



A Union of Professionals
AFT-Maryland

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Marietta English
PRESIDENT

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**Written Testimony submitted on
February 4, 2020
The Maryland Senate Education, Health & Environmental Affairs Committee
SB 294 - Higher Education - Annual Revenues of For-Profit Institutions - Limitation on
Enrollment (Veterans' Education Protection Act)**

SUPPORT

Chair Pinsky and members of the committee. On behalf of the 20,000 members of the American Federation of Teachers – Maryland (AFT-Maryland), we ask for a favorable report on SB 294 - Higher Education - Annual Revenues of For-Profit Institutions - Limitation on Enrollment (Veterans' Education Protection Act).

AFT-Maryland supports our members' who have and are striving for undergraduate and graduate degrees. This includes many veterans. We support SB 249 which will change current Maryland law by clarifying that ten percent of a for-profit college's revenue cannot come from any federal funds.

The for-profit school industry targets low-income and veterans using aggressive tactics because these populations have the greatest access to the federal funds. In 1992, with bipartisan support, the federal government created an 85/15 rule to protect students, which said that a for-profit school could use federal student loans to fund up to 85% of their institution. Since then, the rule has been changed by the federal government to a 90-10 rule, which includes a loophole that allows the last 10% of funding to be comprised of dollars the government offers to veterans and their families to use for higher education. This bill helps to protect Maryland students and taxpayers by closing the loophole that enabled the exploitation of veterans.

A strong rule is crucial to educational integrity because for-profit colleges should not be funded solely by federal taxpayers, and federal taxpayers should not be responsible for keeping failing for-profit schools open. The for-profit school industry's poor behavior in Maryland demonstrates the need for clear laws in place to ensure that students and taxpayers are protected.

Therefore, we ask a favorable report on SB 294.

Marietta English
President

JOTF JOB OPPORTUNITIES TASK FORCE

Advocating better skills, jobs, and incomes

TESTIMONY IN SUPPORT OF SB294:

Higher Education - Annual Revenues of For-Profit Institutions - Limitation on Enrollment (Veterans' Education Protection Act)

TO: Senator Paul Pinsky, Chair, and Members of the Education, Health, and Environmental Affairs Committee

FROM: Christopher Dews, Policy Advocate

DATE: February 4th, 2020

The Job Opportunities Task Force (JOTF) is an independent, nonprofit organization that advocates for better jobs, skills training, and wages for low-income workers and job seekers in Maryland. Education is a top priority for JOTF as we recognized that being educated in a skill or trade will determine one's financial accessibility in the market economy. We also recognize that many for-profit educational institutions exploit a Title IV loophole by using military personnel to maximize their funding. Thus, we support SB294 as a means of holding educational institutions accountable for the honest distribution of taxpayer funding.

The Federal Higher Education Act "90/10 Rule" posits that a for-profit education business may derive no more than ninety percent of its revenues from the Title IV federal student aid programs. The purpose of this revenue cap is to force schools to prove their mettle in the free market, ensuring that federal student aid isn't used to prop up low-quality schools that are unable to attract at least 10% of their revenue from private sources, including employers, scholarship providers, and families. However, the GI Bill and Defense Department tuition assistance are not listed in the statute as sources of federal student aid. By manipulating this loophole, for-profit colleges can count the G.I. Bill and Defense Department tuition assistance as private revenue, thereby creating the opportunity to receive up to 100% of their revenues from federal funds and zero from private funds.

Worse yet, because of this loophole, for-profit colleges are incentivized to aggressively target veterans for enrollment in order to drastically increase the legal amount of Title IV funds they are allowed to receive. Many schools rely on extremely aggressive and deceptive recruiting techniques in order to maximize veteran enrollment. This has, of course, led to a breadth of scandals and is one of the most troubled sectors in our nation's history.

Maryland has the opportunity to lead the nation by standing up for veterans, taxpayers, and economically disadvantaged children simply by requiring for-profit education businesses to abide by the original intention of the 90/10 rule – that they prove themselves viable in the private market. More specifically, legislators can pass the Veterans Education Protection Act (Senate Bill 294)- amending state code

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governing career colleges to deny licenses necessary to enroll in the state of Maryland if the school is more than 90% reliant on taxpayer funds. JOTF requests a favorable report on this legislation.

Testimony to the Senate Education, Health, & Environmental Affairs Committee
SB 294 : Higher Education - Annual Revenues of For-Profit Institutions - Limitation on Enrollment
(Veterans' Education Protection Act)
Position: Favorable

February 4, 2020

The Honorable Paul Pinsky, Chair
Senate Education, Health, & Environmental Affairs Committee
2 West, Miller Senate Office Building
Annapolis, MD 21401
cc: Members, Education, Health, & Environmental Affairs Committee

Chair Pinsky and Members of the Committee:

I write today to show support for SB 249 which will change current Maryland law by clarifying that ten percent of a for-profit college's revenue cannot come from any federal funds.

The Century Foundation is a progressive, nonpartisan think tank and one of the oldest public policy research institutes in the country. As a Fellow at The Century Foundation, I research and write on the for-profit college industry and advocate for regulations that will bring the sector's colleges up to par with public and nonprofit colleges in terms of quality and value offered to students.

In 2017, The Century Foundation produced a series of reports that presented a historical overview of for-profit college scandals from the post-World War II era through the George H.W. Bush administration.¹ Spikes in abuses by for-profit schools mirror expansions in availability of federally-sourced funds including the launch of the first GI Bill, its expansion after the Vietnam War, and after the expansion of federally guaranteed student loans in the 1980s. The availability of federal revenue with no corresponding market price check has proven to be a dangerous combination, especially for our military veterans.

At the moment, there is no market indicator for whether or not colleges are charging reasonable tuition prices. SB 249 clarifies that for ten percent of their revenue, schools must find full-pay customers. Colleges charging a reasonable price should be able to find full-payers in the form of individual students, private

¹ See: David Whitman, "Vietnam Vets and a New Student Loan Program Brings New College Scams," The Century Foundation, February 13, 2017, <https://tcf.org/content/report/vietnam-vets-new-student-loan-program-bring-new-college-scams/>; and David Whitman, "Truman, Eisenhower, and the First GI Bill Scandal," The Century Foundation, January 24, 2017, <https://tcf.org/content/report/truman-eisenhower-first-gi-bill-scandal/>.

scholarship programs, or employer-provided tuition coverage. Absent this market indicator, schools can-- and many do--base tuition on the amount of government-sourced aid (such as federal student loans) available: for-profit colleges that take federal aid charge 78% more than colleges offering the same training programs that do not take federal aid.²

Low-income students, students-of-color, and veterans in Maryland are aggressively targeted by bad actors in the for-profit school industry because these populations have the greatest access to the federal monies on which these institutions rely.

In 1992, with bipartisan support, the federal government created an 85/15 rule to protect students, which said that a for-profit school could use federal student loans to fund up to 85% of their institution. Since then, the rule has been changed by the federal government to a 90-10 rule, which includes a loophole that allows the last 10% of funding to be comprised of dollars the government offers to veterans, service members, their families, and foster youth to use for higher education. SB 249 helps protect Maryland students, veterans, foster youth, and taxpayers by closing the loophole that enabled the exploitation of veterans.

A strong rule is crucial to educational integrity because for-profit colleges should not be funded solely by federal taxpayers, and federal taxpayers should not be responsible for keeping failing for-profit schools open. If a college offers a quality education at a competitive price, someone other than the federal government – such as employers, scholarship providers or students – will be willing to pay for attendance at the school.

The for-profit school industry's poor behavior in Maryland and beyond demonstrates a need to put clear guardrails in place to ensure that students and taxpayers are protected.

We hope you take this opportunity to protect all the students mentioned above – in addition to Maryland taxpayers – from high-cost, low-return for-profit colleges and private career schools. We urge you to move favorably on SB 249.

Sincerely,
Stephanie Hall
The Century Foundation

² Stephanie Riegg Cellini and Claudia Goldin, "Does Federal Student Aid Raise Tuition? New Evidence on For-Profit Colleges," *American Economic Journal: Economic Policy* 6, no. 4, November 2014, 174–206, <http://dx.doi.org/10.1257/pol.6.4.174>.

**Testimony to the Senate Education, Health, and Environmental Affairs Committee
SB 294 : Higher Education - Annual Revenues of For-Profit Institutions - Limitation on
Enrollment
(Veterans' Education Protection Act)
Position: Favorable**

February 4, 2020

The Honorable Paul Pinsky, Chair
Senate Education, Health, and Environmental Affairs Committee
2 West, Miller Senate Office Building
Annapolis, MD 21401
cc: Members, Senate Education, Health, and Environmental Affairs Committee

Honorable Chair Pinsky and Members of the Committee:

We the undersigned organizations are writing to ask you to support SB 294, which would protect Maryland veterans to clarify that 10% of a for-profit college's revenue cannot come from any federal funds.

SB 294 will close a federal loophole that allows for-profit colleges to receive 100% of their revenue from federal funds. This loophole allows the last 10% of funding to be comprised of dollars the government offers to veterans, service members, and foster youth to use for higher education.

Many for-profit schools exploit this loophole to recruit and enroll veterans and foster youth to receive this additional government funding. As a result, some for-profit colleges may receive 100% of their funding from the government. As a mark of quality and safety, for-profit colleges must receive a small percentage of their funding from a source outside of the government. Yet, bad actors continue to exploit this loophole and prey on veterans and former foster youth.

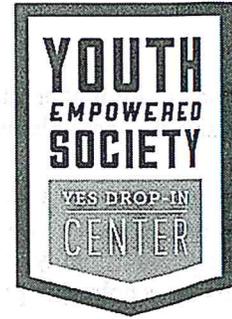
SB 294 helps protect Maryland students, veterans, foster youth, and taxpayers by closing the loophole that enables the exploitation of veterans and foster youth.

It's time to protect our veterans and foster youth— in addition to Maryland taxpayers — from high-cost, low-return for-profit colleges and private career schools. For these reasons, we support SB 294 and ask for a favorable report.

Sincerely,

Maryland Consumer Rights Coalition (MCRC)
Youth Empowered Society - YES Drop-In Center
Consumer Credit Counseling Service of Maryland and Delaware, Inc. (CCCSMD)
CASH Campaign

February 03, 2020



**Testimony to the Senate Education, Health, and Environmental Affairs Committee
SB 294 : Higher Education - Annual Revenues of For-Profit Institutions - Limitation on Enrollment
(Veterans' Education Protection Act)
Position: Favorable**

The Honorable Paul Pinsky, Chair
Senate Education, Health, & Environmental Affairs Committee
2 West, Miller Senate Office Building
Annapolis, MD 21401
cc: Members, Education, Health, & Environmental Affairs Committee

Chair Pinsky and Members of the Committee:

I am writing as the Workforce Development Coordinator at the Youth Empowered Society, Y.E.S. Drop-In Center. Founded by formerly homeless youth and their allies, the YES Drop-In Center meets the immediate needs (temporary shelter from the elements and streets, food, clothing, storage, laundry) of youth, between the ages of 14 and 25, who are homeless or at-risk of homelessness. Guided by near-peer youth counselors, youth make and sustain connections to resources, such as stable housing, public benefits, education, employment, workforce development opportunities, primary healthcare, mental healthcare, substance abuse services, and legal assistance. YES is a program of Strong City Baltimore, a nonprofit organization.

We are writing today in support of bill SB 294 which will change current Maryland law by clarifying that ten percent of a for-profit college's revenue cannot come from any federal funds.

As a Workforce Development Coordinator, I work with youth and young adults experiencing homelessness, assisting them in finding employment and reaching their educational goals. Many of the youth and young adults in our program have fallen victim to the predatory practices of for-profit institutions that have left them in debt, often without an accredited degree, and unable to enroll in other higher education opportunities. At Y.E.S. we serve more than three hundred youth, annually, more than 50% of whom at one point in time were in the foster care system.

Low-income students, students-of-color, and veterans in Maryland are aggressively targeted by bad actors in the for-profit school industry because these populations have the greatest access to the federal monies on which these institutions rely.

In 1992, with bipartisan support, the federal government created an 85/15 rule to protect students, which said that a for-profit school could use federal student loans to fund up to 85% of their institution. Since then, the rule has been changed by the federal government to a 90-10 rule, which includes a loophole that allows the last 10% of funding to be comprised of dollars the government offers to veterans, service members, their families, and foster

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youth to use for higher education. SB 294 helps protect Maryland students, veterans, foster youth, and taxpayers by closing the loophole that enabled the exploitation of veterans.

A strong rule is crucial to educational integrity because for-profit colleges should not be funded solely by federal taxpayers, and federal taxpayers should not be responsible for keeping failing for-profit schools open. If a college offers a quality education at a competitive price, someone other than the federal government – such as employers, scholarship providers or students – will be willing to pay for attendance at the school.

The for-profit school industry's poor behavior in Maryland and beyond demonstrates a need to put clear guardrails in place to ensure that students and taxpayers are protected.

We hope you take this opportunity to protect all the students mentioned above – in addition to Maryland taxpayers – from high-cost, low-return for-profit colleges and private career schools. We urge you to move favorably on SB 294.

Best,

Nick Brooks, Workforce Development Coordinator
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