter. I am a mother of boys ages 15 and 18. I am a 2007 graduate of Herzing University in Madison, Wisconsin. And now, thanks to my education, I am employed in my chosen field of work. I work as a Program Manager for Quest Software, a California – based multinational company that develops, sells, and supports enterprise-level software for public and private sector businesses all across the globe. I have in the past four years worked on many globally distributed software product teams with members who reside in China, Russia, Canada, New Zealand, Singapore, Great Britain and both coasts of the United States. I have been employed at Quest Software since finishing my one and a half years' studies to attain my Associate's Degree in Computer Networking from Herzing University four years ago. Every day at Quest Software, I live the reality of working in a diverse and global economy. I am proud to state that I am an American worker who has successfully adapted to working in a global business environment by leveraging the technical skills I gained in college as an adult student.

Just as I am honored to have the opportunity to speak to all of you today, I am equally honored to work for a successful company such as Quest Software. I am here, of course, giving my personal testimony of my educational experience and its benefits to me and not as a representative of Quest Software. However, what I do want to make clear by mentioning Quest Software and its prominence in the software industry is that my education from Herzing University gave me the skills I needed to obtain and sustain my employment position, even as Quest Software unfortunately has had to lay off hundreds of workers over the past four years given the global recession. Quest Software is fortunate to recruit and hire employees from many educational institutions from literally all over the world. My associate's degree from Herzing University has proven to be of high value to me and my employer. My employment history with Quest Software is but one example that proves that fact.

Prior to starting my family and being out of the paid workforce for 14 years, I spent the ten years after high school working without a college degree. After high school and through my early twenties, I briefly attended Luther College in Decorah, Iowa, the University of Wisconsin Madison, UW Extension School – Baraboo, and Madison Area Technical College. After several shifts in my academic focus and with more personal interest at that time in working and making money than in completing a degree, I entered the workforce full time without a postsecondary degree. I was able to secure a great career-forward job at an emerging manufacturing company not far from Madison - Trek Bicycle Corporation. I gave that job up to stay home with my children. But, after 14 years at home with my children and removed from the rigors of formal academic study and technological changes in the workplace, I found myself forced to return to work to support my two boys after the end of my marriage. Even the most confident and intelligent woman would consider it a daunting task under such circumstances to return to college and start down a completely new career path, and I certainly did.

The last five and a half year journey from housewife duties to my current software management responsibilities has not been without great effort. Just like the pains of childbirth -- so quickly forgotten by a new mother -- so too are the fears and frustrations I felt upon deciding to return to school as a mature adult! But reflecting back now, I know that without the many foundational skills I learned at Herzing University, and without the availability of student loans, I would not

have been able to attend college nor meet the job requirements for the work I do today. It is hard to believe that less than six years ago, I was at home focused on rearing my children to be productive and happy members of society and dedicating myself solely to learning all that a mother needs to learn about child development. At that same time, many men and women of my same age group who remained in the business world were learning and adapting on the job to the rapid influx of technological advancements that radically changed "how everyone does business." Given the nature of this technological shift timed against my particular absence from the workforce clearly necessitated that I return to college in order to be marketable.

When I decided to return to school, I knew I needed to select the correct college environment that I could afford and that would mesh well with my existing life as a mother of young children who depended on me daily, or I would not succeed in my educational endeavor. So, I investigated all possible educational opportunities in the Madison area. University of Wisconsin Madison could only accept me back in a BA program which I no longer had interest in completing. The local community colleges had considerable wait lists and could not guarantee me availability of my preferred programs or class times. Without question, Herzing University offered me: the best daily schedule via block programming, the best degree program options for viable employment with highly desirable skills in the local market, the best graduation timeline, incredible faculty accessibility and career services, and the best total value of any program or school in the area (taking into account the time I would not spend under-employed in the workforce and additional tuition paid for a longer program). Although I did meet the admissions requirements for every school in the area, I did not think these other schools met *my* requirements -- except for Herzing University.

As an adult student, the reality was that I was not alone. I am but one of many adults who need to meet the challenge of enhancing job skills by returning to college. It is laughable to think about this now, but during my years working as a Regional Inside Sales and Customer Service Manager at Trek Bicycle Corporation just a mere twenty years ago, Trek did not yet utilize personal computers for even their management staff. The business world *has* changed a lot in twenty years, and that velocity of change is just now gaining its full momentum in the workforce. Many American workers, whether they have been out of the workforce or not, are in need of re-

training and re-tooling to find their place in this ever-shifting economy. By participating in this hearing, I would like to give additional voice to many who are seeking educational options to better their lives and contribute more fully to our economy and society. I attended classes and partnered on projects with many students at Herzing University who had little to no family support financially or emotionally as first generation college attendees, many armed services veterans and enlisted soldiers on leave, and many various minority members of society who all felt that Herzing University was a special and caring environment where faculty and staff were invested in helping each and every student attain their educational goals. While enrolled, my fellow students and I often joked as we learned more about each other, shared our reasons for attending school, and disclosed our dreams for our futures that we seemed to be in the “Hallowed Halls of Second Starts”, as many of us had first thought we wanted to attend or had attended other postsecondary educational institutions but those had proved not to meet our needs. As you have heard from many people already, many for-profit career-focused colleges have excelled in offering quality educational opportunities of good value to millions of career-focused students who would otherwise not likely succeed or be turned away from larger, less personalized, less adaptable, overcrowded and sometimes over-rated traditional schools.

Just as business practices have changed over the years to accommodate global, more technologically advanced business operations, so too our schools must we adapt in equal measure on the educational front. But education policy changes should not impact student choice and I worry about the negative impact that the Gainful Employment rule will have on future students who are currently my sons’ ages and younger. My fear is that fewer, not more, students will fulfill our national educational vision of more Americans obtaining a higher level of postsecondary training.

As a final note, as a returning adult student, I represent an important and growing demographic of students that our educational institutions will need to serve in order to best fulfill our national goals for postsecondary education and workforce development for our nation. But even among students who are attending college for the first time just out of high school, Herzing University has proven to be a desirable educational option. I have a close school friend who is very satisfied, for example, with the bachelor degree he earned at Herzing University in Computer

Networking. He is still employed at his first hire location since his graduation and has been given a promotion whereby he has direct hires who report to him. His team is tasked with improving and running the computer network for the University of Wisconsin's Center for Dairy Research. He is often asked how it is he had obtained a systems administration position at a Big Ten school that has one of the best computer science programs in the nation and in a town that is so renowned for its technically skilled workforce -so much so that companies like Google and Microsoft and Quest Software have set up research and development labs in Madison within the last decade. He often merely smiles and says he is not sure – other than just assuming that he was the best trained and most qualified candidate for the job. I could not agree with him more!

Six years ago it was I who stood at a crossroads in my professional life as I contemplated going back to college. Many more prospective students will soon face this same crossroad. I only hope others have the opportunity to attend a college as fine as my alma mater. I hope they can attend a school of their true choice that meets their needs perfectly just as Herzing University did for me.

Thank you and I stand ready to answer any questions you may have.

Ms. FOXX. Thank you very much, Ms. Carpenter.

Ladies and gentlemen of the committee, we have 12 minutes left in the votes, so if it is okay with you, we will go with Mr. Carnevale and then we will take a break to go vote and we will come back. We will save the best for the last, Mr. Alford. Okay?

Mr. Carnevale, you are now recognized for 5 minutes.

STATEMENT OF ANTHONY CARNEVALE

Mr. CARNEVALE. Thank you, Madam Chairwoman, Mr. Chairman, ranking members, and esteemed members of the subcommittees. I think it is important to say at the outset that I think many people, there are some, I suppose, are engaged in this issue who don't believe that for-profit institutions make a huge contribution to the individuals who attend them or that, in my view, at least, they make a huge contribution to American higher education. They have offered models that are quicker, more tightly tied to labor market value; models that, in light of their scheduling, as Ms. Carpenter points out, and their structure, are much more friendly to non-traditional students.

Having said that, I think it is important to note that there are some serious problems here, and in that regard I think the administration's response with the rulemaking has been appropriate, and I think, actually, fairly deliberate and accommodating in this particular case.

We find in all of our research, and we are not alone as economists at Georgetown who find this, that there has been a fundamental change in the relationship between higher education and the economy; not just in the United States, but in the world, largely since the end of the 1980-1981 recession, where, once we finally tamed inflation by putting lots of people out of work, we then turned technology loose and essentially restructured the American economy somewhat dramatically over the next 20 years. Ms. Carpenter's experience, I think, reflects that. The economy we all worked in in the 1980's is not the same one that existed by 1995.

And what happened as a result of that was that automation, the simplest force let loose, was able to automate the repetitive tasks in every job, and what remained were the jobs that included non-repetitive tasks. Those tasks bundled together made up new kinds of jobs, sometimes altogether new jobs, but changed the jobs that already existed. A mechanic who used to repair a car needed mechanical skills. Now they need electro-mechanical skills and an understanding of computer operations to repair a car. Any of you who have faced that awful moment, or at least of my vintage, I remember as a boy, if I could open up the hood of a car, I could fix it. A year or two ago I faced a broke down car, opened the hood and finally turned away in disgust; I had no idea what was going on in there.

So that fundamental shift has raised the value of postsecondary education, and we have been under-producing postsecondary education ever since 1983-1984. The evidence of that is plain. The earnings returns to postsecondary education and training relative to high school have risen from 30 percent to 84 percent, although this is cloaked over more and more in this recession, where the return has dropped down to 74 percent higher than a high school de-

gree. But the bottom line here is that in the United States and in most advanced economies, if you are going to go anywhere after high school, you have to get some postsecondary education or training first.

And the second change that I think is of great note here and makes this ruling sensible is that the relationship between the texture of education is changed as it relates to the economy, and what I mean by that is it doesn't matter so much anymore which degree you get, whether you get a certificate, an industry-based certificate, a BA, a graduate degree.

What matters more and more is what you take, not the degree. Still true that, on average, if you get a BA you will make more than a person with a certificate. But if you get a certificate in engineering, you will make more than almost 40 percent of BAs. There is a vast shift in the relationship between education and the economy. It is no longer just the preferred way to join the middle class, it is becoming the only way.

So there are still some high school jobs left, but there are only about one of those for every 15 people who get no education and training after high school, and those jobs pay about \$35,000 a year. With experience and promotion, you can go to \$45,000 or \$50,000 in some of those jobs, but most of them not so. And those are the jobs that are being eliminated or the education requirements are increasing.

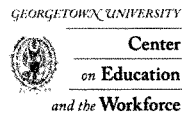
So it becomes important that we focus on the programs, not the degrees. And programs have wildly different earnings returns, even at the BA level. If you go get a degree in petroleum engineering, you will make \$120,000 a year, if you become a high school counselor, you will make, on average over 40 years, about \$30,000 a year. There is a difference there of almost \$2 million. So it matters. We need to have much better information on the relationship between programs and earnings, and that, in the end, is what this set of regulations begins to do.

I think in the end these regulations are exactly of the right sort. They are regulations that will make markets work better. Information is what makes markets work better. The collapse in the financial community was in large measure due to the fact that we had no information. Bankers didn't know any better who they were loaning money to than they knew the people who printed the money. So the postsecondary system, people, I think, students, parents, and legislators, have a right to know what the earnings returns are to higher education programs, especially now when public resources are so precious. We are at least \$30 billion low if we intend to meet the President's goal of becoming the number one Nation in the world in postsecondary attainment.

Ms. FOXX. Mr. Carnevale, thank you very much.

Mr. CARNEVALE. Thank you.

[The prepared statement of Mr. Carnevale follows:]



Written Testimony Submitted by Anthony P. Carnevale
 Director, The Georgetown University Center on Education and the Workforce

Before
 The Subcommittee on Higher Education and Workforce Training
 and
 The Subcommittee on Regulatory Affairs, Stimulus Oversight, and Government Reform

July 8, 2011

Good Morning. Madam Chairwoman, Mr. Chairman, Ranking Members, and esteemed Members of the Subcommittees, thank you for the opportunity to speak with you about the gainful employment rule.

I am the Director of the Georgetown University Center on Education and the Workforce, a non-partisan, independent public policy think tank at Georgetown University that focuses on higher education policy from a workforce perspective. Our mission is to research the connections between education, career qualifications, and workforce demands. We aim to promote equity and efficiency in postsecondary education and more tightly link education and labor markets.

This is no longer our grandparents' economy, where persistence enabled those willing to work hard the chance for economic stability. Postsecondary education has effectively become the nation's workforce training and development system, and is increasingly the arbiter of economic success and mobility in our society. Today, access to the middle class is contingent upon access to (and successful completion of) postsecondary education and training. The data are unequivocal about this point—and into the future, the trend will continue. By 2018, 63 percent of all jobs in the U.S. will require some form of postsecondary education or training, and the fastest-growing sectors of the economy are those that require postsecondary education.

Students and parents have recognized this new reality, and the result has been an incredible surge in the demand for all kinds of postsecondary education and training. There have been record enrollments across all institutions of higher education. Unfortunately, there has not been a concomitant growth in the availability of information that students need to help them make good choices about what kind of education and training they need, and for what kinds of jobs. The dizzying array of postsecondary education and training providers has made the task for consumers much more difficult. The higher education market has become increasingly complicated and difficult to navigate.

1

Although most people know that the earnings potential of a Bachelor's degree-holder is much greater than the earnings potential for a high school graduate—in fact, it is 84 percent over a lifetime—they may not be aware the role that actual program of study plays in determining earnings. For example, even among Bachelor's-degree holders, the difference in earnings by major can be as much as 314 percent. Likewise, someone earning an Associate's degree or certificate in engineering will earn far more than someone who earns the same credential in criminal justice or cosmetology—and we believe that people deserve to know what exactly that difference is, even if it doesn't change their eventual choice, because it will affect the way that they live the rest of their lives.

The public and non-profit sectors have been unable to accommodate the demand for postsecondary education, and the result has been the breakneck expansion of the for-profit sector. The for-profit sector has many strengths and is a necessary component of a functional higher education system. It has been wildly successful in enrolling non-traditional students, especially older students, minorities, and hard-to-serve students. Moreover, the for-profit sector has proven adept at creating and refining a model of postsecondary education that works for students, offering flexibility not found in other sectors. The sector also provides much-needed added capacity at a time of limited public funding.

These strengths should not, however, conceal the sector's manifest weaknesses. A few bad programs have unjustly tarnished the reputation of the entire industry. Still, the for-profit sector consistently has much lower graduation rates than other sectors—even when serving the same types of students. For example, at four-year public institutions, 65 percent of students had obtained any credential after six years. At private, non-profit institutions, that number is 70 percent, while at for-profit colleges, only 34 percent of students had obtained *any* credential after six years (Figure 1).

Moreover, for-profit colleges have alarmingly higher default rates than public and not-for-profit institutions. Although the for-profit sector enrolls about 13 percent of all students, they represent 48 percent of all defaulters on federal student loans (Figure 2).

Simply put, in the current budgetary climate, we can't afford the system we have now. Defaults on federal student aid directly cost the taxpayer a billion dollars annually. Indirectly, the real cost is higher—in the form of lost earnings to individuals, and ultimately lost productivity to the economy. We estimate the annual cost of default at all institutions in terms of lost lifetime earnings to be \$61 billion. Of this, \$24 billion of these losses are attributable to the for-profit sector.¹

¹ We calculated this number by assuming that all defaulters (from all institutions) either did not graduate or did not translate their degree into a successful labor market outcome. Hence, the individual cost in terms of lost earnings of the default is the difference between their lifetime earnings at the level they did not obtain and the lifetime earnings of the level of educational attainment below that (using the lifetime earnings figures in the forthcoming Center report, *The College Payoff*. The default numbers come from an analysis by Mark Kantrowitz of FinAid.org "Default

In addition to the costs of an unrealized future, many students are faced with a grim present reality: paying back unmanageable debt without having a decent job. Although the taxpayer suffers from these losses, the impact of default is felt most profoundly by the students who lose a viable opportunity to join or stay in the middle class and who will be hounded by the federal government for repayment throughout their working lives. It makes their lives more difficult, ruining their credit and making it tougher for them to buy a house or a car. Allowing a minority of non-performing programs to continue is not in anyone's interest—not the for-profit industry, not the students, and not the taxpayer.

As has often been pointed out, the worst effects of default reverberate throughout the low-income and minority student communities. The data shows that non-performing programs take the lion's share of responsibility for these defaults. The principal cause of default, in other words, has little to do with student characteristics such as their low-income and/or minority status. The primary cause of default is linked to the inability of programs to leverage sufficient earnings-improvements, not student characteristics.

Enforcing greater efficiency in our postsecondary system will benefit the entire postsecondary system. The gainful employment rule strikes a balance in correcting these inefficiencies as much as possible while still maintaining student choice and the autonomy traditionally granted to institutions in our higher education system.

The gainful employment rule is not a job-killer. Institutions are free to allocate their money from non-performing programs to new and higher-performing programs, as indeed, prior experience and economic theory predicts that they will. If anything, this regulation improves the labor market, protecting the value of credentials in the market by steering students to proven programs.

Instead of being primarily punitive, the effect of the regulation will be to improve programs. The Department has come a long way from its initial proposed rule.

In reality, the primary effect of the gainful employment rule will not be shuttering programs. The Department of Education has capped program ineligibility at 5 percent, although they estimate that only 2 percent of programs will become ineligible.

By giving institutions many options on how to meet gainful employment standards and by instituting a three-strikes-in-four-years-and-you're-out policy instead of a one-and-done rule, the Department's data demonstrates that its rule is not about shutting down programs, but about improving them. The new rule has also given programs more time to come into compliance; instead of ineligibility beginning in 2012, as originally proposed, programs will not become ineligible until 2015. What's more, the Department also re-defined debt 'repayment' in a more lenient—and appropriate—way. In addition to other changes, the Department also attempts only

Rates by Institution Level vs. Degree Program." This report uses the National Postsecondary Student Aid Study (NPSAS) as its data-set.

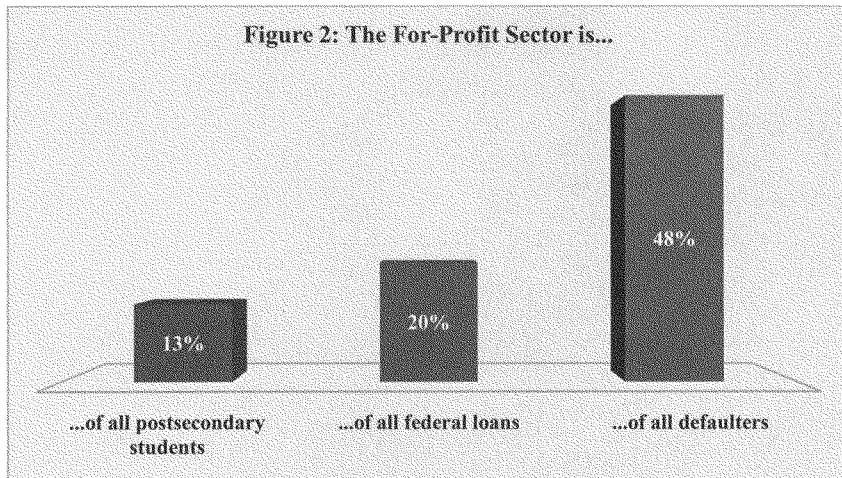
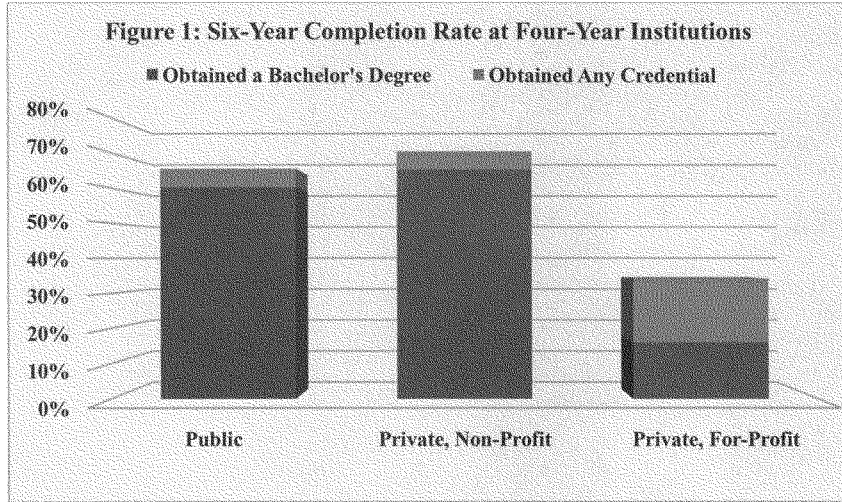
to account for what an institution can control by only considering debt from tuition and fees, and not all student debt, which may be related to living and other expenses not in the control of the institution.

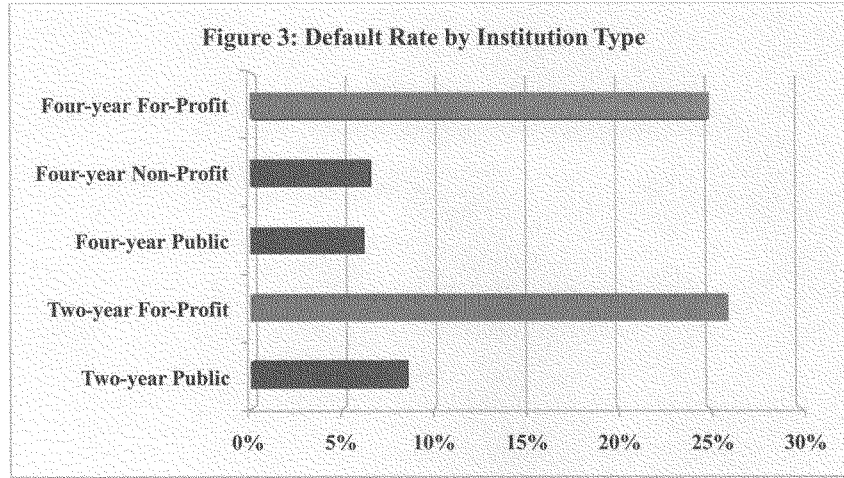
Further, the rule reflects a preference for disclosure and preserving healthy market competition rather than punishment. The regulation will make markets work better by providing consumer information for both students and institutions while preserving competition. Greater market efficiency will be a boon to both taxpayers and students, not to mention to the for-profit sector itself.

The Department has moved one step closer to a more comprehensive information system by mandating full disclosure about program costs, loan repayment rates, completion and placement rates, debt measures, and other key information for all institutions, not only those that are in danger of becoming ineligible. Having this information available allows students to participate as more informed consumers in the higher education marketplace. It will allow the system to prevent problems before they occur. The disclosure aspect of the rule helps preserve a healthy competition between the increasing numbers of institutions and programs entering the market.

Good information systems that link education and careers will not eliminate, but would minimize, the future need for aggressive federal oversight or expensive, additional state-level regulation. Such a system, which is also currently under various stages of development at the state level, will save the taxpayer money, not just in terms of reduced regulatory burden, but also in terms of lower student loan default rates. Better information prevents failure and in this case, an additional ounce of prevention is surely less onerous than another pound of the regulatory cure.

Thank you very much for your time this morning. I am happy to answer any questions the Members may have.





Ms. FOXX. Ladies and gentlemen, I think we should go vote, and then I would urge you to come back immediately after the last vote and we will continue the hearing.

Thank you all very much, and I am sorry to have this recess, but we need to go vote. Thank you.

[Recess.]

Ms. FOXX. We want to thank everyone for their patience in the delay that we had because of votes. We appreciate your coming back today. And I like to reward people being on time and doing what they are supposed to do, so I think we will go ahead and ask Mr. Alford if he now would present his 5 minute testimony. Thank you, Mr. Alford.

STATEMENT OF HARRY C. ALFORD

Mr. ALFORD. Thank you, Madam Chair. Committee Chairs and distinguished members of this joint subcommittee, thank you for allowing me to testify today. I am president and CEO of the National Black Chamber of Commerce, which represents the fastest growing segment of American small business, Black-owned businesses.

At the inception of the NBCC in 1993, there were 300,000 Black-owned businesses doing \$33 billion in annual sales. Today there are more than 1.9 million Black-owned businesses doing over \$138 billion in annual sales. This fantastic growth leads to a growing demand for a larger educated workforce.

But a study by Stanford University shows unemployment among all teenagers at 24.2 percent; among Black teenagers, regardless of gender, the rate is 41.6 percent; but among Black teenage males the rate is a very dangerous 45.5 percent. Nearly half of that population is unemployed. The percentage of these young people who will be enrolling at the University of Southern California, Ohio State, etc., will be very small, indeed. The best alternative is proprietary schools.

The above is made all the more crucial when you look at the educational access. The Bureau of Labor Statistics data shows that Americans with less than a high school diploma have an unemployment rate of 14.7 percent; those with a high school diploma, 9.5 percent; those with Associate degree or certificate, 8 percent; and those with a Bachelor's degree, 4.5 percent. We can reach but one conclusion. It should be the primary goal of the Federal Government to provide as many young minority Americans as broad a range of educational opportunities as possible.

Why is the Department of Education targeting for-profit schools with a vengeance that will harm a certain segment of our population? The gainful employment rule is a job killer. Incredibly, proprietary schools serve 52 percent of these high-risk students, while nonprofit schools serve only 9 percent and public schools serve a paltry 6 percent. Furthermore, 49 percent of the students enrolled at for-profit institutions are low-income, as opposed to just 18 percent; at public schools, also 50 percent of the students attending for-profit colleges are minority students, compared to just 34 percent at public schools.

So the problem at hand is that minority students are already at a great disadvantage. And now the Department of Education has

made it worse by shutting down a major path to education and jobs. The Department of Education has drifted over into a lane reserved for the Congress of the United States, making laws. That the department has created this rule is harmful enough. The process was definitely flawed, if not corrupted. We want to draw your attention to questions that beg your intervention.

We know that secret meetings took place between department officials and Wall Street short-sellers that were placing heavy bets against the share prices of for-profit schools. What was going on?

We know that the department assembled a covert group of allies, including former employers of department staff, short-sellers and competitors of the for-profit industry, and that they traded secret information against the code of the rulemaking process. The question is what was going on?

We also know that department officials elicited negative information about for-profit colleges from the secret cabal, and the information was provided even when it was deceptively collected. What was going on?

We know that the department relied heavily on a now discredited GAO reported, but never withdrew this report from their process of consideration. What was going on?

We know that the department assembled a biased rulemaking committee composed of a 16 to 1 ratio, meaning that there was no opportunity for the industry and the minority students they represent to have a fair voice in the proceedings. What was going on?

We know that the department was intent on punishing proprietary colleges from the very beginning, even while America's higher education challenges confront every type of institution. So what is the joint subcommittee going to do to address student debt, academic performance, and occupational preparation at every college in our Nation?

In conclusion, the gainful employment rule is now the law of the land and will have grave consequences on hundreds of thousands of minority students. We want to remind everyone that to qualify to public assistance programs, proprietary schools must meet exactly the same academic standards set by the same accreditation agencies as Harvard or Penn State. The fact is that the opponents of proprietary schools are really trying to mask the same concerns that all colleges share, such as student debt, academic performance, and occupational preparation.

The Black employers that I represent hope you will work together to find solutions to these vexing challenges, rather than make a scapegoat out of for-profit schools. The biased and corrupt process which produced this rule should be reversed through the Congressional Review Act or some other means.

Thank you, and I look forward to your questions and discussions. I yield 8 seconds.

[The prepared statement of Mr. Alford follows:]

Testimony

Greetings Mr. Chairman and members of this joint committee. My name is Harry Alford and I am the President of the National Black Chamber of Commerce. The Black Chamber serves 100,000 Black owned businesses. There are 1.9 million Black owned businesses in the United States. Black businesses account for over \$138 billion in annual sales. The National Black Chamber of Commerce is dedicated to economically empowering and sustaining African American communities through entrepreneurship and capitalistic activity within the United States and via interaction with the Black Diaspora.

Mr. Chairman, I am here today because the Black owned businesses that I represent rely on graduates of proprietary colleges targeted by the recent Gainful Employment Rule. These proprietary colleges serve minority, low-income, and high-risk students at much greater numbers than traditional four-year institutions and have more success doing it.

As issued by the Department of Education, the Gainful Employment Rule will limit college access to scores of minority students. The Department, which had no authority to make law in the first place, nevertheless made several significant blunders. Making law is the job of the Congress and so today I am asking you to right this wrong, eliminate the Gainful Employment rule, and initiate the necessary higher education reforms across all sectors, rather than just discrimination against one.

Black businesses, like all businesses, are suffering today from high unemployment. The figures supplied by the Bureau of Labor Statistics covering unemployment through May, 2011 show the disparity in joblessness not just between races, but shows a clear trend line between educational levels attained and the likelihood of being unemployed.

As an example, along the racial axis, a study by Stanford University shows unemployment among all teenagers is 24.2%. Among Black teenagers, regardless of gender, the rate is 41.6% but among Black teenage males the unemployment rate is a very dangerous 45.5% - nearly half of that population is unemployed. The percentage of these young people who will be enrolling at the University of North Carolina or the University of Texas this Fall is very small indeed.

This is made all the more crucial when we look along the educational axis. The BLS data show that Americans with less than a high school diploma have an unemployment rate of 14.7 percent. Those with a high school diploma, 9.5%. For Americans with some college or an Associate Degree or certificate the rate is 8.0%. And for those with at least a bachelor's degree the unemployment rate is 4.5%.

Putting these data together on one graph allows us to come to only one conclusion: It should be a primary goal of the Federal government to provide as many young, minority Americans as broad a range of educational opportunities as possible.

There are those who complain that the Federal government is spending too much on financial assistance to students attending career colleges. Let's take a brief glance at those numbers. A typical unemployment check is about \$330 per week that produces monthly assistance in the range of \$1,420 per month per recipient.

There are about 13.1 million Americans currently unemployed. Multiplying 13.1 million times a monthly check of \$1,420 leads us to an astonishing Federal expenditure of just under a quarter of a TRILLION dollars per year. Think about the difference in the debates you are having in this very building if a significant percentage of those people drawing unemployment –

because of a lack of education – were, instead on a payroll – paying taxes instead of consuming Federal and state dollars.

Mr. Chairman, let me speak candidly: Proprietary colleges are the only broad group of institutions of higher learning which are stepping up to the plate and taking on the daunting task of educating “high risk” students. “High risk” is a classification defined by the Department of Education; it includes a combination of factors such as income and employment status. Incredibly, proprietary schools serve 52 percent of these “high risk” students while non-profit schools serve only 9 percent and public schools serve a paltry 6 percent.

Two more facts further demonstrate this point:

- 49 percent of students enrolled at for-profit institutions are low income, as opposed to just 18 percent at public schools; and
- Over 50 percent of students attending for-profit colleges are minority students, compared to just 34 percent at public schools.

These facts tell us, Mr. Chairman, that the rigorous implementation of the Gainful Employment Rule will not shift students from career colleges to traditional schools. They will simply be frozen out of the educational marketplace with the result impairing their employment prospects – and on society as a whole – as I outlined above.

There are those who point to America’s highly developed network of community colleges and ask why they can’t take up the slack. It is well documented that in almost every locality, community colleges are oversubscribed and current budget crises in every city, county and state make untenable the major capital projects which would be necessary to provide the facilities and faculty for these at-risk students.

So the problem at-hand is that minority students are already at a great disadvantage and now the Department of Education has made it worse by shutting-down a major path to education and jobs. The Department of Education has drifted over into the lane reserved for the Congress of the United States – making laws. *That* the Department created this rule is harmful enough. *How* they went about doing it deserves the closest possible scrutiny from this Committee.

Let me spend just a few minutes, Mr. Chairman, on the deeply flawed process which was employed by the Department of Education in developing the Gainful Employment Rule.

There was never a doubt that certain employees of the Department went into the process with the sole purpose of making it as difficult as possible for these institutions to continue operating on behalf of their student populations. Attached to these written remarks I am providing a legal brief titled, “Review of Gainful Employment Process as a Breach of APA Rights.” However, in the interest of time, I want to draw your attention to six questions that beg your intervention:

1. We know that secret meetings took place between Department officials and Wall Street short-sellers that were placing heavy bets against the share prices of for-profit schools. But the question is: Were those meetings illegal and if they were, what are you going to ensure that short-sellers don’t manipulate the Federal rule-making process for their own personal gain?¹

2. We know that the Department assembled a covert group of allies – including former employers of Department staff, short-sellers, and competitors of the for-profit industry – and that they traded secret information against the code of the rule-

¹Godown email to Bergeron/Manheimer, et al, 8/25/09 11:08 AM (Tab 17); Desai email to Manheimer/Bergeron, et al, 10/28/09 5:03 PM (Tab 19).

making process. The question for this Committee is: What are you going to do to ensure the Department gives a fair shake to those they chose to regulate?²

3. We also know that Department officials elicited negative information about the for-profit colleges from this secret cabal and that information was provided, even when it was deceptively collected. So another question for the Committee is: How can you prevent the Department from fishing for and then promoting intentionally bogus information to support their prejudiced conclusions?³

4. We know the Department relied heavily on a now-discredited GAO report⁴, but never withdrew this report from their process or consideration. What impact did this bogus report have on the Rule and how can its impact be extracted?

5. We know that the Department assembled a biased rulemaking committee composed of a sixteen-to-one ratio – meaning there was no opportunity for the industry, and the minority students they represent, to have a fair voice in the proceedings. The question is that if the deck was stacked from the beginning, how are you going put the genie back in the bottle?⁵

6. The Department acknowledged that it was intent on pursuing proprietary colleges from the very beginning⁶ even while America's higher education challenges confront every type of institution. So what is the joint committee going to do to address

²Ibid

³Manheimer email to Desai, 4/2/10 4:03 PM (Tab 31); Desai email to Manheimer, 4/8/10 4:09 PM (Section 2 Tab 1)

⁴ Secretary Duncan letter to Chairman Harkin and Ranking Member Enzi, 8/13/10;

<http://www2.ed.gov/policy/highered/guid/secletter/100817.html>

⁵ List of Negotiators: Program Integrity Issues, U.S. Department of Education, 1/25/10

<http://www2.ed.gov/policy/highered/reg/hearulemaking/2009/2009-2/team-one-negotiators.pdf>

⁶ Dept of Education press release, 10/28/10; <http://www.ed.gov/news/press-releases/department-education-establishes-new-student-aid-rules-protect-borrowers-and-tax>

student debt, academic performance, and occupational preparation in every college in the country?

And the list goes on and on. It reminds me, Mr. Chairman of that scene from "Guys and Dolls" where someone produces a pair of dice with no dots. The gambler says "That's not a problem. I know where they are."

But lest we not forget, the outcome of this biased and corrupt process is not a joke. As I mentioned at the beginning the Gainful Employment Rule is now the law of the land and it will have grave consequences on hundreds of thousands of minority students.

In conclusion, Mr. Chairman, I want to remind everyone that to qualify for public assistance programs, proprietary schools must meet exactly the same academic standards set by the same accreditation agencies as Harvard or Ohio State. The fact is that the opponents of proprietary schools are really trying to mask the same concerns that all colleges share, such as student debt, academic performance, and occupational preparation. The Black employers that I represent hope you will work together to find solutions to these vexing challenges, rather than make a scapegoat out of for-profit schools.

Take a look at this process, Mr. Chairman, and I think you will come to the conclusion that a remedy is necessary. The biased and corrupt process which produced this rule should be reversed through the Congressional Review Act or some other means.

Thank you, Mr. Chairman. I look forward to a lively and important discussion.

Ms. FOXX. You get the star, the gold star for not going over your time today, Mr. Alford. Thank you very much for your comments and, again, we appreciate your patience in waiting for us, and we are very happy that Mr. Kucinich has joined us.

I just want to make a couple comments, brief comments, and then I am going to ask a couple of questions. Then we will take turns, as members of the committee, asking questions of the panel members.

I first want to read a statement that was in the letter from Congressman Towns, who asked us to have this hearing because I think it fits well into a comment that I would like to make based on Mr. Carnevale's comments. In Mr. Towns' letter, he says, "Mr. Chairman, I know there is good faith disagreement as to whether the GE regulations, as written, are right or wrong, needed or not needed. But there is one principle on which we all should be in agreement, and that is a rulemaking that allows non-elected government officials to establish policy and have the force of law must be fair, unbiased, and transparent." And then he asks that we have this hearing as soon as possible.

Mr. Carnevale, I was very interested. I am a person who has had some experience in higher education and I was very interested in your comments about the need to focus on programs and not degrees. I have long agreed with that. I very much agree, I think even more so, that we should focus on skills, and not necessarily on degrees. I don't agree with you that regulations make markets work better, necessarily, but I do think that having information is very important, which is a big point that you made.

And it seems to me that if that is true for one sector of higher education, it is true for all sectors of higher education; that we need students to have accurate information about the return on their spending or their investment. I don't think government makes investments, but people make investments; they make investments in money and in time. Therefore, I think you made a great case for the fact that if we are going to have regulations like these, they should certainly apply to everyone. So I appreciate very much the comments that you made.

I would like to ask Dr. Cortes a question. As you know, the Department of Education recently made a number of changes to the final gainful employment regulation. Do these modifications allay your fears that the regulations are going to negatively impact students attending proprietary colleges?

Mr. Cortes. Chairwoman Foxx, I do believe that even with the re-defined rules, the rule itself is complex, difficult to manage from both ends, from our institutional ability to carry the task of identifying and to getting the data correctly. I think it is also very difficult from the Federal side to really be able to coordinate the ability to gather all the data and then having a matrix that allows them to determine and make decisions for institutions without having all the dots connected.

So I do believe that the rule, although it is more flexible than it was in the original, it still doesn't have the transparency, it doesn't have the connection that is needed for us in the trenches, as educators, to be able to spend, as I said earlier, significant

amount of time gathering data and our concern about teaching and learning and providing the education that we need to our students.

We had taken significant amount of time at Berkeley College alone to try to gather the details that we need by July 1st to be able to comply with some of the rules that just came down, so I think institutions in our sector in particular have been affected by this significant and targeted way in that not all the institutions are treated equally, that this GE rule is only applied to the for-profit institutions. I think it is unfair and not equitable.

Ms. FOXX. Do you want to say anything more about the Social Security Administration data that the department plans to use? I mean, you touched on it in your comments. And we only have about 30 seconds, so let me let you keep that in mind.

Mr. CORTES. Absolutely. I think not only the privacy of the data and the confidentiality of Social Security information, but again, as I said earlier, I don't see how that data base, along with the information that is being required, is going to be able to be managed in a way that will maximize the ability to make choices by the Federal Government to our institution's welfare and well-being.

Ms. FOXX. Thank you very much.

Mr. Kucinich, I would like to recognize you for 5 minutes.

Mr. KUCINICH. I thank my friend, the gentlelady, the Chair.

I want to speak about the high default rates at for-profit institutions. Staff, could you put up display chart number two, if it is available? Thank you.

According to the February 2011 data released by the Department of Education, defaulters from for-profit colleges disproportionately account for 48 percent of student loan defaults across all higher education sectors. It is also true that 64 percent of the students at for-profit colleges are low-income minority students. Since these students are over-represented at for-profit schools, they make up the majority of the default rates caused by for-profit institutions.

Now, Dr. Carnevale, some for-profit colleges have argued that their high default rate is due to the fact that they disproportionately serve low-income minority students who are more likely to have financial stresses, and there is an assertion that that is the reason why you end up with so many defaults. But I am just wondering if a more accurate description of defaults is that low-income minority students at these for-profit colleges are more likely to default because for-profit colleges have tuition costs that are, in some instances, eight times greater than nonprofit public colleges and thereby put those minority students who attend them in greater jeopardy just because of the sheer amount of expense and debt that they have to incur.

I would like your response to that.

Mr. CARNEVALE. The social science on this is interesting and somewhat surprising, frankly, to me. We ran these numbers and expected to find, as we did, that there is a disproportionate affect on minorities and low-income students. But when you run statistical tests to figure out what the cause is, what comes through very clearly, and, again, it surprised me, was that the cost and the low wage rate is the principal determinant of default. There does seem to be, in some ways, when data—

Mr. KUCINICH. You want to explain that? When you say cost and the low wage rate, what do you mean?

Mr. CARNEVALE. That is, the reason people aren't paying the money back is they aren't making enough money to do it, which I know is, in some sense, logical, but you never expect that in social science. So it was really very striking in the numbers. That is, the fact that people don't repay is because they can't repay, and—

Mr. KUCINICH. But let's look at another variable here, which is a dependent variable, because when you look at the fact of the cost that nonprofit colleges have for an education, there is multiples of that cost, as opposed to other colleges. Wouldn't you agree with that?

Mr. CARNEVALE. Oh, sure. But one of the things that—

Mr. KUCINICH. You may not making enough money, but the mountain you have to climb of debt is much larger if you are going to a for-profit college.

Mr. CARNEVALE. Yes. And the size of the debt does appear to have a direct relationship on repayment; that is, people are intimidated by the debt, I guess is the way to say it.

Mr. KUCINICH. But let's not miss the connection. The size of the debt comes from the amount of money that people are charged for their education.

Mr. CARNEVALE. Yes. This is part of this whole discussion that really is sort of a couple horizons away. We are talking about, in the end, in the short haul, whether the programs are worth it. But then there is a question that we haven't really addressed yet, is should the programs be least cost. That is, you can get two programs that are essentially the same thing; one in a community college will end up costing you eight grand or nine grand, and a for-profit college cost you multiples of that. Should the government be concerned about the cost differential? That really doesn't come up much in this debate.

Mr. KUCINICH. Well, it is coming up now.

Mr. CARNEVALE. Yes, you have brought it up.

Mr. KUCINICH. And I think that this committee is the proper forum for us to determine whether or not the low-income minority students who are experiencing these high rate of defaults are in a situation where they are boxed in by the extraordinary cost at for-profit colleges, because when you are coming from an inner city background, that is where I came from, I can tell you that going to college is like a dream and people will do anything to do it, including, Madam Chair, taking on extraordinary expenses and getting over their heads and sometimes putting themselves in a position where they are in debt for the next 10, 15 years of their life. But the default rate, how do we deal with that?

I want to thank the Chair for her indulgence in giving me some extra time here. Thanks.

Ms. FOXX. Thank you, Mr. Kucinich.

Mr. Petri.

Mr. PETRI. Thank you very much, Madam Chairman, and thank all the panelists for the effort that you made to be here today and to prepare your testimony.

I had a couple questions of Ms. Carpenter. First, I wondered if I could give you an opportunity if you had any reaction to the

points made by your fellow panelists, I would be interested in hearing them.

Ms. CARPENTER. Thank you very much, Congressman Petri. I do have some impressions. As a layperson, a parent, a graduate, clearly, I am thrilled that there is more public discourse on the topic of educational reform as a whole. I think it is a vital vehicle by which Americans of all socioeconomic sectors in our society can use to attain their personal pursuit of the American dream.

And given my experience in reentering the workforce in a dramatically changed economic environment, transitioning from an industrial-aged society, of a more nationally oriented business economy to one that is far more global, more technologically advanced, clearly, we are living in times of transition and, once again, as I stated in my testimony, we are now faced, as a Nation, in addressing the appropriate responses in the educational forum to meet the demands and needs of our society and our economy. So thanks to all of you for giving very important consideration to what the best reform would be.

Beyond that statement, I would really defer to other people who are more professionally invested in the process to speak specifically to the issue of what is before us for the gainful employment regulation. I am not as well informed as others on the panel who have given testimony, but clearly they have important input for the panel.

Mr. PETRI. When we met and you participated in a little different panel in Madison, WI, you indicated that probably because of your training at Herzing, but mainly because of your work with an international company where you are dealing with hiring and evaluating possible employees or current employees all over the world in high tech areas, your company was working computer programming and the like, you said people—it was sort of a cry from the heart, if I remember, that people better start waking up as to what is really going on and not be too self-indulgent and assume that we will just continue in the future as it has been in the past. I wonder if you could expand that.

You and other employers who operate not just in the United States, but in other countries, have a perspective we ought to be learning more about because you are dealing with young people who are looking for jobs, doing essentially the same thing but whether they are from India or China or Africa or Europe. What is your perspective on how well we are doing or whether that assessment is accurate, that we are a little self-indulgent here?

Ms. CARPENTER. There are certain skill sets that are in severe shortage within the tech sector in which I work, so, yes, we do work with people in multiple countries in providing the research and development work that is necessary for my company, Quest Software, which is a publicly traded company on the NASDAQ based in Orange County, California. For them to be able to hire enough qualified employees, we do employ people from all over the globe.

I personally work on a research and development group that writes enterprise level software. I have coworkers who reside in Russia, China, New Zealand that I meet with weekly, sometimes daily, depending on where we are at in the development cycle.

Many of these individuals are working for an American corporation speaking in a second language, English is our predominant language of the business, layered on top of the very technical skills they have acquired.

It is critical that Americans wake up to realize that in order to be successful in business, you will most likely be doing business with people as coworkers from all over the globe. Therefore, our skill set in language skills, cultural sensitivity skills, as well as the technical background, is really critical for success. And how do we attain those things but through our educational institutions in providing the curriculum and programs that are adept to train our work force and still lead the Nation in our economic and workforce development.

Thank you.

Ms. FOXX. Thank you, Mr. Petri.

Mr. Cummings.

Mr. CUMMINGS. Thank you very much.

I would like to thank our witnesses for being here today. Your testimony has been extremely helpful. The thing that I, Ms. Carpenter, as I listened to you, first of all, we are very proud of you and what you have accomplished. You are not the person who we are most concerned about because you have done well. It is the ones that don't make it. There is a description in the Bible, Jeremiah 15:9, that says, "Her sun set while it was still day," meaning that there are people who have opportunities and they still have life, but something happens in their life that causes their dreams to die. Those are the people that we are concerned about. Their sun set while it is still day.

On that note, Mr. Carnevale, when I look, it says both the Senate Health Committee and the Education Trust have reported that for-profit colleges often have tuition rates much higher than those of local colleges. These for-profit tuitions can be as much as five times that of local community or 4-year public colleges. If a student chose to attend Berkeley, Dr. Cortes, a for-profit institution, to obtain a 2-year Associate degree, it would cost her about \$41,400 in tuition fees. However, if that same student chose to go to the City University of New York Community College in Manhattan, it would cost her \$6,496 over the 2-year period for the same degree.

I want to go to you, Dr. Cortes, then I want to come back to you, Dr. Carnevale. Dr. Cortes, what justifies Berkeley's tuition costing nearly \$35,000 more than a public community college?

Mr. CORTES. Thank you, Congressman Cummings, for the question. Absolutely, I think the value of a Berkeley education consists of small classes, faculty who are practitioners in the field, students who have the ability to get a required internship as part of the requirement for graduation, the ability to be placed in the job, faculty, as I said earlier, that are faculty doctorally trained, the ability to have small groups of students working together in order to engage in their graduation. But more important I think is the ability for institutions like ours in the private sector is about capacity. It is really to look at what President Obama has indicated that—

Mr. CUMMINGS. And what do you do for retention? Do you use any of that money that you make for retention?

Mr. CORTES. Absolutely. We invest over \$37 million back institutionally to assist students through scholarships and grants to subsidize the additional money that they don't have, besides what they get from Pell or TAP in New York or TAG in New Jersey. So we do invest significantly not only in our own income going back to the students, because we know they need it. The average salary—

Mr. CUMMINGS. But is that what most of these schools do?

Mr. CORTES. Well, I can only speak for my school.

Mr. CUMMINGS. Right. And that is part of the problem. I understand that and I appreciate that.

Mr. CORTES. Sure.

Mr. CUMMINGS. But, Dr. Cortes, you describe much of your student population as being at-risk, is that right?

Mr. CORTES. Absolutely. The majority of our students need significant remedial work. We instituted, for instance, this coming year, a bridge program that will allow students to take courses for a period of about 5 weeks. We don't charge any tuition, it is almost like a trial period. We allow the students to make sure that they don't get into loans, that they are not paying tuition.

Mr. CUMMINGS. But 51 percent of your students take on riskier loans, do they not?

Mr. CORTES. I am sorry?

Mr. CUMMINGS. Fifty-one percent of your students take on riskier loans, is that not correct?

Mr. CORTES. Well, I don't know if they are riskier; they take loans. But the difference between what they cannot afford between Federal and State aid and the \$37 million that we give, that is what the students need to—

Mr. CUMMINGS. Dr. Cortes, you understand what I am saying, don't you?

Mr. CORTES. Sure I do.

Mr. CUMMINGS. You understand that we are concerned about people whose dreams are taken away and then they leave school with two bags, one with nothing in it and the other with debt marked all over it. And then their dreams are not deferred, but they are killed. You understand that, right?

Mr. CORTES. I understand that.

Mr. CUMMINGS. And there are a whole lot of them. So I hear people talk about minority students and how they feel so happy about all these opportunities, but for every one that graduates there are seven or eight that have fallen by the wayside, in many instances never to return to college. Never. That is criminal. Criminal.

Mr. CORTES. Absolutely. I am a product of a public school New York City education and I am a product of a community college, so I can speak from real life experience. I do believe that what we do in our sector, we take students who are so much at risk, we are able to get students to a point of graduation.

I will give you an example. In the great city of Newark, New Jersey, where the high school dropout rates are over 50 percent, if we can get four students out of ten to graduate from that great city of Newark, we are doing a tremendous service to the city of Newark because those four students, without Berkeley in that vicinity, in that local area, will not be going to college because they cannot

go to a community college, they are not going to the private institutions or the public because of capacity.

Mr. CUMMINGS. Thank you, Madam Chair. And the other six are left in debt.

Mr. CORTES. No, they are not.

Mr. CUMMINGS. Well, what happens with them?

Mr. CORTES. They are not. They either—they did not continue. They have to go back to work. Many of them have to exist by working.

Mr. CUMMINGS. So the debt is extinguished?

Mr. CORTES. No. Many of the students who enter will be able to complete. If I give the example of the four that graduated, the other six are able to come back and return and finish their degree if they are able to come back.

Mr. CUMMINGS. Thank you, Madam Chair.

Ms. FOXX. Thank you, Mr. Cummings.

Mr. Meehan.

Mr. MEEHAN. Thank you, Madam Chairman, and thank you for the opportunity to participate in this hearing today on this. I think we all share the concern of trying to assure that the funds that are forwarded to the students are repaid, but I am struggling with the issue here in which we are treating the for-profit institutions in one way and we aren't really analyzing the same effect in the not-for-profit institutions.

I, for one, have benefited from a number of college students who are volunteering to work in my office because they can't find jobs, and yet they are tens of thousands of dollars in debt. So if we are going to use a standard, I am struggling with the regulation. We have now come up with rules and we are going to determine, we are going to hold people accountable to a standard.

Mr. Carnevale, I know you have discussed this a little bit and tried to look at this issue. Is it fair for us to hold the not-for-profit institutions in a different category than the for-profit if we are making these analyses on a year-by-year basis, first, and then, second, a lot of kids come out, they struggle for a year or two, then they get that first job. Should we be doing this the next year or should we be waiting 3 or 4 years to make this calculation?

Mr. CARNEVALE. The regulation essentially gives the institutions 4 years, so it extends over a fairly lengthy period of time, and the calculation in terms of loan repayment allows 10 years for AA and some college, 15 for a BA, and 20 for selected programs like dental programs and so on. So in that sense it is not, I think especially the amended regulation here, the way to think about this, truthfully, is the brunt of this is aimed at program improvement. The penalty part of this is very marginal, frankly; it is only 2 percent of the total, it is capped at 5. This is essentially a device for moving programs toward higher labor market value, is in the end what it is.

The other point raised by Mr. Cummings is that it is true, the institutions get three strikes on this; the students just get one. That is, if you end up with a huge debt, first of all, whether you are default or not, you are not likely to return to school, and they don't, we know that. And that relates directly to the size of the loan and the wages that the program leveraged that allows them

to pay it back. So it matters which program it was and then the other difficulty for the students is you only get one bite at the apple, because you can't go back and get more debt to go to school.

Mr. MEEHAN. Mr. Alford, would you respond to this, because I think I have experienced, as I have visited institutions across the range, from community colleges to my universities, too, some of the schools and the for-profit schools. Many of the students in the for-profit schools are nontraditional students.

In fact, this is one of the real opportunities they have where somebody is reaching back to them and saying I am going to give you a chance; I am going to give you a skill that you can then take and find a way to gain employment in a very difficult market. And what I am concerned about is the potential that this higher standard may lead to a situation where those kinds of schools will say, fine, we are going to now stop reaching back to that student who is the least traditional, who is the toughest reach, because that is the most likely to fail; let's just go find the safe middle.

Mr. ALFORD. Cherry pick.

Mr. MEEHAN. So would you please tell me what your perspective is on that?

Mr. ALFORD. Yes. I think it would have a devastating consequence on the people I represent or businesses who try to hire people from these communities. There are two big problems with my constituents. One is management trainees. Our most successful businesses scour this Nation looking for good educated Black talent. Second is labor, the lower level; drugs. Can't pass a drug test. And that is a requirement for any insurance policy. So those are the two major problems.

And one thing that is unfair too, sir, private for-profit schools have a higher tuition because they don't have Uncle Sam and the State government and local governments giving them subsidies, tax-funded money. It is unfair to have a graph that shows all this high tuition, but they don't charge that much. If you put the tax subsidies in there, they would probably be more expensive than the for-profit schools. Playing with numbers.

Mr. MEEHAN. Thank you for making that point, Mr. Alford.

Madam Chairman, my time has expired. Thank you.

Ms. FOXX. Thank you, Mr. Meehan.

Mr. Braley.

Mr. BRALEY. I would like to make it clear at the outset that the entire focus of every conversation we should be having about higher education is whether students are achieving progress toward a degree at a reasonable rate and whether the Federal dollars being invested in any of these institutions meets the expectations of taxpayers who are providing that assistance, whether that is a for-profit college, a nonprofit college, a private college, or a public institution.

My nephew has attended a for-profit college, got a degree and is working in a job that he loves. And the question is not whether there have been substantial successes at for-profit colleges, because, Ms. Carpenter, your very presence here shows that there have been. The question in this environment that all of us work in is whether or not for-profit colleges are providing the type of re-

sults for the investment we are making in them. So let's talk for a moment about that.

My good friend, Senator Tom Harken, has been doing a lot of analysis of this issue on his Senate Help Committee, and as a part of the exhaustive study that his committee has done, there are some troubling findings. One of them is that 63.4 percent of Associate degree students at publicly traded for-profit schools and 58 percent of Bachelor degree students at these schools drop out within a year, and that almost every single one of those students, more than half a million in 1 year, are left with substantial debt, and that a 4-month stay at a for-profit school can leave a student with \$4,000 to \$11,000 in debt.

Now, these are the facts. Even though for-profit students make up only 10 percent of all higher education students, the schools receive 25 percent of Federal student aid. Even more alarming is the fact I mentioned earlier, that 48 percent of all student loan defaults come from students who attend for-profit colleges, and in many States that rate is greater than 50 percent.

Mr. Carnevale, are you familiar with the data that I just cited? Do you believe that the sector that we are here talking about today, which has done good things by your own testimony, is doing a good job at being stewards of Federal tax dollars given those results?

Mr. CARNEVALE. I think the evidence that is, when you get passed the anecdotal evidence, and there is anecdotal evidence on both sides, that is, there are wonderful stories, we heard Ms. Carpenter today, and there are awful stories, the data, which is more comprehensive, says quite clearly that there is an issue here with public funds. That is, government doesn't want to buy planes that don't fly and in this case, since the promise is an education program that will get you a job at a sufficient wage to pay back the cost, in this case there is a very substantial share of programs that simply don't do that, and those are highly concentrated in for-profit institutions at the certificate and AA level, frankly.

Mr. BRALEY. Well, and one of the other disturbing things that came out of those findings in the Harken committee's investigation was that there were schools who were getting a large number of online students, which is great in terms of dealing with changing demands of students pursuing higher education, but they had 1,700 recruiters working for those schools and one placement officer. Do you find that troubling?

Mr. CARNEVALE. I know from relationships with particular for-profit institutions that naturally where they see growth in demand, i.e., when the military benefits went up in the past few years, there was a huge increase in recruiters for military personnel to move to for-profit colleges. In the end, my bias about that is if, in the end, they get a good education, a good job, I don't care. But there is an issue here that they don't.

And I must say another thing that no one speaks to here today, but should be spoken to, is I went through college on the GI bill, so did my two brothers. They are not included in this regulation, and one of the dangers in this is if, because it is a private market oriented institution, it will take its profits where it can. That is the way it is supposed to work. So if we shut down, using the current

regulation, a lot of the expansion in these programs that don't pay among the regular population, there is a risk here that there will be a shift to the military, and personally I have a problem with that.

Mr. BRALEY. Thank you.

Ms. Carpenter, you mentioned you worked at Trek Bicycle Co. in Waterloo, WI, and I am from Waterloo, Iowa. You also mentioned the Decorah connection with Luther College. One of the things that is concerning to me is that the very school you attended and obviously got a great education, you are doing great things and I commend you for that, but Herzing had a dropout rate of 53 percent for Associate degree students and 48 percent of Bachelor degrees within the first year. Were you aware of that phenomena while you were a student on campus, and what would be your explanation for why those dropout rates were so high?

Ms. CARPENTER. On my campus in Madison, WI and within my degree program, I find those numbers not to sync up with my personal experience. Very few students, if any, dropped out of my Associate's degree program. As a matter of fact, I only had—

Mr. BRALEY. These were Herzing's own figures provided to the Senate Health Committee. So I am just asking you whether that was something that you were aware of when you were—obviously it was not.

Ms. CARPENTER. No, not within my degree program and for the group of students that I graduated with. That was not my experience.

Mr. BRALEY. And one of the other disturbing things about Herzing's Web site is there is a link on it to tuition, and instead of talking about the actual cost of attending Herzing, it says, "Unfortunately, a simple comparison of tuition price won't give you enough information to compare the true cost of attending school." Is it at all bothersome to you that your alma mater would not be willing to give students who are considering enrolling there an opportunity to make comparisons of the various costs of attending Herzing as opposed to some other school?

Ms. CARPENTER. I don't believe that Herzing withheld that information; they certainly would encourage you to come in and speak with an admissions counselor so that they could clearly identify the value for the tuition that you do pay. I was absolutely well aware, as a consumer, what the cost would be. One of the reasons that Herzing was a true value to me is that within my testimony I had mentioned I attained an Associate's degree within a year and a half time, as opposed to the traditional 2 years, based on block programming, based on the availability of course work.

So I think that Herzing is doing a very intelligent job of allowing themselves the opportunity on a one-on-one basis to sit down with prospective students and explain how their program is differentiated, how they are different, differently situated and valued, and giving potential students, prospective students all of the facts to know what will my education at Herzing cost in comparison to other options, other institutions for the same types of pursuits, same types of degree programs.

And the onus is on the individual consumer shopping for their own education, and I think it is an advantage, as I mentioned, that

Herzing gives the opportunity to encourage their students to come in and talk about that one-on-one and not rely on face value information on a Web site that doesn't tell the whole story.

Mr. BRALEY. Thank you.

Ms. FOXX. Ms. Carpenter, thank you very much.

Mr. Braley, you get the prize for going over the farthest.

Mrs. Biggert.

Mrs. BIGGERT. Thank you, Madam Chairman, and I thank the witnesses for being here and your patience while we had those pesky votes, which seem to have taken an awfully long time. Thank you.

My question will start with Dr. Cortes. I have gone out to visit several of the schools and gotten some information, but when this first came up we were talking about why doesn't disclosure work; why, if you want to know how a program works in a school, for example, one of the schools that I went to, and I don't have the numbers exactly, but they were all over 90 percent, and this was their school of nursing, and 92 percent of all those enrolled graduated, 96 percent of them passed the certification test, and 99 to 100 percent of those that had passed the certification found jobs.

Now, this seems to me that this then gives a student or a consumer choice on where they want to go in looking at the programs, rather than looking at the debt to income in determining whether there is value to students. Is this something that you would see that would work or are there other things besides the way that the gainful employment has been described, and is there something else that you think would work?

Mr. CORTES. Thank you, Madam Biggert. I do agree, I think it is all about, to a certain extent, consumer protection that we are looking at. If you look at Berkeley College today on our Web site, not only you will get the full tuition clearly stated, we have every single indicator of graduation rates, debt-to-default rates, we have by degree, each degree, the level of graduation. We believe that transparency is very important in our sector. We make clear that we have a code of conduct that talks about not only academic excellence and student success, but then we put that information very clearly that everybody can look and they can compare cost.

For instance, in the State of New Jersey, for example, we have the lowest tuition increases of any of the institutions in the State of New Jersey and, in fact, we have one of the lowest tuitions of all the private institutions in New Jersey, which include, of course, Princeton and other private institutions. We have the lowest tuition rates. So we do very clearly look at making sure that our students get the information they need to make——

Mrs. BIGGERT. One of the things that really impressed me, too, at these schools is how they worked with the local businesses so that they were able to find jobs for the students. The colleges had a rapport with these businesses. Could you address that?

Mr. CORTES. Yes, absolutely. We work very closely with the industry and the advisory from the corporate sector. Every degree has an advisory board, so that means that for fashion, management, for accounting or finance or marketing we work very closely with the business community for two reasons: we want input to make sure our curriculum is up to date, that we look at the

changes in the global economy to make sure that we are training our students to get into the marketplace.

But more important, we are making connections with them in order for our students to get the internships that I mentioned earlier and also for the ability to get them placed once they graduate. As an example, someone mentioned that there was only one career placement professional at some institutions. We have over 20 career placement professionals making sure that our students from the beginning, from their freshman experience all the way up to their senior year, get the level of advice and counsel to make sure—

Mrs. BIGGERT. Thank you. Now I would just like to ask, before my time, Mr. Alford, would you comment on this?

Mr. ALFORD. Yes, ma'am. I think our biggest concern, National Black Chamber of Commerce, is the whole process of this and the singling out of for-profit schools. In a nutshell, what we want is a fair and transparent process. As I learned in the military, leadership 101 is fair and impartial treatment for all, and I think some are getting less evaluation, an unequal evaluation, if I may use that term, than others, and it is quite clear.

Community colleges have a lesser graduation rate than for-profit schools, but you don't hear talk about that. I heard talk about the Senate hearing that quoted the false GAO report even after it was divulged that it was false. So it is not the process that I think makes this country great.

Mrs. BIGGERT. Thank you.

Mr. ALFORD. I hope I answered your—

Mrs. BIGGERT. I agree with you.

I yield back.

Ms. FOXX. Thank you very much.

Mr. Miller.

Mr. MILLER. Thank you very much for holding this hearing, Madam Chair, and I want to thank the witnesses for testifying.

Mr. Carnevale, I think you sort of set the stage when you talked about the changes in the economy and in the workplace and in the requirements that have taken, both up and down, in terms of where you would get your degree and certificates and the rest of that, and that is why many of us have been very strong supporters of the for-profit sector in higher education and believe that they do fill a need for many students, certainly adult students as they originally start off, people who have to work full-time and also try to secure an education to acquire new skills or a new job, or what have you that they saw on the horizon.

But sort of like the old saying, friends don't let friends drive drunk, I have a lot of concern about a sector that I have been an advocate for for a very long time in my 37 years on the committee, that we have some outliers here that are giving real heartache to the American taxpayer. And you can keep saying, not you, Mr. Carnevale, but the panel and other Members can keep saying that somehow this only applies to for-profit.

It doesn't only apply to for-profits. Of the 55,000 programs, as Mr. Hinojosa pointed out, 37,000 are in public institutions and 5,000 are for non-profit and 13,000 for-profit. And for the public institutions, they are there because this is the first President that

raised issues about the completion rates of 2-year institutions, which are abysmal. They are outrageous. But the suggestion that somehow this is just targeted for for-profit. I was one of those who went to the administration and said that their original ruling was wrong, but the point is this is the question.

Then members of the panel suggested that this high standard will force people to leave the field or to cut out nontraditional students. This high standard is that 35 percent of your former students are successfully repaying the principal on their Federal loans in their third and fourth year after they leave the school.

What if you were a used car dealer and you went to the bank and said I want to borrow money, but 70 percent of my customers are going to default? I don't think you would get a loan from the bank for your used car business. But if you are in this business, 70 percent of your customers might default and you are okay for the taxpayer to put up the money. And you only have to meet that in 1 out of 3 years; 1 out of 3 years. And there is no penalty until you really screw up. And this is a burden that apparently this industry just can't suffer.

We are talking about maybe 2 percent of the programs that are going to be implicated here, and I suggest, as I had suggested to the industry, you might want to look internally and think that you have some outliers here that you should have dealt with within the various associations here. This is not whether we support for-profit schools or we don't, because all of us have had experiences in our own community, in our families, of their successes. This is about what is going on with respect to the taxpayer.

Mr. Alford, you asked about what is going on with the Department and how they came about this rule. I would just say, anecdotally, we have an investigation going on about what happened with short sellers now with the Inspector General's Office. I would say if the Congress had listened to the short sellers prior to the financial collapse, maybe this Nation would be in a different place today.

But I want to ask what is going on with an institution that says that they are going to double the volume of their private student loans, as Corinthian College did, to \$240 million and they expect 55 percent of their private loan dollars to end up in default. And their default rate on Federal student loans doubled between 2005 and 2009 to 21 percent, and they recently told their investors that they are going to manage their default rate by pushing borrowers most likely to default into deferments, forbearance, and income-based repayment. I want to know what is going on there.

I want to know when Bridgepoint Education buys a college and takes the amount of money spent on education from \$5,000 to \$700 per student, I know there are great savings on the Internet, but at the end of that process 64 percent of their Bachelor degree and 85 percent of their Associate degree students are withdrawing from that institution.

What is going on? Because when they withdraw they have already given over part of their Pell, they have already given over part of their student loans; their accounts are running down. I want to know what is going on when that same institution then,

which gets 86 percent of its money from the Federal taxpayers, has 30 percent profit and 30 percent on marketing.

I want to know what is going on at the ATI Career Institute in Texas when the State work board found that 300 of their employee graduates had no jobs at all and 427 graduates were not employed as the Institute reported they were, and the State cut off all of their WIA funding, but they are still eligible for Pell Grants and for student loans. I want to know what is going on.

I want to know when the repayment rate for four out of five of the profit schools receiving the most Pell Grants and the GI bill is 37 and 31 percent. I want to know what is going on.

It is not a question of whether I support private schools, for-profit schools or not. We sit on this side of the dais on behalf of the taxpayers who are on that side of the dais, and that is why we have these inquiries and that is why we have a rule that probably does not much more than develop a lot of information. And I think it will cause some people swimming at the bottom of the pool to swim a little faster to try to stay off the bottom. But I think that is a minimum, that is a minimum that we can ask as Members of Congress on behalf of the taxpayers.

Madam Chairman, if I just might say, I would just say this. We also want to ask what is going on when Indiana, Illinois, and California and Florida have joined to look at for-profit institutions there. Indiana's attorney general is asking questions about institutions; Florida is investigating eight institutions who violated their unfair business practices; Iowa, student default rates; Kentucky, job placement recruitment practices; Massachusetts, recruitment practices and student loan practices.

Ms. FOXX. Mr. Miller, as you know—

Mr. MILLER. There is an obligation—

Ms. FOXX. As you know,—

Mr. MILLER [continuing]. Very generous with the time and I appreciate it.

Ms. FOXX [continuing]. You can put whatever your comments are in the record.

Dr. Roe.

Mr. MILLER. I have seen the record; it doesn't do so well.

Mr. ROE. Thank you.

Mr. MILLER. But I appreciate the offer.

Mr. ROE. I think I won't give a speech; I will try to ask some questions.

I spent 24 years in school, not including kindergarten, so I basically overdosed on school, and all in the public school system; not in the private, not in the for-profit. Dr. Carnevale makes a great point: the whole purpose is to get an education and hopefully find gainful employment once you leave that institution that will pay.

If the argument is here that it is too expensive to go to school, I couldn't argue with that more. I served as a foundation board president at the college where I attended and helped to raise money to help educate people that were lower income, as I was when I went to college.

But to give you an example, if the gainful employment rule is to be applied to everybody, I looked at Georgetown, a great university, just before I came here. Forty-one thousand dollars is the tuition

and \$58,000 to go there for a year. If you get a job teaching school somewhere after that is over, you can never pay that back. If you are a police officer in Johnson City, TN, where I am from, you could never pay that back.

I had a medical student's dad call me the other day and said Dr. Roe, he said, my son has \$212,000 in student loans and he is starting his residency and he will make about \$30,000 a year. Just the interest on his student loan is \$1,200 a month, just the interest. He didn't have anything left to eat after that. So it is not just for-profit universities; it is everybody school is too expensive. And I couldn't agree with Dr. Carnevale, he makes great points. You should go to the school to get a job to pay for something.

The other thing I think that is a little misleading, having been a foundation board president, is that when you compare the for-profits, the bricks and mortar are not calculated in those tuition fees. All those multi-million dollar buildings, as Mr. Alford pointed out, that is not amortized into that cost. So it is in the private tuition, it is amortized in the cost. Could you point that out? You made a great point a minute ago, that you are not really comparing apples to apples. Do you agree with that?

Mr. ALFORD. Absolutely, sir.

Mr. ROE. I think that—

Mr. ALFORD. I envision Ohio State, my alma mater, University of Wisconsin, just humongous, all paid for by taxpayers.

Mr. ROE. And Ms. Carpenter made a point of some students, and many of them are not traditional students, in a much smaller classroom setting. Your average freshman class at Ohio State or University of Tennessee in freshman English is 200 to 500 students sometimes watching a video screen. I have a problem with that.

And it is true, when you get into a smaller classroom setting, it is going to cost more money to do that, and I think, Ms. Carpenter, you made a tremendous point: information is key. So you can go in and make an informed consumer choice. That is what I did when I went. My choice was I didn't have the bus money out of town, so I knew where I was going to go to school, but it was an informed choice. And I think that is what you did, you made a very informed choice about what your needs were. Obviously, you were not an 18-year-old, as I was, 17, when you started college; you had a little more of an idea about what you needed to do; I didn't.

And graduation rates, Mr. Miller makes a tremendous point on that, is that if you look in our own State of Tennessee, where you get a Hope Scholarship to go to college, to junior college, to community college, or to a 4-year school, 50 percent of our students in 2 years don't qualify after that, they lose their Hope Scholarship because they are not succeeding academically.

I think if we are going to do this gainful employment rule, everybody should have to do the gainful employment rule. If you are going to set standards, and there is no question there probably are some bad actors out there that are not living up and doing what they need to do, but everybody ought to have the same standards in this country. Mr. Alford made that, and thank you for your service to our country, by the way. Everybody ought to have to apply the same rules. If you are going to do that, then private schools should, public schools should, and for-profit schools should.

Dr. Cortes, would you comment on that?

Mr. CORTES. Yes, I do agree with you, Congressman. As you know, not all for-profit institutions are alike. Do you know, for example, that there are only 94 regionally accredited for-profit institutions in this country and Puerto Rico? That is an example of the differences. Berkeley College is a bricks and mortar; we own our buildings; we pay taxes, local, Federal, and State. We invest back into our community and to our technology.

When you look at our sector, we led the sector in technology in distance learning. Not all our students—most people assume that for-profits are all online colleges. They are not. Colleges like ours are 80 years changing lives in the States of New York and New Jersey, and there are many family owned businesses that are for-profit that put a significant amount of money in the economic development of the region.

In your folders you have a report that we put together. In New York, Berkeley College, and in New Jersey we have invested in economic development over \$223 million in a given year, both about economic support to the economy, jobs, student expenditures, building, construction. Those are the impacts that the private sector institutions are offering and also offers access and choice for students.

As you did when you chose your institution, the students come to us because they see the flexibility, they see the quality of many of our institutions, and they see the ability to get degrees that they cannot have in other places. In the State of New Jersey, for example, there are only two institutions that offer fashion merchandise degrees and we are one of them. So they can't go to the public institutions because they are full; then they come to us and we do a very good job.

Ms. FOXX. Thank you.

Mr. ROE. Madam Chairman, I want to thank the panel for sticking around for our votes. I really appreciate you all doing that, indulging us. And thank you, you have been a great panel.

I yield back.

Ms. FOXX. Thank you, Dr. Roe.

Mr. Davis.

Mr. DAVIS OF ILLINOIS. Thank you very much, Madam Chairman. I also want to thank the witnesses for being here.

It seems to me that we are holding a hearing in search of a problem that is not being addressed, and I say that only because the rules that have been promulgated, that have been issued seem to be fair, seem to be balanced, provides opportunity for correction, and I was one of those individuals who urged the Department, as they were having discussions and looking at making new rules, to try and make sure that they took into consideration the needs of all the institutions because I represent a large number of for-profit institutions of higher learning. I also represent a large number of public institutions of higher learning. So I want everybody to be treated fairly.

As a matter of fact, the philosopher Camus is supposed to have said one time that I love my country, but I also love justice. So I love every opportunity that we can find for access to higher education for our citizens.

But I also love transparency. I love factual information. I love serious analysis. I love good counseling and information that will help lead individuals to the kind of choices that will not only improve the quality of their lives, but will give them the resources to pay back whatever it is that they owe.

Dr. Cortes, let me ask you. As you know, the continuing resolution that the House leadership offered sought to cut Pell Grants for over a million students by approximately \$845 per student. Some Republicans have recently described Pell Grants disparagingly, as a welfare handout, and highlighted it as in need of substantial funding cut. How important are Pell Grants to your students? And would a loss or reduction in Pell Grants harm access to higher education for your students and those who attend your education?

Mr. CORTES. Thank you for the question, Congressman Davis. Absolutely, I think the loss of any funds for the students that we serve is going to impact their ability to access and to persist in college graduation. I will give you an example. Many of our students sometimes, in the middle of the year, come to us for additional funding that we can provide as institutional aid in order to pay their books, in order to get transportation to school, in order for them to pay their rent in their homes. We are talking about students, which I mentioned earlier, with an average family income of somewhere around \$25,000.

Mr. DAVIS OF ILLINOIS. So it would be harmful to your students.

Mr. CORTES. Very harmful, extremely harmful.

Mr. DAVIS OF ILLINOIS. Thank you. Let me move on because my time is about to expire.

Mr. Alford, let me ask you. I have had a great time working with you and the National Black Chamber of Commerce. I have a great deal of affinity for the work that you do and for your organization, and I thank you for it.

Mr. ALFORD. Thank you, sir.

Mr. DAVIS OF ILLINOIS. I was struck by your testimony, though, at one point, where you suggest that for-profit schools are the ones that truly are serving low income and minority students. So I ask what about the HBCUs, what about the HSIs, what about the PBIs? What about these minority-serving institutions that are public, are not for-profit and do a great job?

Mr. ALFORD. Yes, and I support them, and they are at capacity. University of Wisconsin, when I graduated in 1970, its enrollment was 3 percent Black. Today, 2011, its enrollment is 3 percent Black. University of California system, each semester they have fewer and fewer Blacks matriculating at those schools. So HBCUs, yes, sir, but they are a small percentage of the potential we have to educate our people. The largest HBCU, Howard University is 11,000. You get from Southern at 10,000, Texas Southern at 10,000, then you are down to four digits in any of those schools. They couldn't house a population of 40 million whose children need a higher education.

Mr. DAVIS OF ILLINOIS. I would certainly agree with that and indicate that they still have capacity, though, that is unmet. But let me thank you for your answer and thank you for participating.

And I yield back, Madam Chairman.

Mr. ALFORD. Thank you, sir, as always.

Ms. FOXX. Thank you, Mr. Davis.

Now I would like to recognize Mr. Towns.

Mr. TOWNS. Thank you very much, Madam Chair. Let me also thank you for holding this hearing. I really appreciate you moving forward with it. And I want to thank the witnesses for being here and to say that I know that it has been a long day and it has been a tough day for many of us in terms of conflicts, but the point is that I am happy that you are here.

Let me just say, as I listen to some of my colleagues, I am sort of wondering are they thinking about the economic situation that we face across the board. The top universities in this country have people that are now unemployed because of the fact there are just no jobs, and I think that sometimes when we look at things we sort of forget about that. When you look at the top universities, people coming out, no jobs, and then we look at the situation that we discuss in terms of gainful employment, and then we sort of ignore the fact that there is going to be some problems there when it comes to jobs as well.

Let me start by saying I support a fair, balanced process. I really do. And, of course, I support a fair, balanced process and I support a good government and I support educational choice. But I do not support poor quality institutions. I do not support predatory practices. And I do not support a regulatory process that is not transparent.

I believe that the Department's rules leave many bad actors still capable of harming students. I also believe that the Department's rules may adversely impact many quality programs and, in turn, hinder educational choice for minorities. First, in the family college attendees and economic disadvantaged students, but I also think there are some other areas that we need to look into.

When you look at some of these athletic programs, and it is known that there was one university that went for 10 years and did not graduate one basketball player. I mean, nobody wants to talk about those kinds of things. I mean, let's look at the real issues of education, if we are serious, across the board, rather than just sort of looking at one thing and picking on it and staying with it.

I am also not certain that the process which the Department came to the rule was entirely fair and balanced. I am not convinced of that. I heard some of my colleagues saying it was fair and balanced. I am not sure of that. There are a number of aspects that are currently undergoing review by the IG of the Department, and until we have the final report how can we say? We won't be able to say it. I don't see it until we get that information. So I am just sort of cautioning my colleagues.

Mr. Alford, let me just sort of raise this with you very quickly. I share your concerns regarding the disproportionate impact that this regulation will have on minority students, as well as your concern regarding the process by which the regulation was crafted. I agree with many of my colleagues here today that there are numerous good things being done by career colleges, though I also agree that there are a few bad actors in the mix. Some are citing examples of questionable recruitment practices, and I have heard all of that, and low retention rates. However, we need to look at that also

with the economic situation. If you are in school and then you have an economic crisis in the family, what are you going to do? You are going to drop out.

So I think that sometimes we just look at these things and we sort of look at them with tunnel vision, and I don't think we can do that. I think that we need to look and highlight in terms of a lot of people that as a result of these institutions have been able to go on and live a very decent and make a major contribution to many people, and I think we should not forget that.

So, Mr. Alford, what do you suggest that we do, real quickly?

Mr. ALFORD. I think we need to go back and review this in a fair, transparent process, one that is open. I think when a short seller writes an article, subprime goes to college, and he is talking about the gainful employment rule, how they are going to make this happen and they are going to make big money, I think something is wrong with that. And that same individual can go into the inner circle of a Federal agency and talk to executives of a Federal agency and make suggestions? Talking about Mr. Eiseman. It stinks and something should be done about that, I think. I think we need to go back and punt and reevaluate this.

Mr. TOWNS. My time has run out, Madam Chair, and I would like to just ask unanimous consent that the statement by Mr. Alcee Hastings from the State of Florida be included in the record.

Ms. FOXX. Without objection. Thank you, Mr. Towns.

Mr. TOWNS. Yield back.

[The information referred to follows:]

ALCEE L. HASTINGS
 23RD CONGRESSIONAL DISTRICT
 FLORIDA
 RULES COMMITTEE
 UNITED STATES
 HELSINKI COMMISSION
 RANKING DEMOCRATIC MEMBER
 FLORIDA DELEGATION
 DEMOCRATIC CHAIRMAN
 SENIOR DEMOCRATIC WHIP



Congress of the United States
House of Representatives
 Washington, DC 20515-0923

PLEASE RESPOND TO:

- 2353 RAYBURN BUILDING
 WASHINGTON, DC 20515-0923
 TELEPHONE: (202) 225-1313
 FAX: (202) 225-1171
- 2701 W OAKLAND PARK BOULEVARD
 SUITE 200
 FT. LAUDERDALE, FL 33311
 TELEPHONE: (954) 733-2800
 FAX: (954) 735-9444
- MANORNA PARK TOWN HALL
 1755 E. TRAHAN DRIVE
 WEST PALM BEACH, FL 33407
 TELEPHONE: (561) 881-9618
 FAX: (561) 881-9879

www.alceehastings.house.gov

Statement of the Honorable Alcee L. Hastings
Subcommittee on Higher Education and Workforce Training and Subcommittee on
Regulatory Affairs, Stimulus Oversight and Government Spending Joint Hearing
"The Gainful Employment Regulation: Limiting Job Growth and Student Choice"
 July 8, 2011

Thank you M. Chair and Members of the Subcommittee for allowing me to join today's hearing. As you know, I have long been a vocal opponent of this ill-conceived regulation.

It is deeply troubling that an administration supposedly committed to increasing college completion in the United States would propose a regulation that may restrict minority access to higher education and limit job opportunities for those who need them most.

Rising student debt and unscrupulous practices are certainly legitimate concerns. However, they are not limited to private sector institutions, and this regulation fails to adequately address either issue.

The rule is so broad and its implementation so burdensome that many schools will undoubtedly close and countless students will lose access to higher education.

I look forward to hearing the panelists' insights on private sector colleges and universities and their thoughts on the ramifications of the Gainful Employment rule.

Ms. FOXX. Mr. Bishop.

Mr. BISHOP. Thank you, Madam Chair. I appreciate you holding the hearing, and I apologize for arriving so late. Another committee I was on had a markup. But this is an issue that I am very interested in.

Let me start. Ms. Carpenter, I read your testimony. I found it very moving, and I congratulate you and Herzing University on doing such a good job. There was one particular statement that you made that I just want to highlight. You say “my Associate’s degree from Herzing University has proven to be of high value to me and my employer. My employment history with Quest Software is but one example that proves that fact.”

I know you know this, but I think it is important to say for the record that if such a statement could be made, even in much more modest form, by your fellow graduates, Herzing University or any other university that graduates students who can say that have absolutely nothing to fear from this regulation. Nothing. So congratulations. I am glad your experience went well. And what this regulation is designed to deal with, as Mr. Miller said, are the outliers, not those who are doing the work of providing access to a higher education and to help people get the American dream. And I am glad you are on your path to the American dream.

I want to pick up on where Mr. Miller’s questioning was. This regulation, in my view, and I was one who urged the Department to withdraw the first pass at this; I felt that it was an unfair regulation and I, frankly, applaud the Department for going back and having several iterations of this. I won’t engage you, Mr. Alford, on whether or not the process was transparent, but I think reviewing 90,000 comments, I think that is something that is not to be taken lightly.

But here is the environment in which we are in. This regulation says that if 35 percent of an institution’s former students in years 3 and 4 of their repayment status make at least one payment, that is an institution that is satisfying the gainful employment regulation. I find it impossible to believe that someone can consider that regulation to be an onerous or arbitrary or unfair regulation. And let me put it in the context that we are in.

Here is the context that we are in. The budget resolution that passed the House of Representatives, if it were to ever take on the force of law, let us hope it does not, would cut the Pell Grant maximum to \$3,000, from \$5,550 to \$3,000. If we don’t act, we will have no Perkins Loan Program come 2014. H.R. 1, which, frankly, thankfully, will never take on the force of law, eliminated SEOG. So here is the Republican vision of Title IV, Student Financial Aid Programs: no Perkins, no SEOG, a \$3,000 Pell Grant maximum, and work study at its current level. That is the Republican vision; that is what they voted for.

Now, I ask you, in that context how long do you think the Federal Government will be willing to guarantee \$90 billion a year of student loans if in years 3 and 4 we consider it onerous, impossible to achieve of a 65 percent default rate in years 3 and 4? I would suggest to you that the underpinning of the finances of the for-profit sector and, frankly, every other sector, which is the guaranteed student loan program, we are not going to be able to count on that

guaranteed student loan program if we are looking at that level of default. And yet that is in fact what this regulation contemplates.

So I would urge anyone who is taking the position that this is somehow excessive, to assess it in that context, because I think all of us have the same goal here, which is to see to it that students of modest means get a chance to go to college. I am a former college administrator; I am a former financial aid director. I have spent my entire adult life dealing with the issues of access and affordability; they mean a great deal to me.

And I am very fearful that if we are not careful, careful stewards of taxpayer money, then that money is going to go away. So I view this regulation, frankly, as a modest means of the Congress and the administration discharging its responsibility to be careful stewards of taxpayer money. So I just would ask you to look at it in that context.

Let me then go—I am sorry, my time has expired, Madam Chair, and I appreciate your indulgence. Thank you.

Ms. FOXX. I want to thank you, Mr. Bishop.

I will point out to you a note that Congressman Roe has just handed to me, that points out that in 2006 the amount spent on Pell Grants was \$12.4 billion, and the amount scheduled to be spent on Pell Grants for 2012 is \$49 billion.

Mr. BISHOP. Would the gentlelady yield?

Ms. FOXX. Let me go on to the next—I am just putting out a fact there to you.

Mr. BISHOP. I was going to put that fact in context.

Ms. FOXX. Okay. If I could, let me recognize Congresswoman Speier. I would like to finish this up no later than 2, if at all possible.

Ms. SPEIER. Madam Chair, thank you very much, and I want to thank all of the witnesses who are here. Again, we all apologize for the frantic pace that we operate under; it doesn't make a lot of sense from time to time.

I think this is a very important hearing, but I have to tell you at the outset I think what the Department of Education has recommended is embarrassingly small. I would challenge any of my colleagues to go back to their districts and say to their constituents that we are funding many for-profit colleges at 90 percent. Now, mind you, if we are funding you at 90 percent, you are government schools. The University of California is a public institution and the funding from the State is less than 20 percent.

But you are for-profit schools and 90 percent of your money, in some cases, is coming from the Federal Government. And I might also point out that in one of the colleges that was highlighted, Bridgepoint Education, 29 percent of their spending in 2010 was for marketing and 30 percent was for profit. So only 40 percent of the money at that institution was spent on students. I would challenge any of us to go back to our districts and say this is good government.

This committee is about dealing with waste, and I would suggest to you, as Mr. Bishop did earlier, that if you can't make this—I mean, this is embarrassingly low as a standard, and if you can't make these standards, then you shouldn't be in business because, frankly, you are government-operated institutions, you are funded

by the government; and if you can't make these very modest standards, then you shouldn't be in business.

Now, here is where my concern is. This reminds me of the financial meltdown. This reminds me of subprime loans. This reminds me of the same institutions that targeted low-income people for subprime loans to get into loans they shouldn't get into, and then they went belly up and the country went belly up. One of the institutions has said that it is looking at student profiles for recruitment; welfare moms with kids, pregnant women, recently divorced, low self-esteem, vocational rehabilitation, experienced a recent death, physically and mentally abused, drug rehab, fired or laid off. That is the target populations that some of these institutions, these for-profit institutions, are seeking candidates from.

Now, my concern is since these actual standards don't apply to the military, to veterans, guess what is going to happen. We are going to have some outliers, I am not suggesting that you are, but some outliers going out and targeting our veterans. And we have already had cases. Frontline recently did an evaluation and actually said to a Marine sergeant, who was enrolled at the Art Institute, told the recruiter they suffered from PTSD, was insured, that the college had special tutoring programs for veterans, and he later flunked out of his photography degree program for being unable to finish the work and receiving no help from the college. Former Marine Wade Cutler and Guardsman Brad Seliga, also in the Frontline report, who were hired by Ashford University specifically to recruit fellow veterans, both of whom quit in disgust with the ways veterans were being suckered out of their GI bill benefits.

Now, my question to Mr. Carnevale, do you think that we are going to see an engagement by these for-profits to focus on veterans because they are not going to be subject to these modest standards that are being suggested by the Department of Education?

Mr. CARNEVALE. Well, I don't want to make this a character assault on people who run these institutions, but I used to run for-profit operations and I can tell you I would; that is, I would go after the populations where the money was and the regulation wasn't. In the end, I have no problem with that.

My problem would be what is the outcome, unless we start judging these things by the outcome. It is good that for-profits chase after abused women. If they serve them, that is fine. And that is what I think this regulation does, it demands that we use outcome standards to judge the use of public funds efficiently. And if we don't start looking at efficiency in postsecondary education, there is going to be no more equity, because we can't afford it.

Ms. SPEIER. Thank you, Mr. Carnevale. I might also point out that the University of Phoenix received over \$84 million in post-GI bill benefits and it increased its recruiters to the military from 91 in 2003 to over 452. So I am putting word out to all the for-profits. I am going to watch what happens to the profiles of veterans in your programs because we need to protect them, and we are not going to have them waste their great GI bill benefits on institutions that don't deliver.

I yield back.

Ms. FOXX. Thank you, Ms. Speier, and you, of course, can put anything in the record that you would like.

Ms. Waters.

Ms. WATERS. Thank you very much, Madam Chair. I am very appreciative for you allowing me to take part in this hearing today. I have a long history dealing with private postsecondary private schools. I come from the California State legislature, where I created a whole body of law relative to private postsecondaries and private schools based on my experiences in South Los Angeles.

I ran job training programs there and I watched the recruitment methods, I watched the kind of messaging that was done by many of these private postsecondary institutions and private colleges, where they raised the hopes and dreams of a lot of poor people who certainly did not realize any careers or real jobs from the Pell Grant money that they allowed to be spent in these institutions, and it was disheartening, and that is why I spent so many years on this.

I do believe that this potential scandal is going to be bigger than the subprime housing meltdown scandal, where many of our homeowners were tricked into mortgages and loans that resulted in foreclosures. I have, over the years, involved myself with any number of these institutions, Corinthian, ITT, Kaplan, on and on and on, and the record is replete with what they have done. I take particularly exception to this messaging that talks about how well you are doing for minorities and how, if you are not offering opportunities for minorities, they are not going to be able to be educated or to have careers or jobs.

I think, Mr. Alford, you stated that gainful employment regulations will harm minority students. But students attending these institutions are already being exploited. Students at for-profit institutions represent 12 percent of all higher education students, 26 percent of all student loans, and 46 percent of all student loan dollars in default. How would you propose that we protect these students from being saddled with debt and low prospects for job opportunities? And how is it that these very, very mild conditions of gainful employment that was just described by Ms. Speier is going to harm the private school industry? Mr. Alford.

Mr. ALFORD. I have a lot of relatives that have grown up in your district and those who received education, many from for-profit schools, are doing well, raising families, and living prosperous lives. Those relatives of mine around 73rd and Hoover and going further into South Central, who did not receive education, are either dead, in jail, or on welfare. Education is the key. So I don't think hurting an opportunity, a vehicle to educate someone is a productive thing to do.

Ms. WATERS. I don't know what you just said. I was listening for some facts. I thank you for sharing with me that little vignette about what happened in your family.

Mr. ALFORD. It was real, ma'am. It is real.

Ms. WATERS. But you have no facts, so it does not resignate at all.

I want to ask a little bit—well, I have something here. I understand there has been a lot of talk about the rulemaking process. I would like to submit the list of program integrity negotiators for

the record. The negotiated rulemaking included several different types of stakeholders, all of whom stood to be impacted by the rule.

The following communities of interest were represented: students, consumer advocacy organizations, 2-year public institutions, 4-year public institutions, private nonprofit institutions, private for-profit institutions, college presidents, admissions officers, business officers, financial aid administrators, regional accreditors, national accreditors, work force development officers, lending community representatives, test publishers, and State higher education officials.

I would like to submit that to the record.
Ms. FOXX. Without objection, Ms. Waters.
[The information referred to follows:]

Team I—Program Integrity Issues January 25, 2010		
Federal Negotiators		
U.S. Department of Education	Carney McCullough	Fred Sellers
Non-Federal Negotiators		
Community of Interest	Primary	Alternate
Students	Rich Williams U.S. PIRG	Angela Peoples United States Student Association
Consumer Advocacy Organizations	Margaret Reiter Attorney	Deanne Loonin National Consumer Law Center
2-year Public Institutions	Richard Heath Anne Arundel Community College	Joan Zanders Northern Virginia Community College
4-year Public Institutions	Phil Asbury Univ. of North Carolina - Chapel Hill	Joe Pettibon Texas A & M University
Private, Nonprofit Institutions	Todd Jones Association of Independent Colleges and Universities of Ohio	Maureen Budetti National Association of Independent Colleges and Universities
Private, For-Profit Institutions	Elaine Neely Kaplan Higher Education Corp.	David Rhodes School of Visual Arts
College Presidents	Terry Hartle ACE	Bob Moran American Association of State Colleges and Universities
Admissions Officers	David Hawkins National Association for College Admission Counseling	Amanda Modar National Association for College Admission Counseling
Business Officers	Susan Williams Bridgeport University	Anne Gross National Association of College and University Business Officers
Financial Aid Administrators	Val Meyers Michigan State University	Joan Berkes National Association of Student Financial Aid Administrators
Regional/Programmatic Accreditors	Barbara Brittingham Commission on Institutions of Higher Education of the New England Association of Schools and Colleges	Sharon Tanner (1 st Alternate) National League for Nursing Accrediting Commission Ralph Wolf (2 nd Alternate) Western Association of Schools and Colleges
National Accreditors	Anthony Mirando National Accrediting Commission of Cosmetology Arts and Sciences	Michale McComis Accrediting Commission of Career Schools and Colleges
Work Force Development	Jim Simpson Florida State College	Susan Lehr Florida State College
Lending Community Representative	Carol Lindsey Texas Guaranteed Student Loan Corp	Janet Dodson National Student Loan Program
Test Publishers	Chris Young Wonderlic, Inc.	Dr. David Waldschmidt Wonderlic, Inc.
State Higher Education Officials	Dr. Marshall Hill Nebraska Coordinating Commission for Postsecondary Education	Dr. Kathryn Dodge New Hampshire Postsecondary Education Commission
Facilitators		
CDS2	Chip Cameron	Craig Bagemihl

Ms. FOXX. And I will point out to you that your time is up.

Ms. WATERS. Thank you very much. I appreciate the opportunity. I am sorry I was not, Madam Chair, to get into all of this discussion about short-selling, because I really do want to reveal something about what has taken place in that whole area.

I yield back the balance of my time.

Ms. FOXX. Feel free to put other pieces in the record.

We have all done our best to express our appreciation to the members of the panel for the disjointed hearing that we had today. We appreciate your being with us on a Friday afternoon. Some of you came from long distances and we understand the hassle of coming here to Washington any time, but particularly when you come from long distances. I don't know if you are going to try to get away on a Friday afternoon, but we do want to thank you very much for coming and hope you will return sometime under a little more relaxed situation.

With that, the committee stands adjourned.

[Whereupon, at 1:50 p.m., the subcommittees were adjourned.]

