

# EXAMINING MID-SEMESTER SCHOOL CLOSURES IMPACT ON STUDENT VETERANS

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## HEARING

BEFORE THE  
SUBCOMMITTEE ON ECONOMIC OPPORTUNITY  
OF THE  
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## **EXAMINING MID-SEMESTER SCHOOL CLOSURES IMPACT ON STUDENT VETERANS**

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**Wednesday June 19, 2019**

COMMITTEE ON VETERANS' AFFAIRS,  
U. S. HOUSE OF REPRESENTATIVES,  
*Washington, D.C.*

The Subcommittee met, pursuant to notice, at 10:30 a.m., in Room 210, House Visitors Center, Hon. Mike Levin [Chairman of the Subcommittee] presiding.

Present: Representatives Levin, Rice, Brindisi, Pappas, Luria, Lee, Cunningham, Bilirakis, Bergman, and Banks.

### **OPENING STATEMENT OF MIKE LEVIN, CHAIRMAN**

Mr. LEVIN. Good morning, everybody. I call this hearing to order. Thank you for bearing with our delay. We had a name card issue, which I think we are fixing. I think the name card is coming, this is good.

I want to welcome everybody to today's Subcommittee on Economic Opportunity hearing, "Examining the Effect of School Closures on our Student Veterans."

Now, we will discuss how the Department of Veterans Affairs and the Department of Education can prevent students from being abused and taken advantage of, which includes tracking schools that are vulnerable to closure. And when schools do close, Congress and the VA must do all we can to make affected veterans whole; that is why we are here.

I am pleased we have both the VA and the Department of Education joining us today. We even got the name placard right. Thank you. And I would like to make clear from the beginning, I believe both agencies have a long way to go in protecting our students' veterans.

The VA must better monitor schools and act when they are using deceptive practices to abuse veterans and take advantage of their GI Bill benefits. And, as prospective students' veterans make key decisions about their education, the VA must more fully educate them about the quality of education that schools are offering, so they can avoid problematic institutions. Our work will not be complete until every student veteran is informed in their choices and earns an education that is valued in their chosen field.

And the Department of Education must use its robust data collection to crack down on bad actors throughout the system. I am extremely concerned that Secretary DeVos has undermined Federal protections to hold predatory for-profit schools accountable; I am worried that we are going in the wrong direction. This includes the

Gainful Employment and Borrower Defense rules, two of the best tools to defend students against fraud in higher education.

According to a 2017 analysis of Education Department data, for-profit colleges accounted for more than 98 percent of Borrower Defense claims, but only 10 percent of enrollment. Think of that, 98 percent of the claims from only 10 percent of the enrollment.

We expect the Department of Education to enforce tough standards on institutions of higher learning, because when students are defrauded by schools, the process of starting over is time-consuming and incredibly difficult. You don't want that to happen.

Between 2014 and 2018, about 22,000, 22,000 GI Bill recipients were enrolled at for-profit colleges when they shut down. These students are often left unable to transfer their credits. Twenty two thousand people that served their country unable to transfer credits.

Last Congress, due to the severe impact on student veterans, this Committee was forced to act, ultimately providing over \$300 million in relief. And in no way is this problem behind us, let's make that clear. Countless schools are expected to close or go bankrupt in the coming years. So we know that to be true. So we have to prevent students from experiencing the worst of this, the worst of these school closures, and we have got to help them if they find themselves in the same position that some of our witnesses here today have experienced. That is why our work here today is so critically important.

Mr. LEVIN. With that, I would like to recognize my friend Ranking Member Bilirakis for 5 minutes for any opening remarks he may wish to make.

#### **OPENING STATEMENT OF GUS M. BILIRAKIS, RANKING MEMBER**

Mr. BILIRAKIS. Thank you, Mr. Chairman, and thanks for addressing this issue. Thanks for having this hearing. And, again, thank you for joining us at this hearing.

It saddens me that we must be here today, and it saddens me to hear the stories of how school closures have continued to impact student veterans' dreams of earning their degree.

School closures are something that we all must try to avoid; however, they don't happen in a vacuum and we should ask ourselves what caused a school to close in the first place. Is it due to the increased costs associated with complying with over-burdensome regulations and requirements? Is the school closing due to market pressures or simply bad management? Whatever the reason, we must do what we can to limit the impact of these closures on student veterans and taxpayers.

In the Forever GI Bill, Congress did extend new protections for student veterans who are impacted by school closures, but we can do more, and I know my Chairman feels the same way. I am convinced that once appropriate mandatory offsets are identified, we should provide full restoration of entitlement to students whose school closed in the middle of the semester and who are unable to transfer their credits to another institution. At the very minimum, we should do that.

Section 109 of the Forever GI Bill did authorize full restoration to certain veterans, notably for students from ITT Tech and Corinthian College, but not for current students due to cost constraints.

Mr. Chairman, my staff has begun working on a bill to extend full restoration, as well as to get to the heart of how these students were affected in the first place. As the old saying goes, an ounce of prevention is worth a pound of cure, and the other sections of the bill I am working on would try to prevent student veterans from getting caught up in these closures in the first place.

The bill would memorialize the best practices found in VA's Principles of Excellence, which good schools already meet, by putting them in statute and making adherence to these principles a requirement for the GI Bill approval.

The bill would also require additional coordination of enforcement activities between the Department of Education, VA, and the state approving agencies. While an action by one of these entities shouldn't force an action by another, we should require that an enforcement action trigger a review of a school or program.

I do not believe we need new burdensome regulations or requirements on the books to prevent school closures, we just need to do a better job enforcing the ones we already have. That is why I believe that enhanced coordination between these agencies is a critical piece in the protection of student veterans.

I am just beginning to work on this bill, and I would like to thank Veterans Education Success and other veterans' groups for their suggestions. I would certainly welcome the Chairman and other Members of the Committee; I welcome their ideas and thoughts as we move forward with the bill.

As I said at the beginning, Mr. Chairman, it saddens me that we must be here today, and I hope we can come out of this hearing with solutions and not pointing fingers. And I know you are not that type of guy, you are a solution-oriented guy, and I appreciate it very much. That is why I like working with you. And this is a real problem throughout our country, these school closures, and it is affecting our veterans.

We must remember, again, that school closures impact students no matter if the school was public, non-profit, or for-profit. We must work together and do the right thing for our veterans, and not worry about the political agenda, and I know we are going to do the right thing here.

I look forward to hearing from our witnesses today. Thank you for being here and I appreciate it so very much.

And I yield back, Mr. Chairman.

Mr. LEVIN. Thank you, Mr. Ranking Member. And I appreciate those comments and I think we share the same desire, which is to figure out the best path forward to solve the problem. And some of the stories we have heard from our veterans that have faced these closures are heartbreaking. So we are all on the same page with regard to that.

And we have got a great group joining us today to discuss and address some of these issues. We have Ms. Charmain Bogue, the Executive Director—not Acting Executive Director, so congratulations on your confirmation—for Education Service at the U.S. Department of Veterans Affairs. Ms. Robin Minor, Deputy Chief Oper-

ating Officer for Partner Participation and Oversight of Federal Student Aid at the Department of Education. That is quite a title, that is very good. Ms. Melissa Emrey-Arras, Director for Education, Workforce and Income Security at the U.S. Government Accountability Office. Thank you for being here. And Mr. Joseph Wescott, National Legislative Liaison for the National Association of State Approving Agencies. Thanks for being here.

I am also glad that some of our veterans who were willing to tell their stories did so on the record. The stories were heartbreaking and I think we all know the impact, the real-world impact of the decisions that we all make and the things that we discuss on this Subcommittee today are having on veterans' lives.

With that, I look forward to your opening statements, and I would like to begin by recognizing Ms. Bogue for 5 minutes.

#### **STATEMENT OF CHARMAIN BOGUE**

Ms. BOGUE. Good morning, Chairman Levin, Ranking Member Bilirakis, and Members of the Subcommittee. I appreciate the opportunity to discuss the effects of permanent school closure on student veterans who are using VA education benefits.

VA is aware of the impacts school closures have had on thousands of student veterans actively attending classes. For example, in April 2015, Corinthian College closed its 28 remaining schools and subsequently filed for bankruptcy. In September 2016, ITT Technical Institute closed between terms, impacting the plans of about 11,000 student veterans. Most recently, 18 Art Institute and Argosy University campuses approved for GI Bill benefits closed in March of this year, and VA identified over 1700 student veterans who may have been affected by these closures.

VA relies on its partnerships with state approving agencies to formally notify VA of a school closure. VA contacts impacted students within 5 days of a school closure notification to provide information on the qualifications for restoration of benefits and instructions on how to make restoration of benefits. The information is also made available on the GI Bill website.

For qualifying closures and disapprovals, Section 109 of the Colmery Act authorizes VA to restore some, if not all entitlement. This provision now gives VA the authority to extend Post-9/11 GI Bill housing allowance payments when a school closes or is disapproved during an active term. VA formed a dedicated team in the Muskogee Regional Office to process these cases.

As of June 18, VA restored more than 16,000 months of entitlement for approximately 2,000 beneficiaries who attended schools closed prior to August 16, 2017, and restored nearly 1500 months of entitlement for over 550 beneficiaries who attended schools closed on or after August 16, 2017.

Additionally, over \$700,000 of monthly housing allowance benefits were paid to student veterans.

VA maintains a close working relationship with Department of Education, the Department of Justice, the Department of Defense, the Consumer Financial Protection Bureau, and the Federal Trade Commission. Together, these Federal entities establish a strategy for sharing information through independently developed processes



and tools that provide tailored information related to graduation rates, tuition costs, and academic programs.

For example, VA and ED had an open communication where ED reached out to VA prior to the ECA closure. However, VA still has limited legislative authority to take action against the school to protect students prior to a school closure. VA only has the authority to gather allegations, keep students informed of the current state of a school, and refer issues to other offices such as FTC and VA's Office of Inspector General.

SAAAs also have limited authority for suspension or withdrawal actions for certain concerns related to accredited schools. For example, financial stability is an approval requirement for non-accredited programs, but is not in the statutory provisions covering the approval of accredited programs. As we have seen, a number of large schools closed over the last several years.

VA has taken a more proactive approach to get information out to students enrolled in at-risk schools. Specifically, VA alerted students by putting caution flags on the VA GI Bill Comparison Tool indicating when a school has been designated for heightened cash monitoring or may lose approval for Federal student aid. VA continues to look for ways to improve the GI Bill Comparison Tool to provide up-to-date, robust information to student veterans.

In addition, VA utilizes direct email campaigns and social media platforms to provide information and resources to potentially-impacted student veterans.

Also, I would like to take this opportunity to thank our VSO partners for their assistance in getting the word out and assisting student veterans in need.

Thank you, Chairman Levin and Ranking Member Bilirakis, for the opportunity to address the effects of permanent school closures on student veterans using their VA education benefits.

This concludes my testimony and I look forward to answering any questions you or the Members of the Committee may have.

[THE PREPARED STATEMENT OF CHARMAIN BOGUE APPEARS IN THE APPENDIX]

Mr. LEVIN. Thank you, Ms. Bogue.

I would now like to recognize Ms. Minor for 5 minutes.

#### **STATEMENT OF ROBIN MINOR**

Ms. MINOR. Good morning. Chairman Levin, Ranking Member Bilirakis, Members of the Committee, thank you for the opportunity to appear before you today on behalf of the U.S. Department of Education, Office of Federal Student Aid.

Our veterans and their families represent the best of this country, and the education benefits they receive as a result of their service are hard-earned and well-deserved. Veterans are not limited in using their benefits at institutions that participate in Title IV or are accredited; however, we know that for many veterans they view Title IV participation and accreditation as a stamp of approval that allows them to invest wisely in programs that will meet their needs. Therefore, while Title IV and Veterans Affairs benefits programs are operated independently, there is considerable overlap between the population of students served.

I would now like to address the Department's role in monitoring and our activities related to school closures.

Some college closures are well planned and orderly, meaning the institution provides an opportunity for currently-enrolled students to complete their programs through a teach-out or transfer to a comparable program at a similar institution. Others' precipitous closures are highly disruptive to students and may leave them unable to complete their program or earn a credential.

With respect to Federal student loans, students who do not complete their program of study because the school closed while they were enrolled, or who recently withdrew from the institution and who do not complete the program of study at another institution, are entitled to a closed-school loan discharge of their Federal loans associated with the enrollment at the closed school.

The Department also restores eligibility for students who receive Pell Grants during their enrollment at the closed school. Moreover, we recently implemented regulations issued in 2016 that provide closed-school discharges for borrowers automatically without an application.

While the Department may end an institution's participation in Title IV, it does not have the authority to close an institution or to prevent it from offering educational opportunities to students. When warranted, the Department may place an institution under heightened cash monitoring to restrict an institution's ability to draw down Federal Title IV funds. This step enables the Department to provide additional oversight of a variety of Federal or financial compliance issues. Heightened cash monitoring coupled with additional oversight helps safeguard taxpayer funds and promote institutions' proper stewardship of the Federal student financial aid programs, thereby protecting the interests of the Nation's students, including those who are veterans.

The Department's tools to identify financially unstable institutions primarily depends upon the institution's financial composite score, which is designed to measure the financial health of an institution. Institutions that fail the composite score test are required to post letters of credit that provide the Department with a guaranteed source of funds to pay an institution's liability stemming from improperly disbursed Federal student aid. The Department cannot always predict how an institution will respond to certain sanctions and it cannot always predict which institutions will close. In many cases, institutions have operated for years despite being subject to heightened cash monitoring.

The Department takes quick action when an institution closes to provide students and related regulatory agencies with the most accurate and timely information possible. Among other things, the Department makes every effort to work with school officials, as well as the school's state authorizing agencies and accreditors, to understand and communicate the school closures process. We post fact sheets and other information to [studentaid.gov/closures](http://studentaid.gov/closures). We work as closely with all impacted state agencies and accreditors and, where possible, we participate in transfer fairs intending to help students understand their options, and we issue emails to impacted students to provide information about their options and direct them to resources designed to assist them.

When working through these steps, the Department considers the VA to be a critical partner and routinely includes the VA in outreach and information-sharing efforts. We have enjoyed a cooperative and collaborative relationship with our Federal colleagues at VA, and we look forward to continuing our partnership.

The Department of Education embraces the responsibility to have student veterans navigate the higher education system; stands ready to work with Congress, the VA, and other agencies on initiatives that put students, including student veterans first.

Thank you for the opportunity to testify. I look forward to answering your questions.

[THE PREPARED STATEMENT OF ROBIN MINOR APPEARS IN THE APPENDIX]

Mr. LEVIN. Thank you, Ms. Minor.

I now recognize Ms. Emrey-Arras for 5 minutes.

#### **STATEMENT OF MELISSA EMREY-ARRAS**

Ms. EMREY-ARRAS. Good morning. Chairman Levin, Ranking Member Bilirakis, and Members of the Subcommittee, I am pleased to be here today to discuss the effect of school closures on student veterans. My remarks will focus on three issues: one, the distribution of Post-9/11 GI Bill tuition and fee payments among schools; two, the outcomes of students at schools that receive the most payments; and, three, how school closures can affect student veterans.

Nearly 700,000 student veterans received Post-9/11 GI Bill benefits to attend almost 6,000 schools in 2017. We found that VA paid about 40 percent of the money to public schools, 30 percent to non-profit schools, and 30 percent to for-profit schools.

A relatively small number of schools received a large share of Post-9/11 GI Bill payments. In 2017, the 50 schools that received the highest amount of payments accounted for over 30 percent of all such benefits. These 50 schools consisted of 14 public, 16 non-profit, and 20 for-profit schools. The 50 schools received between \$11 million and \$191 million each in payments, and enrolled hundreds or thousands of student veterans with GI Bill benefits. In contrast, most school's student veterans attended enrolled fewer than 15 veterans with Post-9/11 GI Bill benefits.

Moving on to student outcomes. We found that the outcomes at the 50 schools that received the most Post-9/11 GI Bill tuition and fee payments were on the whole generally comparable to the national average. Since available data on student veteran outcomes is currently limited, we analyzed outcome measures for the broader student populations at each school. We found that the average 4-year program graduation rate at the top-funded schools was 61, the same as the national average. However, outcomes varied by sector. For example, these graduation rates were 73 percent at the public schools, 66 percent at the non-profit schools, and 22 percent at the for-profit schools in the top-funded school group.

Now turning to school closures. Although a relatively small number of schools close each year, these closures can affect thousands of student veterans. In 2017, we reported that about 95 schools closed in school year 2015-'16, which was higher than in previous years, primarily due to a rise in for-profit school closures.

Schools can close in different manners and for a variety of reasons, including declining enrollments, financial problems, loss of accreditation, and legal actions. When a school ceases operations in an orderly process over several months, it gives students time to complete their current school term and make arrangements to transfer and continue their education at another school. The effect of school closures is often worse, however, when the closures occur abruptly with little or no advance warning, because these schools generally do not have time to establish transfer arrangements that allow students to easily continue their education at another school.

For example, more than 7,000 veterans receiving Post-9/11 GI Bill benefits were attending schools operated by Corinthian Colleges and ITT when they abruptly closed in 2015 and '16. More recently, closures at Education Corporation of America in 2018 and Dream Center Education Holdings in 2019, which operated several schools under multiple brands, including Argosy University and several campuses of The Art Institutes, affected tens of thousands of students, including thousands of Post-9/11 GI Bill recipients.

Although veterans affected by school closures may qualify to have their GI Bill benefits restored, these closures can create hardships for these veterans. For example, veterans can face challenges transferring credits and continuing their education at a new school. This may make it more difficult for veterans to complete their degrees before exhausting their benefits.

Many student veterans are also trying to balance school with family and work obligations, or dealing with the effects of combat-related physical and psychological injuries. When a school closes, the burden of finding and enrolling in a new school may be especially difficult for these veterans. School closures also pose a financial risk for the Government and taxpayers due to the costs associated with restoring benefits.

VA restores Post-9/11GI Bill benefits to eligible veterans affected by school closures and, moreover, many student veterans also receive Federal Student Aid grants or loans from Education, and school closures can result in hundreds of millions of dollars in financial losses for the Government and taxpayers.

As the number of school closures increases, the risks associated with these closures are significant for student veterans, their families, and the Government.

Thank you.

[THE PREPARED STATEMENT OF EMREY-ARRAS APPEARS IN THE APPENDIX]

Mr. LEVIN. Thank you.

I would now like to recognize Mr. Wescott for 5 minutes. Mr. Wescott, could you hit the microphone button?

Mr. WESCOTT. Ah.

Mr. LEVIN. There we go. Perfect. Thank you.

#### STATEMENT OF JOSEPH WESCOTT

Mr. WESCOTT. Good morning. Chairman Levin, Ranking Member Bilirakis, and Members of the Subcommittee on Economic Opportunity, I am pleased to appear before you today on behalf of the member agencies of the National Association of State Approving

Agencies and appreciate the opportunity to provide comments to this Committee pertaining to the impact of mid-semester school closures on student veterans, and particularly how we can work together with Federal and state agencies to protect students from substandard programs and predatory practices.

I am accompanied today by our Legislative Committee Vice Chair, Ms. Trish McGowan.

Shortly after passage of the Servicemen's Readjustment Act of 1944, Congress recognizing it was the responsibility of the states within our Federal system of government to oversee the education of its citizens, required that each state establish a state approving agency. These state agencies were to establish standards for and to approve programs of education in which eligible individuals could use GI Bill benefits.

Over time, SAAs have evolved to become the primary means of assuring institutional accountability. Federal law is clear that SAAs are the primary governmental body through which approval of education and training for veterans' educational benefits is to occur. Today, 51 SAAs in 48 states, as well as the District of Columbia and the Territory of Puerto Rico, composed of approximately 215 professional and support personnel, are supervising well over 14,000 active facilities. SAAs work in collaboration with the VA and our other partners to promote and safeguard quality education and training programs for veterans and other eligible persons, and assist the VA in preventing fraud, waste, and abuse in the administration of the GI Bill.

NASAA believes the primary responsibility and focus of the SAAs is and should continue to be program approval. In 2018 alone, SAAs across our Nation approved almost 195,000 programs of education and training at universities, colleges, and training institutions. We do this through an approval process that allows us to carefully evaluate many factors, including curriculum, instructors, policies, facilities, and advertising.

In 2011, with the implementation of Section 203 of Public Law 111-377, we began assisting VA with their requirement to perform compliance survey visits at SAA-approved institutions. An unintended consequence of Section 203 has been a diminution of the ability of SAAs to devote adequate time to approvals and robust oversight to ensure student veterans are being provided quality education and training.

Prior to 2011, SAAs generally visited in excess of 80 percent of all institutions with approved programs in their states annually. Today, most SAAs visit less than 25 percent of these institutions.

To address these negative consequences and refine the SAA's role, we believe that SAAs should primarily conduct risk-based survey visits as mandated by Congress in the Colmery Act. This will allow us to better identify schools that are at risk of closure due to substandard programming, fraudulent advertising, or improper practices. By performing robust risk-based surveys, in conjunction with ongoing risk assessments as part of the approval function, we would gain the ability to better protect veterans by identifying high-risk behavior at institutions we approve.

We also believe the time has come to work with our VA and VSO partners, and of course Congress, to look at ways we can enhance

and strengthen approval requirements. We need to look more rigorously at accreditation issues, enrollment practices, and, where possible, employment data. As trained educators, we are best suited to provide this important, rigorous oversight and in-depth evaluation. Though we maintain the approval of non-federal programs is correctly vested in the states, we do believe the VA should ensure states are properly protecting the integrity and independence of SAAs, and ensuring Federal funds are properly expended.

Mr. Chairman, today, 51 SAAs composed of approximately 215 personnel are diligently working to protect the GI Bill, and provide for a better future for our veterans and their families, who have sacrificed so much for this great Nation.

I thank you again for this opportunity and I look forward to answering any questions that you or Committee Members may have.

[THE PREPARED STATEMENT OF JOSEPH WESCOTT APPEARS IN THE APPENDIX]

Mr. LEVIN. Thank you, Mr. Wescott. Thanks to all of our witnesses for your opening statements and for your very helpful written testimony as well.

With that, I would like to recognize myself for 5 minutes to begin the question portion of the hearing. The title of today's hearing, as you may have seen, is "Examining Mid-Semester School Closures Impact on Student Veterans." So I would like to begin with a question to address just that.

Ms. Bogue, does the VA monitor the impact of school closures on veterans and, if they do, what metrics do you use? Do they include associated costs to those veterans? And how does VA react and act upon those metrics to the extent that they are calculated?

Ms. BOGUE. So, thank you for that question. So we actually do monitor in terms of school closures, when the school closes, exactly what is going on with the veteran; how much benefits have they utilized at that particular program, how much time have they spent at that program, as well as the benefits that we have restored to that individual.

I will tell you, a common concern from students is that right now we only have the authority to restore benefits for that particular term, versus giving them back the benefits for the entire time that they have spent at that school to utilize those benefits at some other school.

Mr. LEVIN. So you have said, and I have heard this a few times, that VA has no authority to enforce against predatory schools. Could you expand on the limitations, whether they be statutory, jurisdictional, or otherwise, that prevents VA from taking actions to prevent and address the school closures?

Ms. BOGUE. So a great example is the recent closures of—or the recent Title IV being revoked for the ECA schools, the Art Institutes and the Argosy Universities, that is a great example. Title IV was revoked, the Department of Ed notified us that they revoked the Title IV; however, we have no authority to go in and remove GI Bill approval from those schools. So that is a great example of, if there was some connection there for us to go in and take a similar action, then we could protect students sooner in the process, versus waiting for a school to slowly die out.

Mr. LEVIN. So what you are saying is that VA is limited in its control over state approving agencies as well, but as I understand it, in some situations VA has actually overridden SAA decision-making.

So I would like to ask Mr. Wescott if you agree with Ms. Bogue's assessment?

Ms. BOGUE. Well, I would certainly agree in the sense that the primary responsibility for approval rests with the SAAs. And I would also refer to a case which happened in South Carolina where we had a law school that was put under monitoring for its accreditation, and the SAA there leaned forward and took action to suspend that school. There were other things going on as well.

I certainly understand the constraints that we face in suspending or moving against a school, but of course the VA does have the authority to suspend enrollment if there is a question, if they can do that within—if they can find grounds for doing that, and that would be an effective tool to move against institutions.

It does concern me that Title IV could be removed, and a school would remain approved, that would be of concern for us at our level as well.

Mr. LEVIN. Ms. Bogue, do you generally agree with that assessment?

Ms. BOGUE. I generally agree with that assessment. I will also state that we have not been in the business of overriding an SAA's decision on an approval, we don't have that authority to do so, but if we have concerns with a particular approval, we will address that with an SAA to ask them to reconsider when they bring an approval package our way. But at the end of the day, if they state that they feel this is a sound approval, then we still move forward with approving that school. The only authority that we have is as it relates to disenrollment's for the student, which is unfortunate that it would have to come to that.

Mr. LEVIN. Ms. Bogue, if you could wave a wand and magically have that authority, is that something that you think would be helpful to our student veterans?

Ms. BOGUE. I think it is something we would be happy to talk with you more about in terms of the implications and impacts, in terms of the roles of state approving agencies, as well as the role of VA when it comes to approval of programs.

Mr. LEVIN. All right. I look forward to that conversation.

Mr. Wescott, a different question for you. You have a lot of these institutions, the for-profit in particular, that are doing a lot of things online and are based in multiple states. Could you explain how SAAs coordinate approval of these types of institutions that have multiple states involved?

Mr. WESCOTT. Certainly. Some of it, of course, Mr. Chairman, is informal. SAA directors know one another, SAA directors work together; we inform one another of issues that may be occurring within our state because we know that campus is in another state.

Generally, distance learning is approved in the state from which it originates if it is an online institution, and so that SAA is responsible for that approval. But we of course do coordinate through our various committees and through our regular calls to make sure that we are aware of what is going on in that state that would im-

pact institutions within our state as well. It is challenging to oversee that online community.

Mr. LEVIN. My last question, because I am out of time. Is there one particular state where most of these online institutions are based or is it sort of all over the country?

Mr. WESCOTT. It is sort of all over the country. And of course then there are cases where you have got an institution that is—has a bricks-and-mortar campus and they are offering training there, but then they have a large online contingent as well, and so that presents a different challenge as well.

Mr. LEVIN. Got it. I appreciate your answers to my questions. And, with that, I will recognize the Ranking Member for 5 minutes.

Mr. BILIRAKIS. Thank you very much, I appreciate it very much, Mr. Chairman.

Again, Mr. Wescott, you just talked about the brick-and-mortar, we have a particular school, a non-profit school in my district that has a large number of veterans that actually attend classes brick-and-mortar, but they also have a vast online program. So what is the percentage of schools or how many schools, for example, you know, have that practice, and how successful are they?

Ms. BOGUE. Well, Congressman, I couldn't give you an exact percentage; I wish I could. I can tell you from my experience in working in higher education that many institutions are moving into the online area. As the Chair of the Veterans Committee on Education, the advisory committee, that is one of the things that we are looking at is the expansion of online learning and giving veterans access to quality online learning.

So it is a challenge for SAAs, but it has worked well in many cases in that, where that main campus is housed, that is the SAA that oversees all of that activity. But I would say that, even though I don't know the exact percentage, that that percentage is growing, because online learning is the way of the future and it is a valuable method of delivering education, as long as the quality is there, and it meets all the accreditation standards.

Mr. BILIRAKIS. I appreciate that. Thank you.

Next question for Ms. Bogue. What is examined in a VA compliance survey, what real value do these bring to students as compared to other types of reviews?

Ms. BOGUE. Thank you. So that is a great question. So a compliance survey is looking at different aspects, so one aspect is looking at student records. It is looking at making sure that the school-certifying official or that particular entity has certified that individual correctly for the terms, also that they are charging VA the correct amounts as it relates to tuition and fees from that aspect. Also, it is also re-engaging the original approval package itself on some of those aspects as it relates to instructional design, the program curriculum, making sure all those things are aligned. They are actually teaching classes where they say they are teaching classes from that aspect.

And the intent of a compliance survey is, one, to help to identify issues quickly at a particular school. If we realize that it is a training issue, then we will work with that school certifying official to train them up. If it is something that may be more egregious, then



we will take the appropriate action, along with our state approving agency partners, to take the appropriate action that is necessary.

We conduct about—last year, we conducted about 4,000 compliance surveys and to date, for this year, we have conducted about 2,000 compliance surveys across the Nation.

Mr. BILIRAKIS. Thank you.

To follow up, Dr. Wescott, what is your view of compliance surveys and do you believe that what is being examined is really helping student veterans? You know, focus on the quality of education, if you can. Is there oversight as far as that is concerned? You know, to what extent is there oversight? I know that we got an answer, a good answer from Ms. Bogue, but if you can elaborate on that, I would appreciate it.

Mr. WESCOTT. Certainly, Mr. Ranking Member, and I do appreciate the opportunity to. I would agree with what my colleague and friend has stated about compliance surveys, but I think there is more that needs to be done, and particularly when you talk about the quality of education.

A compliance survey by its very nature has historically been primarily a financial audit. You are looking at the records to see how veterans are paid and if there were overpayments or underpayments. What we are interested in doing and what Congress has said that we should be doing is risk-based surveys that would be veteran-centric, programmatic in nature, and would be broader in what we looked at.

So we would be looking at accreditation issues; we would be looking at rates of graduation; we would be looking at percentage of veterans, is it growing or reducing; we would be looking at, if the school provided it, what type of employment veterans were going into. We would be talking to veterans and we would be looking at the resources that are available at the school. Sure, we would be looking at some files as well, but the main focus wouldn't be there. Our interest is to get at the quality of education, not just how the payments were made. And, again, I know that compliance doesn't just look at, but in many cases I think that is the primary focus, and we can do more.

Mr. BILIRAKIS. Yeah, we want to help you do more in the interest of the veteran. Thank you.

And I yield back.

Mr. LEVIN. Thank you for your questions, Mr. Ranking Member.

I would now like to recognize Ms. Luria for 5 minutes.

Ms. LURIA. Well, thank you to the panel for being here today to answer our questions. And sort of out of experience I have had talking to students at for-profit institutions within my district, and as well as some of the faculty and staff that operate those institutions, one of their concerns is that, you know, there is not only bad actors within this sphere, and I find that within our region there are several institutions that provide technical training, training that is very much skills-based for a profession that leads to licensure such as nursing or certification such as aviation mechanics for the FAA, and those seem to have relatively high graduation rates, high success rates of receiving the requisite certification to proceed within that profession.

But I was wondering, what more can be done to inform veterans on the decision-making process before enrolling in a school as to what their outcomes can be expected? Is there a tool that is publicly available that is required for the veterans to see this information and say that it is favorable or unfavorable during that decision-making process before attending a school?

Ms. BOGUE. Thank you for that question. So we actually have the GI Bill Comparison Tool and that is available on the GI Bill website. That tool has had over 1 million unique visitors to that tool. It is not just for prospective students, but it is also for current students as well.

Ms. LURIA. So does that include Department of Labor statistics as well about earning—

Ms. BOGUE. It has some Department of Labor statistics, but it also has Department of Education information on there as well as it relates to accreditation. We have some limited information as it relates to outcome measures on that tool. We understand there is more work to be done on that tool and we are working with our OIT partners right now to build a roadmap for the next year. We will have some changes coming December 1st of this year with the Comparison Tool and then next year we will have some more changes from that perspective.

But we think that that is a great starting point for students to go to, not only when they are interested in a program to find out information about that school and what resources are available on the campus, whether it—

Ms. LURIA. Okay. In the interest of time, I just wanted to cut in—

Ms. BOGUE. Okay.

Ms. LURIA. —because I would like to know how we can assist in helping codify those measures that would be the most useful for students in that decision-making process.

And I wanted to go back to the GAO report, because in that report it seemed like most of the data that was analyzed was on 4-year college completion rates, and a lot of these schools are not necessarily providing 4-year college education, they are providing those technical and workplace skills that are necessary for people to move into a second career after their military career.

So I wonder, do you have any data analyzing other programs than 4-year college degrees?

Ms. EMREY-ARRAS. Yes, I have data on 2-year graduation rates, which often gets at those more limited pathways. And we found, for example, that for all schools that receive GI Bill funding, the overall graduation rate for 2-year programs was 33 percent.

Ms. LURIA. Well, so a lot of these programs that I am familiar with that provide people into the workforce in our district are not even 2-year degrees. They take a military skill, for example, as an aviation technician, and then transfer that into FAA licensure in a very short period of time, same thing with nursing programs, the Corpsman and Medic to Medical Professional-type programs, are frequently much less than 2-year programs, but seem just on the surface, anecdotally, to have the highest value to veterans to transition their military skills, you know, into a civilian job.

So I just want to continue to have the discussion with you about we can translate that outside the model of just 2 and 4-year degrees. And the same thing applies as well, because I saw in your data you reference the calendar year, you know, enrollment from one fall to the next fall, but a lot of these are on rolling-enrollment bases and since they are shorter curriculums they don't just happen during the standard structure of a fall-to-spring school year.

So the next thing I wanted to talk about for the accrediting agencies was the lack of transferability of credits. So the numbers seem, you know, staggering that the credits that students who went from a for-profit institution to a public institution, 94 percent of their credits were lost.

And so it seems as though you are getting at certain things that are not necessarily indicative of the value of that education. And you just alluded to this, because you said that you are really looking at a financial audit, risk-based surveys, but are we really getting down to the value of the education the students are receiving and does it meet—and this could be a Department of Education thing as well—a standard that is transferrable amongst universities? If you thought of our largest public state universities, it seems that you would just assume that credits would be transferred almost universally between those schools that had, you know, an assumed level of educational value, and are you capturing that and is there a national standard to evaluate that transferability? Even between public-to-public, because that was not referenced in your data.

Ms. EMREY-ARRAS. So there are agreements sometimes at a state level or between colleges that provide for what is needed to transfer credits, but there is no national standard, in answer to your question.

Ms. MINOR. And with the proposed rules out there for accreditation, I know that there are options in there that would allow institutions to accept more transferred credits than what is currently permitted.

Ms. LURIA. So, when you say allow institutions, is there a prohibition for institutions? Say the largest state university in the state that I live in, is there a prohibition about them accepting credits, or is that their own decision based off of educational standards that they have established?

Ms. MINOR. My understanding, even though this is outside of the purview of my scope, is that the accreditation standards limit the amount of transferred credits institutions can accept into programs, and so some of the proposed regulations would address that.

Ms. LURIA. Did you have anything to add from your perspective?

Mr. WESCOTT. Yes, ma'am, I do. One of the things I wanted to mention was that we have a different set of standards that we apply for accredited institutions verses unaccredited institutions, and this is an area where sometimes our hands can be a little more tied in that for the unaccredited institutions the questions we ask, the things we look at, they are more robust and far-reaching.

So when we talk about maybe changing or enhancing approval authority, this area might be an area that we want to look into for potential changes.

Mr. LEVIN. Thank you, Ms. Luria. Sorry.

I would now like to recognize Mr. Bergman for 5 minutes.

Mr. BERGMAN. Thank you, Mr. Chairman, and thanks to the panel.

Standardization amongst the SAAs. How many SAAs are there, one per state?

Mr. WESCOTT. There is supposed to be one. There are two states at present that do not have an SAA, Congressman.

Mr. BERGMAN. Okay. So—

Mr. WESCOTT. Yes, one per state.

Mr. BERGMAN. So the bottom line is we have roughly 48?

Mr. WESCOTT. Yes.

Mr. BERGMAN. Okay. How do you standardize, if I am—let's say I go into the education business and I want to provide a very veteran-centric educational opportunity that would involve both hands-on in class and an online combination, how do I—if I know I have got a model, because of my decades in military service, I have got a model that I believe is the right thing for the veterans that are transitioning, whether it is after 2 years, 4 years, or 20 or 30 years, how do I get that model approved in such a timely manner that I can actually implement it, provide the educational experience, and continue in business?

Mr. WESCOTT. Well, certainly, Congressman, therein is the challenge. There are certain things that come into play. It is true that we are state agencies and as such must abide by our state laws and regulations, as well as the Federal requirements. It is equally true that we are applying Federal rules and regulations. The CFR, the Code of Federal Regulations, is our bible, and so that should bring some measure of uniformity to how we apply that. Of course, looking the way it has worked out in the religious sphere, you can understand the challenges we have in applying the bible, because different states will interpret things differently on occasion, not often. It is the challenge of NASAA to bring that uniformity and to bring states together, and that is what we have tried to do for 70 years now.

Basically, one of the first things you would do to get that program approved is you would have to be in existence for 2 years successfully—

Mr. BERGMAN. Okay. So I hate to cut you off here, because time is finite—

Mr. WESCOTT. Yes, sir.

Mr. BERGMAN [continued]. —so Catch-22, we can't do it until we have done it. You have got to have 2 years of experience—

Mr. WESCOTT. That is correct.

Mr. BERGMAN [continued]. —before you can get approved.

Mr. WESCOTT. Yes.

Mr. BERGMAN. And therefore, again, as we look at what is the goal, the goal is to get veterans in a position where they can take advantage of an educational model that fits them going forward after their military service. And as I look at the Committee here, the Subcommittee in this case, and our role as the Federal Government—not the state government, but the Federal Government—do we even have a role in the ability to in effect make that occur, allow that business model? What do we do as a Committee or as a Congress, whether it be in policy or in law, to make that happen?

Mr. WESCOTT. Well, certainly we are all constrained by that Federal system and the different state laws, and we try to fast-track good programs by working together among our agencies when they come into existence. We also have seen cases where, like in the Colmery Act, the VET TEC program was rolled out, and there was a case where a solid program, which was, you know, could get vets in meaningful technical jobs, was fast-tracked, if you will. So there—

Mr. BERGMAN. So—

Mr. WESCOTT [continued]. —is a role, but I think it is—

Mr. BERGMAN. Okay. And I am with you here and I really appreciate this dialogue, because I look at the VA and what they are trying to do, and you are trying to do the right thing, how do we put, if you will, the three of us—or maybe there is more in a room, because you have got the Veterans Administration, you have got the SAAs, you have got the person who is—or the entity who is trying to provide the education, whether it is public, private, for-profit, non-profit, whatever it happens to be, how do we get the right people in the room to sit down and hammer out a plan that we can all to the 80-percent level agree to going forward, and do it in an expeditious manner that has, number one, quality-control integrity when it comes to providing value for the dollar? And so then, you know, when GAO starts looking into it, they go, yeah. But what do we do? Can we get everybody in the room?

Mr. WESCOTT. Yes, Congressman, I think you have put your finger right upon the issue and the answer, and that is to get those people in the room and to talk about the changes that need to take place, whether they are regulatory or statutory, so that we can work together to, you know, move good programs at a faster pace. But you are right, we must safeguard our veterans from the bad actors in whatever sector of education.

Mr. BERGMAN. Well, you know, I know my time has run out, but in safeguarding the veterans, they are pretty savvy, we need to give them tools so they can—if it smells like a duck, walks like a duck, quacks like a duck, it is a duck, and give them the tools. They have already got some of the skills in their military time that allow them to assess a good or bad situation.

Mr. Chairman, I yield back.

Mr. LEVIN. Thank you, Mr. Bergman. My grandfather, who was a World War II veteran, used to use that saying all the time.

[Laughter.]

Mr. LEVIN. With that, I would like to recognize Ms. Lee for 5 minutes.

Ms. LEE. Thank you, Mr. Chair, and thank all of the witnesses for being here.

Ms. Minor, when schools abruptly close frequently the students are entitled to relief under the 2016 Borrowed Defense regulations. So I would like to discuss the Department's struggle to act on this.

When Principal Deputy under Secretary Jones testified recently, she stated that the Department would not approve borrower defense claims because the Department cannot “determine the level of harm or the level of relief due to the ongoing litigation in California.”

Can you confirm that the Department is not completing adjudication of borrower defense claims due to the Cavio litigation ongoing in California?

Ms. MINOR. Currently, the Department is continuing to review and process the applications, but that litigation has prevented the Department from utilizing the tier of methodology that is currently in place. So we are in the process of trying to identify a new methodology to determine the amount of the relief to be granted to the students.

Ms. LEE. I want to hit on this. The Cavio decision states, "Nothing in this order prohibits the secretary from fully discharging the loans of any borrower who has successfully completed or who successfully completes an attestation form."

To clarify, the Department can discharge borrowed defense claims under this order, but the Department have chosen not to do so; is that correct?

Ms. MINOR. The Department's decision at this point is to determine the amount of harm, and that was the purpose of the tiered methodology. And so the litigation did not prohibit the use of tiered methodology. It was the actual data that was being utilized in order to complete that calculation.

So what the Department is currently in the process of doing is trying to come up with a different mechanism for determining what that methodology would be and that determination for the amount of relief would be.

Ms. LEE. So how many borrowers has the Department determined eligible for relief, partial or full under borrower defense for whom the Department has not granted relief? Do you know that number?

Ms. MINOR. I can get the exact number for you, but as we are continuing to review the applications there are a significant number that we have made a determination on.

Ms. LEE. I believe the number is 160,000 approximately. So can we expect the Department to discharge any of these claims before the litigation is concluded?

Ms. MINOR. Thank you for the question. I cannot respond as to the timing of that because it would be based upon when a determination is made on a new methodology.

But as I indicated, the review process is ongoing. So there are applications that are being reviewed and processed and they are simply pending until we can determine what the relief methodology will be.

Ms. LEE. Okay. Well, I hope we can get some closure for some of those—

Ms. MINOR. We do, too.

Ms. LEE. —students.

I am going to move on to another issue with respect to the Dream Center Education Holdings who closed most of its institutions on December—between December 2018 and March 2019. One of these schools, the Art Institute of Phoenix, provides an example of, I'm just going to say the improper handling of this.

The Art Institute closed on December 28th, 2018. This date is significant because students who were enrolled up to 120 days prior to that date are then eligible to have their loans discharged.

Unfortunately for these students, the Department's web page has provided misinformation on the date of closure, specifically stating that AI Phoenix closed on March 8th, 2019 and that students are "not eligible for a closed school loan discharge if they withdrew from classes before November 8th, 2018."

And from a review of the Department's web page it appears that this is not the only school for which the Department has misinformed students of their rights.

Ms. Minor, is the Department denying students closed school discharge claims if they withdrew from classes before November 8th but after August 30th the appropriate school discharge window specified in the regulation?

Ms. MINOR. Respectfully, I am not aware that we had an incorrect date posted, so I would have to go back and confirm what the information is and what would be the eligibility determination.

Ms. LEE. Okay. Well, I can confirm that the Department is, in fact, denying these claims.

And, Chair, I would like to submit documentation of two students whose claims were denied for this exact reason, Ms. Brandy Landy and Ms. Christine Anderson. Both students applied for a closed school discharge through their servicer where they were clearly indicated that they had attended AI Phoenix. The letters I plan to enter into the record are what their servicer, Cornerstone, sent back to them incorrectly informing them that they do not qualify when they do.

And, you know, it is just hard to overstate the personal risks and stakes here. Being told that they don't qualify for full discharge when, in fact, they do is the difference between a lifetime of financial ruin or a lifetime of freedom. It is essential that the Department of Education and its servicers they contract with correct this error. Advocates have repeatedly called the Department and opened cases with the FSA Ombudsman Group. But this problem persists under your watch.

Can you personally commit to looking into the claims of Ms. Landy and Anderson to ensure that their issues are handled?

Ms. MINOR. Yes. I will personally commit to look into those. We want to ensure that every student who is eligible for a closed school discharge receives it.

Ms. LEE. Great. Thank you.

Mr. LEVIN. Thank you, Ms. Lee, and without objection we will include the documents into the record.

Mr. LEVIN. And with that I would like to recognize Mr. Banks for 5 minutes.

Mr. BANKS. Thank you, Mr. Chairman.

Ms. Minor, is it correct that DOE recently achieved consensus on a comprehensive list of regulations to streamline the accreditation process as well as broader quality assurance issues for all colleges and universities across the country?

Ms. MINOR. Respectfully, sir, that is outside the scope of my purview.

Mr. BANKS. So that is or is not correct?

Ms. MINOR. I cannot respond because it is not something that I work on.

Mr. BANKS. Okay.

Ms. Bogue, is it accurate to say that the VA relies heavily on the accreditors and DOE regulations in determining approval of programs and institutions?

Ms. BOGUE. That is correct. For accredited programs we rely on the information from Department of Education. We do approve non-accredited programs and those rules are slightly different from that aspect.

Mr. BANKS. Okay. Then, Ms. Minor, then as the agency with authority over recognition of accreditors and all universities participating in Title VI, shouldn't your department take the lead to ensure consistency in regulations, definitions and coordination of oversight activities to ensure there is no duplication or conflict of efforts?

Ms. MINOR. Respectfully, sir, anything regarding accreditation is outside the scope of my purview as I am from Federal student aid.

Mr. BANKS. Okay, then.

Dr. Wescott, how has the focus on compliance surveys impacted your ability to visit schools and provide training to schools, to schools certifying officials?

Mr. WESCOTT. Well, as I mentioned in my testimony, sir, it certainly hasn't impacted it in a negative fashion without question.

I used to be a program specialist and an SAA back in 2005 and we would go to 80, 90 percent of our schools and visit them in the course of a year. As you can see from the testimony, we are way down now. The average would be 25 percent nationwide.

So that impacts not only our ability to know what is going on there at the schools, but it impacts our ability to provide on the spot technical assistance. And that face to face technical assistance is very valuable for the schools. And I can assure you they would like to see more of us in that regard and for that reason.

Mr. BANKS. Okay.

Ms. Bogue, how many claims for restoration of entitlement have you received and how many have you granted?

Ms. BOGUE. So there is two aspects to that. For the schools that closed before August 16, 2017, that would be an example of ITT or Corinthian. We have actually restored over 16,000 months of entitlement to about 2,000 individuals.

For schools that have closed after August 16 of 2017 we have restored about 1,400 months of entitlement to about 550 students.

Mr. BANKS. Okay. And what are the top three reasons that you would say there are for a denial of a restoration of entitlement claim?

Ms. BOGUE. The top three reasons, so number one is that they were able to transfer credits. That is the number one reason. They were able to transfer credits to another school.

The second reason is that that school actually did not close from that perspective.

And then the third reason from the perspective of the student was never enrolled at the time of the closure.

Mr. BANKS. Okay. Thank you very much. I yield back.

Mr. LEVIN. Thank you.

Miss Rice is now recognized for 5 minutes.

Miss RICE. Thank you, Mr. Chairman.



Ms. Minor, a for profit institution has a questionable business model. If a school's main goal is to maximize profits, providing a high quality education will never be the top priority.

Can you explain how such a business model can lead to anything other than financial instability or predatory low quality institutions?

Ms. MINOR. Thank you for the question.

We conduct our oversight activities based upon our regulations and statute, and there are very defined criteria regarding the financial responsibility and administrative capability. So we don't have the authority to go in simply based on a business model if it has an impact on the financial statements that are submitted or on their administrative capability that is identified through a program review, a compliance audit or any of the items we are looking at doing eligibility.

But, for example, we don't have a regulatory standard regarding how much funding is devoted to marketing. So we are limited in how we conduct the oversight activities.

Miss RICE. I believe that in your testimony you noted that the Department is working to develop new policies and practices to identify troubled institutions. Can you provide some more information about that?

Ms. MINOR. Yes. Thank you for the question.

We are constantly looking at our oversight activities and our risk based approach. I can't go into details without jeopardizing the integrity of the program. The comments, however, were referring to some of the items that are included in our proposed regulations that will provide opportunities for us to go in earlier at the indication that a school is closing and take additional actions at that particular point that aren't available to us now as far as requiring teach out plans and things of that nature.

Miss RICE. And that can happen internally, you can make those changes?

Ms. MINOR. It's based upon the proposed regulations that are published now.

Miss RICE. Oh, okay. Okay.

Ms. Bogue, the 90-10 loophole requires four profit schools to demonstrate their value by earning ten percent of their revenue from non-federal sources. But they count GI Bill benefits as a non-federal source.

Are you aware of how many universities would not meet the 90-10 requirements if GI Bill money was counted as federally sourced?

Ms. BOGUE. I do not have that number on hand, but I would be happy to get you that.

Miss RICE. Yeah. Could you, because I think that's—

Ms. BOGUE. Yes.

Miss RICE [continued]. —key.

Also, 38 United States Code 3696 requires VA to cut off GI Bill funds if a school utilizes advertising sales or enrollment practices of any type which are erroneous, deceptive or misleading either by actual statement or mission or intimation.

One cause of closed schools is predatory institutions that are caught defrauding students. They happen—they then are fined millions of dollars by Federal and state law enforcement.

So my question is why is VA failing to act sooner to cut off these fraudulent schools? I mean, it can't be that fining an institution like that and not doing away with its charter or its ability to stay in existence is—should be paramount?

Ms. BOGUE. So I will state that we have found schools in terms of—that were in violation of 36–96. And, one, we have the ability to refer to Federal Trade Commission, which we do. We have an MOU with Federal Trade Commission to refer to do further investigations, if needed.

If there is something that is very out there in terms of it is blatant that there is a violation, then we will refer it to the state approving agency to take the appropriate action to disapprove that program.

Miss RICE. And so that is the agency that actually has to do—to take away the program.

And so what rate of success do you have when you make that referral? How often, what percentage of those cases actually results in an action taken against the school?

Ms. BOGUE. I will have to get you those numbers.

Miss RICE. Okay. Please.

Ms. BOGUE. Okay.

Miss RICE. If you could.

Ms. Emrey-Arras, you noted in your testimony the drastic increase in school closure since 2013, and forgive me if someone—if you already said this, but what is the top reason that you attribute this increase in closures to?

Ms. EMREY-ARRAS. We don't mention a specific top reason, but we talk more about an assortment of reasons in terms of financial issues, loss of accreditation and litigation as being some of the factors that lead to school closures.

Miss RICE. I mean, it seems to me that there is—that we have to work together on this because there are certain things that we can do obviously through legislation that will make it easier for you to do your job because this pattern of allowing veterans to be taken advantage of, and the taxpayer, quite frankly, to be taken advantage of when schools that are purely for profit. I mean, there has to be—in my opinion there should be a big question mark after that, but that is me.

So I think it is—thank you all for being here. And I think it is really important that we work together to make sure that you are the eyes and ears, you are the first line of defense. But certainly there is a lot that we can do as well.

And I thank you, Mr. Chairman, for holding this hearing. I yield back.

Mr. LEVIN. Thank you, Miss Rice. I appreciate those comments and questions, and particularly look forward to the follow up information as it pertains to the GI Bill loophole and other areas that Miss Rice covered.

If there is no further questions, we can begin to bring the hearing to a close. However, before I make my closing statement I would like to turn to my friend, the Ranking Member, Mr. Bilirakis, for any closing remarks.

Mr. BILIRAKIS. Well, thank you very much. This was a very informative hearing and I want to thank those who testified this

morning as well, and I want to thank the Members for some very good questions.

Yeah. Our veterans only get one shot at it. And we want to make sure that they have the opportunity to make the best of it. So this is very important in the transition process so they can, you know, move on to new career opportunities.

So, you know, we have to focus on the quality of education that is available to them. And then, of course, they are savvy, but just like the General said and our Chairman says, what is it, if it looks like a quack—a duck—

Mr. LEVIN. Yeah.

Mr. BILIRAKIS [continued]. —and quacks like a duck, then it is a duck.

Mr. LEVIN. It's a duck.

Mr. BILIRAKIS. So that is all they are looking for. And then they will make their own decisions.

Thank you very much. And I yield back the balance of my time.

Mr. LEVIN. Thank you, Mr. Ranking Member, and thank you to our witnesses again for coming today. And I would like to thank the Members for coming today. We actually had almost perfect attendance, and there is a lot going on this week in Washington with appropriations and all the rest. So I am very grateful to my colleagues for joining us and for coming prepared with excellent questions.

You are all here obviously representing your various agencies, whether it be the VA or the Department of Education, the GAO or SAAs, and my hope is that you are not just coming together today because Congress has called you together. If we are going to solve this problem, we need you to continue to have these discussions, not just when we ask you to come and testify, but because of the day to day duties and responsibilities of your respective jobs and agencies.

My great hope is that we can stop pointing fingers. If you need the authority to make better decisions with regard to some of these institutions to proactively prevent the problem, then that is something that we need to address perhaps here in Congress.

And I am very open to that as I know the Ranking Member is. I think everybody on this Committee, we operate a little differently. We all just want to solve the problem. And in this instance when you talk about the thousands and thousands of our veterans who got caught up in these failing schools and now are devastated financially and otherwise, they have served our country. The GI Bill is there as an amazing resource for them. But, you know, obviously 22,000 people, that is just far too many. And we have got to do better.

So I look forward to your answers to many of our questions. I also would recommend if any of my colleagues have additional questions that they submit them for the record. And our Committee will just continue to closely monitor the situation. And we look forward to working with you as we develop, whether it is legislative proposals or other policies. But please keep talking. Not just when we, you know, bring you all to testify before our Subcommittee and our Committee.

With that I will say that all Members have 5 legislative days to revise and extend their remarks and include additional materials. And, again, I encourage my colleagues to submit written questions for the record.

And, again, I thank you everyone for coming. And without objection the Subcommittee stands adjourned.

[Whereupon, at 1:12 p.m., the Subcommittee was adjourned.]

## A P P E N D I X

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### **Prepared Statement of Charmain Bogue**

Good morning Chairman Levin, Ranking Member Bilirakis, and Members of the Subcommittee. I appreciate the opportunity to appear before you today to discuss the effects of permanent school closures on student Veterans who are using education benefits from the Department of Veterans Affairs (VA). My testimony today will focus on school closures; the restoration of entitlement authority in the Harry W. Colmery Veterans Educational Assistance Act of 2017 (Colmery Act) or, as it is more commonly referred to, the Forever GI Bill; the current partnership between VA, State Approving Agencies (SAAs), and other Federal agencies; the identification of, and dissemination of information about, at-risk schools; and VA's ongoing efforts to ensure effective oversight of approved educational institutions.

#### **School Closures**

The permanent closure of educational institutions at which GI Bill beneficiaries are actively pursuing approved programs of education or training negatively impacts student Veterans and eligible dependents in several ways. First, these individuals are unable to complete their programs of education at their chosen schools. Also, in many cases, they will not be able to graduate on time because some or all of their credits do not transfer to another educational institution. Consequently, there is a greater likelihood that some individuals will exhaust all of their GI Bill entitlement before completing their programs. Second, monthly benefit payments will be terminated, abruptly removing an important source of income that beneficiaries often rely on to pay a mortgage, rent, or other bills.

VA is aware of numerous institutions that closed their doors since 2013 while students were actively attending classes - disrupting the education plans of thousands of students. Specifically, in Fiscal Years 2013 and 2014, 70 VA-approved schools closed, impacting approximately 1,600 Post-9/11 GI Bill beneficiaries actively pursuing an approved program of education or training. On April 27, 2015, Corinthian Colleges, Inc., closed its 28 remaining schools and subsequently filed for bankruptcy. On September 6, 2016, ITT Technical Institute closed between terms, impacting the plans of approximately 11,000 GI Bill beneficiaries. Most recently, 18 Art Institute and Argosy University campuses were approved for GI Bill benefits when they closed on March 8, 2019. As of April 10, 2019, VA identified 1,782 students who may be affected by these closures.

#### **Restoration of Entitlement**

Prior to the enactment of section 109 of the Colmery Act, (38 U.S.C. §§ 3680(a) and 3699), VA had no authority to continue benefit payments or restore benefit entitlement in the event of a permanent school closure, regardless of the reason for closure. Section 109 authorizes VA to restore benefits and provide relief to beneficiaries affected by school closures and certain program disapprovals. For qualifying closures and disapprovals, VA is able to restore some, if not all, entitlement used in pursuit of the interrupted program of education. This provision applies to beneficiaries receiving benefits under chapters 30, 32, 33, and 35 of title 38, United States Code (U.S.C.), and chapters 1606 and 1607 of title 10, U.S.C., for programs of education discontinued after January 1, 2015. For courses or programs discontinued during the period beginning January 1, 2015, and ending on August 16, 2017, an individual who does not transfer any credits can have his or her entitlement used for the entire period of enrollment in the program of education restored. However, for programs discontinued after August 16, 2017, VA is only authorized to restore the entitlement used only for the interrupted term, and only if no credit is earned for that period. In addition, VA contacts impacted students within 5 days of notification of a school closure to provide information on the qualifications for restoration of benefits and instructions on how to make a request for restoration. The information is also available on the GI Bill Web site accessible at <https://benefits.va.gov/GIBILL/FGIB/Res->

toration.asp. VA relies heavily on its SAAs to provide official notification of a closure to VA. As of April 26, 2019, VA restored 14,252 months of entitlement for 1,380 beneficiaries who attended schools that were closed prior to August 1, 2017 and restored 1,218 months of entitlement for 506 beneficiaries who attended schools that were closed on or after August 1, 2017.

Section 109 also allows for the extension of the Post-9/11 GI Bill monthly housing allowance (MHA) payments when a school closes or is disapproved during an active term. In these instances, enrolled beneficiaries may be eligible to continue receiving MHA payments until the original end of the term or 120 days, whichever occurs sooner. This provision was effective on August 1, 2018 and applies to courses and programs of education discontinued on or after August 16, 2017. VA does not have the authority to extend monthly benefit payments under the other GI Bill programs following permanent school closures.

### **Partnerships**

VA maintains a close working relationship with the Department of Education (ED), the Department of Defense, the Department of Justice, the Consumer Financial Protection Bureau, and the Federal Trade Commission (FTC). Together, these Federal entities engineered a broad strategy for sharing information through independently developed processes and tools that provide tailored information related to an institution's graduation rates, tuition costs, and academic programs. An inter-agency agreement facilitates this information sharing across the agencies, which benefits students and provides a network of relevant information students need to make informed decisions on the educational institution that best fits their respective needs. However, VA still has limited authority to take action against a school to protect students prior to a school closure. VA only has authority and resources to gather allegations, keep students informed of the current state of a school, and refer issues to other offices (such as the FTC or the VA's Office of Inspector General) for investigation, or wait for information to be provided to VA by another source (e.g., SAAs, Veterans Service Organizations, ED, State Attorney General's office, etc.).

### **At Risk Schools**

VA also looks at indicators to identify if a school is likely to close. These indicators include ED's heightened cash monitoring designations and ED's revocation of participation in Federal Student Aid (FSA) programs. Our experience has shown that economic factors, such as revocation of FSA participation, are generally the number one indicator for school closures. However, it is important to note that neither financial stability nor FSA participation are approval requirements for accredited programs and, consequently, VA and SAAs lack the authority to disapprove a program, or the enrollment of eligible Veterans, merely because a school appears to be in economic distress.

Nonetheless, as we have seen a number of large schools close over the last several years, VA has taken a more proactive approach to get information out to students enrolled in at-risk schools. Specifically, VA puts caution flags on the VA GI Bill Comparison Tool indicating when a school has been designated for heightened cash monitoring or may lose approval for FSA benefits, as a way of alerting students to potentially at-risk schools. In addition, VA sends emails and uses social media to provide information and resources to potentially impacted Veteran and dependent students. For example, we sent two emails to Art Institute and Argosy students prior to the school closures, and we subsequently sent additional correspondence to inform them of their potential eligibility for entitlement restoration. As of April 25, 2019, VA has received 265 applications for restoration and granted entitlement restoration to 95 of these students.

### **Government Accountability Office (GAO) Report**

The GAO report, "VA Education Benefits: VA Needs to Ensure That It Can Continue to Provide Effective School Oversight" (GAO-19-3, November 14, 2018), accessible at <https://www.gao.gov/products/GAO-19-3>, recommends that the Secretary of Veterans Affairs direct the Under Secretary for Benefits to: (1) identify and assess risks related to future withdrawals by state agencies in overseeing schools, and (2) address these risks by preparing a contingency plan for how VA will oversee additional schools if more states choose not to renew their oversight contracts.

VA agrees with this recommendation. VA has assessed the risks associated with state agencies not renewing their contracts. VA has a long history of fulfilling the role of SAA during gaps in SAA coverage, historically, on a limited scale for either one state at a time or, for a couple smaller-scale states simultaneously. Recognizing the risk of having to fulfill this role on a larger scale VA has developed a formal contingency plan for assuming and accomplishing additional oversight responsibilities.

ities. The contingency plan was approved by the Veterans Benefits Administration (VBA) on April 15, 2019. In addition, the VBA's Education Service initiated discussions with the National Association of State Approving Agencies in the summer of 2018, regarding VBA's interest in using the services of one or more individual SAAs to work with VBA's Education Service to complete field work (i.e., school site visits, compliance visits, and other appropriate actions). This work will be completed by the non-contracting SAA, to be paid with unallocated annual SAA funding. VBA expects to finalize the communication that will go out to all of the SAAs by July 31, 2019. However, VBA has concerns that it may not be adequately resourced to effectively carry out SAA responsibilities in multiple states, or a few large states, simultaneously, and we would be willing to discuss the issue and possible solutions in greater depth with the Subcommittee.

Finally, VBA will continue to fund \$3 million in its GOE account to ensure the work of SAA's is administered appropriately; this allows VBA to address the work of any SAA that does not enter into a cooperative agreement with VA for any portion of the year.

Mr. Chairman, this concludes my testimony. I am prepared to respond to any questions you or other Members of the Subcommittee may have.

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### **Prepared Statement of Robin Minor**

Chairman Levin, Ranking Member Bilirakis, Members of the Committee. Thank you for the opportunity to appear before you today on behalf of the U.S. Department of Education (the Department) Office of Federal Student Aid (FSA).

Our veterans and their families represent the best of this country, and the education benefits they receive as a result of their service are hard-earned and well-deserved. Veterans use their education benefits to pursue credentials that will allow them to transition their military profession to the civilian world, pursue career advancement, or adjust to the new realities of life following service-related injuries and disabilities. In some instances, military spouses utilize these education benefits to advance their own career opportunities, which may have taken a back seat to the demands of military life. It is essential that veterans have the freedom to pursue the educational opportunities of their choice, at the institutions they believe will best serve their interests and needs. And it is important that institutions deliver on their promises to provide these students with a good opportunity to learn and succeed.

Although veterans are not limited in using their benefits to programs and institutions that participate in the Department of Education's Federal Student Aid programs, which are authorized under Title IV of the Higher Education Act, or institutions or programs that are accredited by an agency recognized by the Secretary of Education, we know that many veterans view Title IV participation and accreditation as a stamp of approval that allows them to invest wisely in programs that will meet their needs. Therefore, while Title IV and Veterans Affairs (VA) benefits programs are operated independently, there is considerable overlap between the populations of students served.

Since the inception of the Servicemen's Readjustment Act of 1944 - the G.I. Bill - colleges and universities have played an important role in expanding educational opportunities for veterans to assist them transitioning to and succeeding in the civilian workforce. It is now well recognized that the G.I. Bill is largely responsible for providing unprecedented access to higher education and home ownership among the many WWII veterans.

Most institutions have embraced the opportunity to serve military veterans and recognize the unique talents and experiences they bring to the classroom. Some institutions have worked hard to create veteran-friendly policies that include awarding academic credit for learning that took place during their military service and accepting credits toward degree requirements that may have been earned at several different institutions as the servicemember has moved around the country and the world. Veteran-friendly institutions create campus or on-line learning environments that provide a sense of community to these students, honor the veterans' contributions, recognize their unique challenges, hire faculty and staff who are military veterans, offer academic programs that provide clear pathways from military to civilian careers, provide flexible scheduling that is attractive to otherwise busy adults, and value the sacrifices veterans and their families have made and their unselfish love of country.

Unfortunately, some institutions have closed abruptly and without warning and, consequently, have been unable to deliver on the promises they made to students.

Changes in population demographics coupled with low unemployment has forced the merger of some institutions and the closure of others and may lead to additional closures in the future. Some college closures are well-planned and orderly, meaning the institution provides an opportunity for currently enrolled students to complete their programs or transfer to a comparable program at a similar institution.

Precipitous closures are highly disruptive to students and may leave them unable to complete their program or earn a credential. The Department is working to develop new policies and practices to identify troubled institutions earlier and to ensure the students have more advanced notice and options when a school closes.

With respect to Federal student loans, when an institution closes, students who did not complete their program of study because the school closed while they were enrolled or who left the institution no more than 120 days prior to closure, and who did not complete the program of study through a teach-out at another institution, are entitled to a closed school loan discharge.

Students who apply and are eligible for closed school discharges are relieved of their responsibility for repaying any of the Federal student loans associated with the enrollment at the closed school. Because students are limited in the number of Pell grants they may receive, the Department also restores eligibility for students who received Pell grants during their enrollment at the closed school. Regulations implemented in late 2018 also provide “automatic” closed school loan discharges for any borrower who enrolled at the time of an institution’s closure or up to 120 days prior to the institution’s closure, and who did not enroll at another Title IV- participating institution within three years. These discharges are provided to eligible students without requiring them to submit an application.

Although school closures are frequently the result of financial challenges, there are instances in which a school closes because its accreditor withdraws accreditation, or a State removes the institution’s authorization to operate with the State. While the Department may end an institution’s participation in Title IV, it does not have the authority to close an institution or to prevent it from offering educational opportunities to students.

When warranted, the Department may place an institution under heightened cash monitoring (HCM) payment method to restrict an institution’s ability to draw down Federal Title IV funds from the Department’s disbursement system. This step enables the Department to provide additional oversight over a variety of financial or Federal compliance issues, some of which may be serious and others that may be less troublesome. There are two levels of Heightened Cash Monitoring-HCM 1 and HCM 2. Under HCM 1, an institution draws down Federal funds after it has submitted disbursement records to the Department and disbursed aid to students using its own funds. Under HCM 2, an institution makes disbursements to students using its own funds, and then submits a reimbursement payment request to the Department.

Institutions may be placed on HCM 1 or HCM 2 as a result of compliance issues including accreditation issues, late or missing annual financial statements and or audits, outstanding liabilities owed to the Department, concerns about an institution’s administrative capability, concerns about an institution’s financial responsibility, and possibly severe findings uncovered during a program review. Thus, HCM, coupled with additional oversight, helps safeguard taxpayer funds and promote institutions’ proper stewardship of the Federal student financial aid programs, thereby protecting the interest of the Nation’s students, including those who are veterans.

Two recent closures that have captured considerable news attention involved institutions placed into receiverships in Federal district courts. Such proceedings, which may arise under Federal or state law, have rarely been used by creditors of Title IV eligible institutions and provide creditors with the opportunity to request a court to appoint a “receiver” to manage the assets and liabilities of an institution for the benefit of the creditors. Prior to these proceedings, the Department had had little experience with institutions seeking such protection from creditors. Although the Higher Education Act makes clear that if an institution declares bankruptcy it may no longer participate in Title IV programs, the law is silent on receiverships, as are the Department’s regulations. The Department is currently examining the extent to which receiverships affect its ability to provide effective oversight of the Title IV program.

The Department cannot always predict how an institution will respond to certain sanctions, and it cannot always predict which institutions will close. In many cases, for example, institutions have operated for years despite being subject to HCM 2. Further, while in some instances, a single problem may result in the rapid deterioration of an institution’s finances, in other instances an institution on the brink of financial disaster may launch a successful fund-raising campaign that saves it. The



decision to remove Title IV funding, accreditation or state authorization is difficult, especially because a number of institutions go through periods of financial distress but go on to recover and continue serving students. Even a financially troubled institution may still be providing strong opportunities for the students it serves, including providing the only options available to students in certain geographic areas or the only institution providing programs that prepare students for high-demand fields.

The Department's tools to identify financially unstable institutions primarily depends upon the institution's financial "composite score" which is designed to measure the financial health of an institution. Institutions that fail the composite score test are required to post letters of credit that provide the Department with a guaranteed source of funds to pay an institution's liability stemming from improperly disbursed Federal student aid. In some instances an institution may have already resolved a financial challenge by the time a Letter of Credit (LOC) is provided and in other instances a LOC may be beyond the institution financial wherewithal to obtain, forcing an unstable institution into closure. The Department has, however, routinely worked with institutions experiencing challenges in obtaining letters of credit to find alternative ways of providing the Department with financial protection.

The Department takes quick action when an institution closes to provide students and related regulatory agencies with the most accurate and timely information possible. Among other things, the Department

- Makes every effort to work with school officials, as well as the school's state authorizing agency(ies) and accreditor(s) to understand and communicate the school's closing closure process, including whether teach-outs will be available and how transcripts will be made available to students;
- Posts fact sheets and other information to [StudentAid.gov/closures](http://StudentAid.gov/closures). This portal houses closed school information, common closure-related Q&As including information for students receiving GI benefits, institution-specific fact sheets, and other avenues to access information (webinars and transfer fairs, where applicable);
- Works as closely as possible with impacted state agencies and accreditors to inform them of the Department's web resources for students and ask them to share the resources with students. Often, these partners' closure sites incorporate the Department's closed school loan discharge messaging and include links to Department outreach resources;
- Participates, when possible, in state-sponsored or institution-hosted transfer fairs intended to help students understand their options; and
- Emails directly with students who were enrolled that time of the closure or those who recently withdrew to provide information about their options and direct them to other information and resources.

When working through these steps, the Department considers the VA to be a critical partner and routinely includes the VA in outreach and information sharing efforts. We have enjoyed a cooperative and collaborative relationship with our Federal colleagues at VA and we look forward to continuing our partnership.

The Department of Education embraces the responsibility to help student-veterans navigate the higher education system, stands ready to work with Congress, the VA and other agencies on initiatives that put students - including student-veterans - first.

Thank you for the opportunity to testify. I look forward to answering your questions.

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### **Prepared Statement of Melissa Emrey-Arras**

#### **POST-9/11 GI BILL**

#### **Veterans Affected by School Closures**

Chairman Levin, Ranking Member Bilirakis, and Members of the Subcommittee:

I am pleased to be here today to discuss the effect of school closures on student veterans. The Department of Veterans Affairs (VA) has provided \$94 billion in education benefits under the Post-9/11 Veterans Educational Assistance Act of 2008 (Post-9/11 GI Bill) to over 2 million veterans since the program began in 2009, ac-

cording to VA.<sup>1</sup> This program provides funding that helps cover eligible veterans' tuition and fees (that VA pays directly to schools), as well as monthly housing benefits and book stipends (that VA pays directly to veterans). These benefits enable veterans to pursue a higher education and develop skills to help them re-enter the workforce. However, recent news reports about school closures have raised questions about the effect of these closures on student veterans' education benefits.

My remarks today address three objectives: (1) the distribution of Post-9/11 GI Bill tuition and fee payments among schools, (2) the outcomes of students at schools that receive the most Post-9/11 GI Bill tuition and fee payments, and (3) how school closures can affect student veterans. To answer objective one, we analyzed school-level data from VA on Post-9/11 GI Bill beneficiaries, tuition and fee payments, and school characteristics for fiscal year 2017, the most recent data available. For our second objective, we analyzed school-level 4-year program graduation rates, retention rates, and school characteristics from the Department of Education's (Education) Integrated Postsecondary Education Data System (IPEDS) for school year 2017–2018, the most recent data available.<sup>2</sup> In addition, to estimate how many student veterans receive Federal student aid we reviewed data from Education's National Postsecondary Student Aid Study (NPSAS) for school year 2015–16, the most recent data available. We assessed the reliability of the VA and Education data by performing electronic tests on specific data elements used in our analyses and by reviewing documentation about the specific data systems and our prior work that assessed the reliability of similar data. As a result of this assessment, we concluded that the VA and Education data were sufficiently reliable for our reporting purposes. My testimony related to objective three is based on our prior reports on this topic issued between 2013 and 2017 and cited throughout this statement. We used multiple methodologies to develop the findings, conclusions, and recommendations for these reports. A more detailed discussion of the objectives, scope, and methodologies, including our assessment of data reliability, is available in each report.

We provided a copy of the applicable new information that we are reporting in this testimony to VA and Education for comment. VA and Education provided technical comments, which we addressed as appropriate.

The work upon which this statement is based was conducted in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

## Background

### Post-9/11 GI Bill Benefits

VA has been providing veterans educational assistance benefits since 1944. We previously reported that these benefits have been put in place over time to compensate for compulsory service, encourage voluntary service, avoid unemployment, provide equitable benefits to all who served, and promote military retention.<sup>3</sup> The Post-9/11 GI Bill, which took effect on August 1, 2009,<sup>4</sup> is now VA's largest educational program. This program generally provides benefits to veterans who served on active duty for at least 90 days beginning on or after September 11, 2001. Full benefits are generally available to those who served on active duty for 36 months, for which VA will pay the net cost for in-state tuition and fees at public schools and up to an annual maximum amount at nonprofit and for-profit schools (\$24,477 in academic year 2019–2020).<sup>5</sup> VA pays schools directly for tuition and fees and sends

<sup>1</sup> See Pub. L. No. 110–252, tit. V, 122 Stat. 2323, 2357. In this testimony we generally refer to Post-9/11 GI Bill beneficiaries as veterans, although under certain circumstances, veterans can transfer their Post-9/11 GI Bill benefits to their spouses and children. 38 U.S.C. § 3319.

<sup>2</sup> Graduation rates are as of August 2017 and measure the percent of first-time full-time bachelor's (or equivalent) degree/certificate-seeking undergraduate students who completed a program within 150 percent of the program length (6 years). Retention rates are as of fall 2017. The retention rate is the percent of first-time bachelor's (or equivalent) degree/certificate-seeking students who enrolled in one fall and either successfully completed their program or re-enrolled in the next fall.

<sup>3</sup> GAO, VA Education Benefits: VA Needs to Improve Program Management and Provide More Timely Information to Students, GAO 13 338 (Washington, D.C.: May 22, 2013).

<sup>4</sup> Pub. L. No. 110–252, tit. V, § 5003(d), 122 Stat. 2323, 2378.

<sup>5</sup> The Post-9/11 GI Bill provides up to 36 months of education benefits. Veterans can also receive full benefits if they served on active duty for at least 30 continuous days beginning on or after September 11, 2001 and were discharged or released for a service-connected disability, and in some situations in which a veteran was awarded the Purple Heart. Veterans who served on active duty for less than 36 months beginning on or after September 11, 2001 are eligible

additional payments for housing and books directly to veterans who are eligible for these payments. To receive education benefits through the Post-9/11 GI Bill, students submit applications to VA, schools certify enrollments, and VA processes claims and payments.

#### **Other Sources of Student Aid**

For help covering the costs of their postsecondary education, veterans may also be eligible for grants and loans available from Federal student aid programs administered by Education, such as Pell Grants and Direct Loans.<sup>6</sup> According to Education data, an estimated 32 percent of student veterans had received Pell Grants and 28 percent had taken out Direct Loans, during school year 2015–16.<sup>7</sup> VA education payments, such as Post-9/11 GI Bill benefits, are not considered when calculating eligibility for Federal student aid and do not affect the amount of aid a veteran can receive from Education. Student veterans may also be eligible for state and institutional aid (scholarships from state governments or schools, for example).

#### **Student Veterans Attend a Wide Range of Schools, but a Small Number of Schools Receive a Large Share of Post-9/11 GI Bill Payments**

Nearly 700,000 student veterans received Post-9/11 GI Bill tuition and fee benefits to attend almost 6,000 schools in fiscal year 2017.<sup>8</sup> VA paid about 40 percent of the Post-9/11 GI Bill tuition and fee payments to public schools, 30 percent to nonprofits, and 30 percent to for-profits (see fig. 1).<sup>9</sup>

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for a portion of the maximum tuition amount based on their time served. Certain veterans attending participating nonprofit or for-profit schools may receive additional benefits to cover tuition and fees through the Yellow Ribbon G.I. Education Enhancement Program. Through this program, schools enter into voluntary agreements with VA to pay a portion of the tuition and fees that exceed an individual's Post-9/11 GI Bill benefit and VA matches the schools' contribution. 38 U.S.C. § 3317.

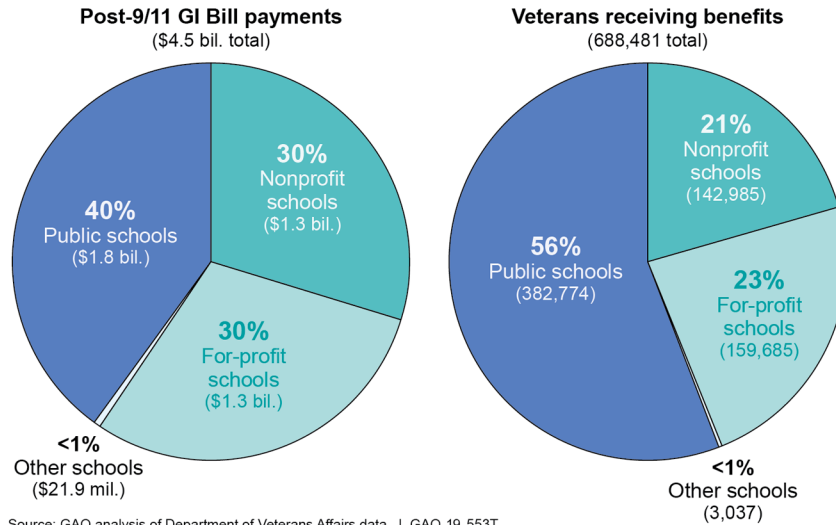
<sup>6</sup>Pell Grants are awarded to undergraduate students with financial need to help finance their postsecondary education. Education issues several types of loans under the William D. Ford Federal Direct Loan program, including subsidized and unsubsidized loans.

<sup>7</sup>Data are from NPSAS and results are within a +/-2 percentage point margin of error. NPSAS data are based on a nationally representative sample of college students and are collected from multiple sources, including school records, government databases, and student interviews. School year 2015–16 data are the most recent available.

<sup>8</sup>We calculated the total number of schools using VA and Education data. VA's data include tuition and fee payments at the campus level, meaning schools that have multiple campuses have unique data for each campus. To roll up campus-level data to the school-level, we matched VA campus-level payment data with campus- and school-level identifiers in IPEDS when available. Some schools that receive Post-9/11 GI Bill payments are not in IPEDS because they do not participate in Education's Federal student aid programs. In these cases, we treated each non-matched campus-level record as a school in our aggregate count.

<sup>9</sup>VA paid less than one percent to other types of institutions, including foreign, correspondence, and flight schools, in fiscal year 2017.

**Figure 1: Post-9/11 GI Bill Beneficiaries and Tuition and Fee Payments in Fiscal Year 2017, by Sector**

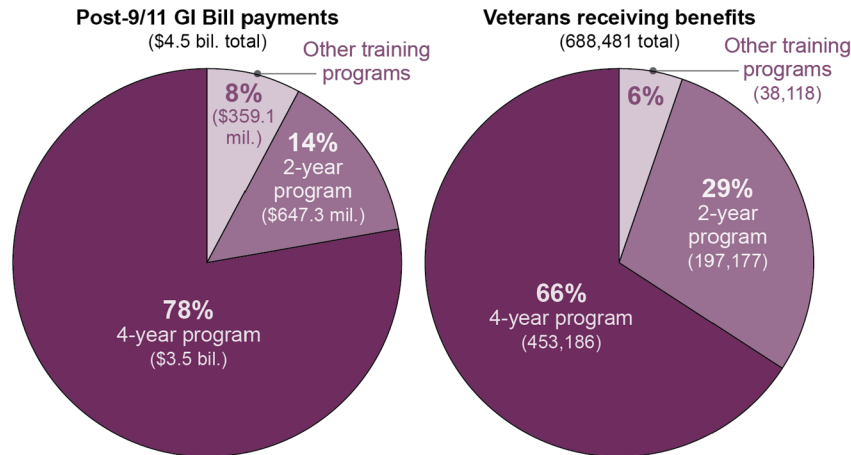


Source: GAO analysis of Department of Veterans Affairs data. | GAO-19-553T

Note: Payment amounts include only tuition and fee payments made directly to schools, not additional housing allowance or other payments. The "other" category includes foreign, correspondence, and flight schools.

Most student veterans used Post-9/11 GI Bill tuition and fee payments to attend schools that provided 4-year undergraduate programs (see fig. 2). Veterans may also use Post-9/11 GI Bill benefits for training opportunities at schools that do not offer college degrees, including training in areas such as driving, emergency medical training, and barber or beautician skills. These programs received about \$360 million Post-9/11 GI bill tuition and fee payments in fiscal year 2017.

**Figure 2: Post-9/11 GI Bill Beneficiaries and Tuition and Fee Payments in Fiscal Year 2017, by Program Length**

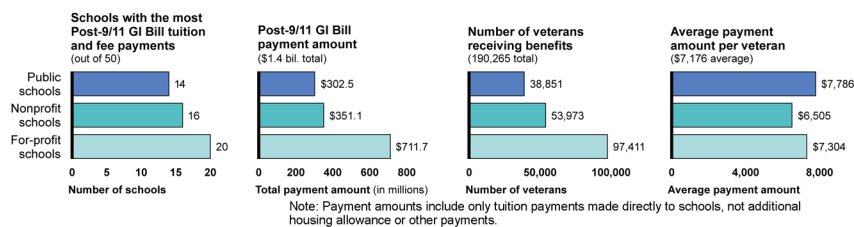


Source: GAO analysis of Department of Veterans Affairs data. | GAO-19-553T

Note: Payment amounts include only tuition and fee payments made directly to schools, not additional housing allowance or other payments. The percentages of veterans receiving benefits do not add to 100 due to rounding.

A relatively small number of schools received a large share of Post-9/11 GI Bill tuition and fee payments. In fiscal year 2017, the 50 schools that received the highest total amount of Post-9/11 GI Bill tuition and fee payments accounted for over 30 percent of all such benefits, collectively receiving \$1.4 billion for over 190,000 beneficiaries. These 50 schools consisted of 14 public, 16 nonprofit, and 20 for-profit schools (see fig. 3). In fiscal year 2017, the 50 schools received between \$11 million and \$191 million each in tuition and fee payments and enrolled between around 350 and 28,000 Post-9/11 GI Bill beneficiaries. In contrast, among all schools receiving Post-9/11 GI Bill benefits in fiscal year 2017, the majority of them enrolled fewer than 15 veterans.

**Figure 3: Selected Characteristics of the 50 Schools Receiving the Most Post-9/11 GI Bill Tuition and Fee Payments in Fiscal Year 2017, by Sector**



### Student Outcomes Varied Among Schools That Received a Large Share of Post-9/11 GI Bill Payments

Student outcomes at the 50 schools that received the most Post-9/11 GI Bill tuition and fee payments were, on average, generally comparable to the national average, but varied more widely across sectors. Since available data on student veteran outcomes is currently limited, we analyzed common outcome measures for the broader student populations at each school.<sup>10</sup>

<sup>10</sup> VA has several efforts underway to collect more specific data on student veteran outcomes. Federal law requires that as a condition of approval of a course offered by a school, each year such school that received a payment in that year on behalf of an individual entitled to relevant

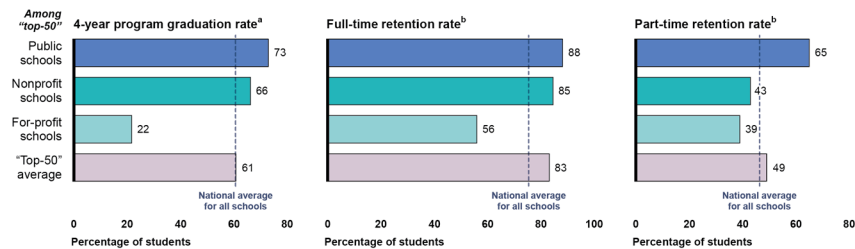
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- 4-year program graduation rates: the percent of first-time full-time students who completed a 4-year program within 6 years.<sup>11</sup>
- Full- and part-time retention rates: the percent of first-time students who enrolled in one fall and either successfully completed their program or re-enrolled in the next fall.<sup>12</sup>

When examined as a whole, the average student outcomes for the 50 schools that received the most Post-9/11 GI Bill tuition and fee payments were generally comparable to the national average. For example, the average 4-year program graduation rate at the top 50 schools was 61—the same as the national average. For one of the outcome measures—full-time retention rate—the average was higher for the top 50 schools (83 percent) than the national average (75 percent).

Within the 50 schools that received the most Post-9/11 GI Bill tuition and fee payments, student outcomes varied across schools in different sectors (see fig. 4). For-profit schools had lower 4-year program graduation and retention rates compared to public and nonprofit schools among these 50 schools, although there was wide variation among schools in each sector.

**Figure 4: Student Outcomes for the 50 Schools Receiving the Most Post-9/11 GI Bill Tuition and Fee Payments in Fiscal Year 2017, by Sector**



<sup>a</sup>Top 50<sup>a</sup> = The 50 Schools Receiving the Most Post-9/11 GI Bill Tuition and Fee Payments from Fiscal Year 2017

Source: GAO analysis of data from the Departments of Veterans Affairs and Education. | GAO-19-553T

*a The 4-year program graduation rate indicates the percent of first-time full-time bachelor's (or equivalent) degree/certificate-seeking undergraduate students who completed a 4-year program within 150 percent of the program length. Graduation rates are from Education's Integrated Postsecondary Education Data System as of August 2017. Seven of the 50 schools were not included in the 4-year graduation rate because they did not offer 4-year programs or did not report graduation rate data.*

*b The retention rate is the percent of first-time bachelor's (or equivalent) degree/certificate-seeking students who enrolled in one fall and either successfully completed their program or re-enrolled in the next fall. Retention rates are from Education's Integrated Postsecondary Education Data System as of fall 2017. Retention rates are calculated separately for full-time and part-time students.*

### School Closures Affect Thousands of Student Veterans

Although a relatively small number of schools close each year, these closures can affect thousands of student veterans. In 2017 we reported that about 95 schools closed in school year 2015–16, according to Education data, which was higher than in previous years, primarily due to a rise in for-profit school closures (see fig. 5).<sup>13</sup>

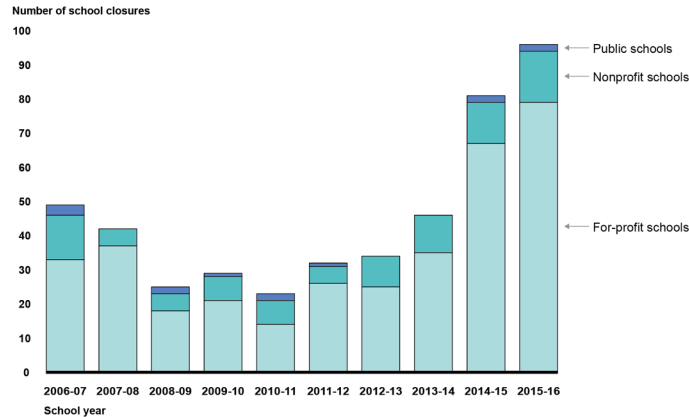
educational assistance must submit to VA information regarding the academic progress of the individual. 38 U.S.C. § 3326(a). In June 2018, VA notified schools that receive Post-9/11 GI Bill payments that they are required to submit graduation and completion data as a condition of receiving certain benefits.

<sup>11</sup>The graduation rate only includes degree- and certificate-seeking students. Seven of the 50 schools were not included in the 4-year program graduation rate because they did not offer 4-year programs or did not report graduation rate data.

<sup>12</sup>The full- and part-time retention rates only include bachelor's (or equivalent) degree- and certificate-seeking students.

<sup>13</sup>GAO, Higher Education: Education Should Address Oversight and Communication Gaps in Its Monitoring of the Financial Condition of Schools, GAO 17 555 (Washington D.C.: Aug. 21, 2017).

Figure 5: School Closures by School Type, School Years 2006-07 through 2015-16



Source: GAO analysis of the Department of Education's Postsecondary Education Participants System data. | GAO-19-553T

Schools can close in different manners and for a variety of reasons, including declining enrollments, financial problems, loss of accreditation, and legal actions. When a school ceases operations in an orderly process over several months it gives students time to complete the current school term and make arrangements to transfer and continue their education at another school. The effect of school closures is often worse when the closures occur abruptly with little or no advance warning, because these schools generally do not have time to establish transfer arrangements that allow students to easily continue their education at another school.

Abrupt closures of large schools, although infrequent, can affect thousands of student veterans and result in large financial losses for the Federal government and taxpayers. For example, Corinthian Colleges Inc.<sup>14</sup> (Corinthian) enrolled more than 72,000 students before its closure in April 2015. The following year, ITT Educational Services Inc. (ITT), another large for-profit provider of higher education, closed all of its 136 campuses in September 2016, affecting more than 35,000 students. More than 7,000 Post-9/11 GI Bill students were pursuing educational programs at schools operated by ITT and Corinthian at the time of their closures, according to VA. More recently, closures at Education Corporation of America in 2018 and Dream Center Education Holdings in 2019, which operated schools under multiple brands, including Argosy University and several campuses of The Art Institutes, affected tens of thousands of students, including thousands of Post-9/11 GI Bill recipients.

Student veterans attending a school that closes may be eligible to have some or all of their Post-9/11 GI Bill benefits restored. As a result of the Harry W. Colmery Veterans Educational Assistance Act of 2017, VA restores GI Bill entitlements to eligible beneficiaries affected by recent and future school closures.<sup>15</sup> Student veterans may also be entitled to a discharge on eligible Federal student loans they may have received from Education or to have their Pell Grant eligibility restored if they are unable to complete a program because their school closed.<sup>16</sup>

Despite these options for having benefits restored and loans discharged, school closures can still create hardships for veterans. As we have previously reported, college students in general can face challenges transferring credits and continuing

<sup>14</sup>The vast majority of schools that closed in the 5 years from school years 2011–2012 to 2015–2016 enrolled fewer than 500 total students.

<sup>15</sup>Pub. L. No. 115–48, § 109, 131 Stat. 973, 978, codified at 38 U.S.C. § 3699. According to VA, for schools that close after August 16, 2017, the term, quarter, or semester the veteran was attending when the school closed will not count against their 36 months of benefit eligibility. Veterans attending schools that closed from January 1, 2015 to August 16, 2017, may also qualify for restoration of their GI Bill benefits if they have not transferred any of their credits to another college.

<sup>16</sup>The Pell Grant program imposes a lifetime limit equivalent to 6 years of eligibility. In late 2017, Education implemented a statutory requirement to restore periods of Pell Grant eligibility to students who were unable to complete their course of study due to the closure of their school, according to Education.

their education at a new school under any circumstances.<sup>17</sup> Students who transferred lost, on average, an estimated 43 percent of their credits, and credit loss varied depending on the transfer path, based on data from 2004 to 2009. For example, students who transferred between public schools—the majority of transfer students—lost an estimated 37 percent of their credits. In comparison, students who transferred from for-profit schools to public schools—which happens less frequently—lost an estimated 94 percent of their credits.<sup>18</sup> Even if a student’s credits transfer, they may not apply toward fulfilling degree requirements for their intended major. In these cases, a student will likely have to take additional courses at their new school, which could potentially delay graduation and result in additional costs to pay for repeated courses. Further, some student veterans with credits that do not transfer may exhaust their Post-9/11 GI Bill benefits before completing their degree.

School closures can also exacerbate other challenges veterans may face pursuing their education. As we have previously reported, many student veterans already cope with challenges transitioning from the military to an academic environment.<sup>19</sup> For example, they can face challenges navigating the academic bureaucracy, whether in attempting to receive transfer credit for previous college courses or in determining what other sources of financial aid may be available to them. Many student veterans are also trying to balance school with family and work obligations or dealing with the effects of combat-related physical and psychological injuries. When a school closes, the burden of finding and enrolling in a new school may be especially difficult for these veterans.

Closures can also pose a financial risk for the government and taxpayers to the extent that Post-9/11 GI benefits are restored and Federal student loans are discharged. For example, in 2017 the Congressional Budget Office estimated that restoring Post-9/11 GI Bill benefits and other VA education benefits to student veterans who attend schools that closed will increase direct spending by \$320 million over the 10 year period from 2018 to 2027.<sup>20</sup> School closures can also result in hundreds of millions of dollars in financial losses for the Federal government and taxpayers due to discharged Federal student loans.

In conclusion, the Post-9/11 GI Bill has provided valuable education benefits to millions of veterans who attend a wide range of schools. However, when schools abruptly shut their doors, it can leave student veterans—who already face unique challenges in an academic environment—without a clear path to continuing their education and can force taxpayers to cover the cost of restoring their benefits and discharged student loans. Student veterans who continue their education at another school may also find that many of the credits they earned will not ultimately help them after they transfer, delaying their degrees and resulting in additional costs. As the number of school closures has increased in recent years, the risks and challenges associated with such closures are particularly salient for student veterans, their families, and the Federal government.

Chairman Levin, Ranking Member Bilirakis, and Members of the Subcommittee, this completes my prepared statement. I would be pleased to respond to any questions that you may have at this time.

#### **GAO Contact and Staff Acknowledgements**

If you or your staff have any questions about this testimony, please contact Melissa Emrey-Arras, Director, Education, Workforce, and Income Security Issues at (617) 788-0534 or [emreyarrasm@gao.gov](mailto:emreyarrasm@gao.gov). Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this statement. GAO staff who made key contributions to this testimony include Will Colvin (Assistant Director), Brian Schwartz (Analyst-in-Charge), and Jeffrey G. Miller. In addition, key support was provided by James Bennett, Deborah Bland, Benjamin DeYoung, Alex Galuten, Theresa Lo, John Mingus, Corinna Nicolaou, and Michelle St. Pierre.

<sup>17</sup> GAO, Higher Education: Students Need More Information to Help Reduce Challenges in Transferring College Credits, GAO 17 574 (Washington, D.C.: Aug. 14, 2017).

<sup>18</sup> Of the students who transferred, an estimated 62 percent of them transferred between public schools. Students who transferred from for-profit schools to public schools accounted for 4 percent of students who transferred.

<sup>19</sup> GAO 13 338.

<sup>20</sup> This estimate was for enactment of section 109 of the Harry W. Colmery Veterans Educational Assistance Act of 2017 which restores certain benefits to student veterans who attend schools that close. According to the Congressional Budget Office, most of the estimated increased spending is a result of restored Post-9/11 GI Bill benefits, but some other VA education programs that are used by fewer individuals and cost less per person than the Post-9/11 GI Bill are also included in the total spending estimate. Congressional Budget Office, Cost Estimate: H.R. 3218 Harry W. Colmery Veterans Educational Assistance Act of 2017, (Sept. 6, 2017).



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## **GAO HIGHLIGHTS**

### **Why GAO Did This Study**

The Post-9/11 GI Bill is VA's largest educational program. It provides payments for eligible veterans to cover tuition and fees, housing and other costs while they pursue a higher education. However, for some veterans this pursuit is interrupted when the school they attend unexpectedly closes.

This testimony addresses (1) the distribution of Post-9/11 GI Bill tuition and fee payments among schools, (2) outcomes of students at schools that receive the most Post-9/11 GI Bill payments, and (3) how school closures can affect student veterans.

To address these topics, GAO reviewed VA data on Post-9/11 GI Bill tuition and fee payments to schools for fiscal year 2017, the most recent school-level data available. GAO analyzed student outcome measures for these schools using Department of Education data reported for school year 2017-2018. GAO also reviewed its prior reports issued between 2013 and 2017 on school closures, credit transfers, and related challenges faced by student veterans.

## POST-9/11 GI BILL

### Veterans Affected by School Closures

#### What GAO Found

In fiscal year 2017, nearly 700,000 student veterans used their Post-9/11 GI Bill benefits from the Department of Veterans Affairs (VA) to attend programs at almost 6,000 schools. Of the almost \$4.5 billion in Post-9/11 GI Bill tuition and fee payments VA made to schools in fiscal year 2017, about 40 percent went to public schools, 30 percent to nonprofits, and 30 percent to for-profits. A small number of schools received a large share of the tuition and fees paid, with 30 percent of payments totaling \$1.4 billion going to 50 schools that enrolled over 190,000 veterans in fiscal year 2017.

The average student outcomes at the 50 schools that received the highest total amount of Post-9/11 GI Bill tuition and fee payments in fiscal year 2017 were generally comparable to the national averages, but varied widely when examined by school sector. For example, the average 4-year program graduation rate for the top 50 schools was the same as the national average (61 percent). Within the top 50 schools, average graduation rates varied between public (73 percent), nonprofit (66 percent) and for-profit schools (22 percent).

Although a relatively small number of schools close each year, these closures can affect thousands of student veterans. School closures, which have increased in recent years, are particularly harmful when they involve large schools that close abruptly with little or no advance warning. For example, more than 7,000 veterans receiving Post-9/11 GI Bill benefits were attending schools operated by Corinthian Colleges and ITT Educational Services when they abruptly closed in 2015 and 2016, respectively. Although veterans affected by school closures may qualify to have their GI Bill benefits restored, these closures can create hardships for veterans and significant costs for taxpayers. For example, veterans can face challenges transferring credits and continuing their education at a new school. This may make it more difficult for veterans to complete their degrees before exhausting their eligibility for Post-9/11 GI Bill benefits. School closures also pose a financial risk for the government and taxpayers due to the costs associated with restoring benefits.

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### Prepared Statement of Dr. Joseph W. Wescott

#### Introduction

Chairman Levin, Ranking Member Bilarakis and Members of the Subcommittee on Economic Opportunity, I am pleased to appear before you today on behalf of the fifty-one member state agencies of the National Association of State Approving Agencies (NASAA) and appreciate the opportunity to provide comments to this committee pertaining to “Examining Mid-Semester School Closures Impact on Student Veterans,” and particularly how we can work together with Federal and state agencies to protect students from substandard programs and predatory practices. I am accompanied today by our Legislative Committee Vice Chair Trish Gordon-McGown.

#### Role of the State Approving Agencies: Past and Present

State Approving Agencies (SAAs) play a critical role in the administration of GI Bill benefits. Shortly after passage of the Servicemen’s Readjustment Act of 1944, or the GI Bill of Rights, Congress, recognizing it was the responsibility of the states within our Federal system of government to oversee the education of its citizens, required that each state establish a “State Approving Agency.” In response, the governor of each state designated a state bureau or department as the SAA. The SAA was to be supported through reimbursement of its expenses by the US Department of Veterans Affairs (VA). This evolved a truly cooperative federal-state partnership that maintains the rights of the states while monitoring and protecting a federally-sponsored program administered under the terms and conditions of Federal law.

The original GI Bill, as enacted in 1944, relied on state agencies to establish standards for and to approve programs of education in which eligible individuals could use GI Bill benefits. Over time SAAs have evolved to become the primary means of assuring institutional accountability. Federal law is clear in that SAAs are the primary governmental body through which approval of education and training for Veterans’ educational benefits is to occur. With specialized authorization under the Code of Federal Regulations and state statutes, they exercise the state’s author-

ity to approve, disapprove and monitor education and training programs. The SAA brings to this mission knowledge of state law and regulations as well as knowledge of the local environment and needs of the state. SAAs also assist the states and VA with exposing fraudulent and criminal activity involving the payment of Veteran's benefits.

In 1948, SAA representatives met to form a professional organization to promote high professional standards, create a forum for the exchange of best practices, and to promote uniformity of purpose and practice. For more than seventy years now, NASAA has worked with our VA partners, the VSOs, and all agencies to ensure the greatest numbers of quality programs are available to those eligible for education and training benefits. We do this through our primary mission of program approval and our related efforts; compliance, oversight, training, liaison and outreach. Indeed, with the exception of Federal facilities, the State Approving Agencies are the sole authority responsible for the approval of all programs of education and training within the nation.

### **Practice and Partnership**

Today, fifty-one SAAs in 48 states, as well as the District of Columbia and the territory of Puerto Rico (One state has two SAAs), composed of approximately 215 professional and support personnel, are supervising well over 14,000 active facilities and nearly 195,000 programs. The Subcommittee is no stranger to our fundamental role as it is the same today as when we were created by Congress. SAAs work in collaboration with the VA and our other partners to promote and safeguard quality education and training programs for Veterans and other eligible persons and assist the VA in preventing fraud, waste and abuse in the administration of the GI Bill. NASAA believes the primary responsibility and focus of the SAAs is, and should continue to be, to review, evaluate, and approve programs at schools and training facilities, utilizing state and Federal criteria.

It is critical that, as Congress intended, each state has a SAA to protect the integrity of the GI Bill. In 2018 alone, SAAs across our nation completed over 300,000 approval actions for all of NASAA Core Functions: Approval, Compliance, Technical Assistance, Outreach, and Liaison. Almost 195,000 programs of education and training at universities, colleges, training institutions, flight schools, and correspondence schools were approved. We do this through an approval process that allows us to carefully evaluate many factors including curriculum, instructors, policies, facilities, equipment and advertising. After a careful review of the completed application, we schedule an inspection visit to the facility to ensure the institution understands Federal and state requirements and has the capability to oversee and administer the program. If we find that they do, we provide training on the approval process and our continuing expectations. We continue to review the approvals on a recurring basis as schools add or change programs and policies. Also, as a part of this approval process, where applicable, we ensure that schools are in compliance with Public Law 112-249 and are not providing any "commission, bonus, or other incentive payment based directly or indirectly on success in securing enrollments or financial aid to any persons or entities engaged in any student recruiting or admission activities." For schools who are signatories of the "Principles of Excellence (POE)," we provide training and information to them as well. We also explain important requirements such as the 85/15 rule, notification to us if there are negative accreditation finding and like areas of concern.

In 2011, with the implementation of Section 203 of Public Law 111-377, the Post-911 Veterans Educational Assistance Improvements Act, we began assisting VA with their requirement to perform compliance survey visits at SAA-approved institutions. Last year alone, we conducted 2,069 survey visits. An unintended consequence of Section 203 has been a diminution of the ability of SAAs to devote adequate time to approvals and robust oversight to ensure student veterans are being provided quality education and training. Prior to 2011, SAAs conducted the initial approval of all programs of education through in-depth reviews. P.L. 111-377, specifically Section 203, established "deemed approved" programs that do not require an in-depth review because another agency with an established process and related mission has approved them. As interpreted and implemented by VA, an unfortunate and unforeseen consequence was all programs at institutions meeting such "deemed approved" criteria did not receive the rigorous oversight required by the SAA approval process. This hindered our oversight of these approvals, in certain cases to the extent that certain contracted programs, particularly flight training, became approved costing taxpayers millions and graduating Veterans who were hard pressed to find meaningful employment. Furthermore, the increased focus on compliance surveys also adversely impacted the SAA's ability to dedicate time and personnel

to our critical approval and oversight functions, as codified by law. Prior to 2011, SAAs generally visited in excess of 80 percent of all institutions with approved programs in their states annually. Today, most SAAs visit less than 25 percent of these institutions.

To address these negative consequences and refine and refocus the SAA's role, we support a proactive compliance system that utilizes risk based analysis solutions to better monitor school performance. Ideally, such a process would allow SAAs to visit more schools and potentially identify systematic failures that could prevent student veterans from receiving quality education or training. This refined process would eliminate the extensive amount of time spent in preparation for conducting a compliance survey visit while at the same time providing opportunity to identify and thus prevent problems before they begin, rather than simply reacting to problems discovered after the fact. After all, the integrity of the GI Bill and the success of student veterans are the primary mission of the SAAs. We believe that having SAAs conduct these Risk Based Survey visits, as mandated by Congress in the Colmery Act, will allow us to better identify schools that are at risk of closure due to sub-standard programming, fraudulent advertising and/or improper practices.

State Approving Agency personnel are required by their cooperative agreements with the VA to possess rigorous levels of education and experience. Moreover, they must develop a thorough knowledge of both Federal and state laws and regulations governing the approval of programs of education and training. As such, we consider an important part of our mission to be the training and professional development of our newly hired SAA personnel, in addition to the VA's Educational Liaison Representative (ELR) staff members. Each year we offer our National Training Institute (NTI) utilizing our National Training Curriculum, developed over years and regularly updated. Our NTI Curriculum provides information on policies and procedures relating to the SAA mission. Last year, we trained a total of 54 students, 36 SAA personnel and 18 VA personnel utilizing this curriculum. Additionally, through the development of the NASAA Mentorship Program, we work to develop an agency management strategy and plan for new SAA directors and their staff. This program allows NASAA's Regional Vice Presidents to review established quarterly performance measurements for potential deficiencies across their regions and offer assistance and support where needed. This program utilizes NASAA's structure and years of knowledge and experience to ensure each SAA provides the best possible oversight, guidance and support to achieve our overarching mission to protect Veteran's hard earned education benefits.

In regard to SAA performance measures, NASAA partnered with VA to develop a Compilation Report designed to effectively measure the performance of each SAA. This report aligns our yearly work with our end of year performance evaluation and identifies potential areas that may need strengthening. The goal of this report and the NASAA Mentorship program initiative is to identify, assist, and improve all SAA functions.

NASAA has steadfastly maintained through the years that the primary focus of SAAs should be to ensure programs of education and training meet both Federal and state laws and regulations for approval. Prior to 2011 and the implementation of P.L. 111-377, in accordance with statute, compliance surveys were conducted by VA Education Compliance Survey Specialists. P.L. 111-377 granted VA authority to utilize SAAs for compliance surveys and other oversight activities. SAAs assumed responsibility for VA-assigned compliance surveys in FY2012. Compliance surveys are designed to ensure each facility and its approved programs are in compliance with all applicable statutory, regulatory, and policy provisions and the facility understands those provisions. In practice, these reviews focus on reviewing student records to ensure proper payments through a financial accountability perspective. If during that visit, an approval issue is discovered, the VA staff refers that issue to the SAAs for follow up action.

Unfortunately, through this shift of responsibility for completion of compliance surveys from the VA to the SAAs, the focus of SAAs has changed from a predominant role of ensuring programs of education and training meet both Federal laws and regulations for approval to a role with a heavy emphasis on conducting compliance survey visits. This shift has impacted our ability to properly accomplish our intended primary function. NASAA's position is that review of financial process oversight should reside primarily with the VA. We maintain that by placing a large part of the responsibility of the VA's obligation to review financial oversight and compliance upon the SAAs, the consequence has been to diminish the SAA's ability to adequately perform their congressionally intended role; to promote and safeguard quality education and training programs for veterans and other eligible persons through review, evaluation, and approval of programs at educational institutions and training facilities, utilizing state and Federal criteria.

Diverting limited SAA resources to performing compliance surveys has proven problematic and left no one to adequately fulfill the SAA's historic role of providing rigorous in-depth approval functions along with sufficient training, oversight and supervision to facilities. Compliance surveys have a different focus compared to training and risk based supervisory visits, each serving its own important purpose. The two approaches also require different skills sets and training that are not currently optimized. Should the compliance survey role be returned primarily to the VA, SAAs could then perform robust risk based supervisory visits combined with ongoing risk based assessments as part of the approval and oversight function of the SAAs. The SAA would gain the ability to better protect Veterans by identifying high risk behavior of the institutions we approve. SAAs' focus on approval and oversight, instead of primarily financial accountability, will help proactively identify red flags at the institutions and entities we oversee and thus enable SAAs to properly identify systematic issues so as to prevent educational harm to our veterans and loss of taxpayer funds. As such, NASAA strongly believes the VA and SAAs must adopt a more proactive approach that identifies the correct balance between program approvals, supervision, and compliance surveys for SAAs. In the long term, this proactive approach would best protect the integrity of the GI Bill and taxpayer interests in our combined efforts to serve Veterans and their families.

We also believe the time has come to work with our VA and VSO partners to look at ways we can enhance and strengthen approval requirements. We need to look more rigorously at accreditation issues, enrollment practices and where possible, employment data. As trained educators, we are best suited to provide this important rigorous oversight and in-depth evaluation. Though we maintain the approval of non-federal programs is properly vested in the States, we do believe the VA should ensure states are properly protecting the integrity and independence of SAAs and ensuring Federal funds are properly expended. Recent occurrences in Oklahoma and North Carolina indicated a need for the VA to be prepared to respond appropriately when states take actions which diminish or destroy the ability of an SAA to protect our Veterans.

### **Conclusion**

Mr. Chairman, today, fifty-one SAAs, composed of approximately 215 professional and support personnel are supervising over 14,000 active facilities with almost 195,000 programs. We are extremely grateful for the opportunity to once again appear before this committee to share our positions on the important topic of protecting our veterans and the GI Bill. We remain committed to working closely with our VA partners, VSO stakeholders and educational institutions on these and other initiatives designed to protect the quality and the integrity of the various GI Bill programs and the Veterans and family members who have sacrificed so much for this great Nation. I thank you again for this opportunity and I look forward to answering any questions that you or committee members may have.

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## **STATEMENT FOR THE RECORD**

### **VETERANS EDUCATION SUCCESS (VES)**

Chairman Levin, Ranking Member Bilirakis, and Members of the Subcommittee: Veterans Education Success (VES) is a non-profit organization with a mission to advance higher education success for veterans, servicemembers, and military families, and to protect the integrity and promise of the GI Bill and other Federal education programs.

In addition to research, providing free case work to students having trouble accessing their GI Bill benefits or impacted by predatory schools, and elevating the voices of students to share with policy makers both their positive and negative experiences in higher education, we are focused on addressing ways to increase the continued academic success of military-connected students who are pursuing their academic goals.

### **School Closures**

The purpose of the Post 9/11 GI Bill is to aid servicemembers and veterans in the transition from military service into the civilian workforce. Since its inception, hundreds of thousands of military-connected students have had the opportunity to take advantage of this generous benefit in hopes of increasing their economic mobility and the socioeconomic standing of their families.

When military-connected students use their hard-earned GI Bill benefits to attend institutions of higher learning, they do so with the understanding that the Federal government's approval of degree programs at a school is an endorsement of those programs or training. In other words, they trust that the Federal government has done its "due diligence." As we have seen, and as thousands of military-connected students across the country have unfortunately experienced, that is not always the case. At times, schools are barely hanging on financially and military-connected students who rely on their GI Bill not just to pay for their education but also for their living expenses, show up to class one day and are told the school is closing.

VES has helped thousands of military-connected students who have been impacted by school closures. As a result, we see first-hand the negative impact that comes along with such closures. Students face serious hardships when the schools that they are attending suddenly close. We receive phone calls every month from students who are facing homelessness due to losing the housing allowance that they are no longer eligible to receive as a result of the school closure, or students who were merely one month away from graduating when their school abruptly closed. The students also often face the additional challenge of finding a school to transfer to that will accept the credits that they have earned at the closed institution. Since it is exceedingly rare that any other institution will accept these credits, the students must either choose to (1) completely start over at another institution, where they will likely incur debt as a result of having already used some portion of their GI Bill benefit and spend additional time obtaining a degree; or (2) try to find a job without a degree which is almost always a struggle. As a result of school closures, military-connected students are ultimately left with worthless credits, diminished GI Bill funds, and time wasted that they can never get back. This is why Congress must act to ensure that further protections are put into place to protect military-connected students from school closures.

### Recommendations

VES has the following recommendations to provide greater protections for military-connected students from school closures:

**1. Full reinstatement of GI Bill benefits for students impacted by school closures** - Under the current law, GI Bill students are eligible to have only the current, interrupted semester of their GI Bill benefits restored when a school closes, regardless of how many semesters they had already been enrolled at that school. This means they lose out on all the previous semesters they spent at the school. In contrast, the Education Department (ED) provides its students full restoration of their Pell Grants and full forgiveness of Federal loans when their school closes. ED also provides loan forgiveness if a school wrongly enrolls a student who cannot benefit or otherwise defrauds the student. Parity is needed across the agencies. GI Bill students use their GI Bill to pay for school just as civilian students use Pell Grants and student loans. As such, veterans should receive the same treatment.

Congress could pay for this by authorizing VA to mirror the Education Department (ED) on "Letters of Credit."<sup>1</sup> ED requires colleges to post a Letter of Credit (guaranteed by a bank or financial institution) for assorted reasons, including financial stability; the letters range in amount from 10% of the Federal student aid received by the school to a higher percent. If the school closes, ED then draws on the bank's Letter of Credit to cover student refund reimbursement and loan cancellation costs. VA should be automatically triggered to require a letter of credit to protect VA funds if, and in the same percent as, ED requires. There would be no burden on VA. Instead, VA would simply be triggered to follow ED's lead. For example, if ED determines a school is a financial risk and requires the school to secure a letter of credit worth 10% of the Title IV funds the school receives, then VA should be triggered to require that school to secure a letter of credit worth 10% of VA funds the school receives. This would give VA cash-on-hand in case of a school closure or case of fraud, which would enable VA to reinstate the veterans' GI Bill funds.

Alternatively, Congress could consider creating a VA "student tuition recovery fund" like those in 21 states.<sup>2</sup> Like Unemployment Insurance, all schools (or only "risky" schools, defined by law enforcement action or ED Heightened Cash Monitoring status) would pay in a tiny percent of their GI Bill funds into an insurance pool controlled by VA, available for pay-out to students.

<sup>1</sup> Letters of Credit at the Education Department are explained here: <https://studentaid.ed.gov/sa/about/data-center/school/loc>

<sup>2</sup> Veterans Education Success, "Student Tuition Recovery Funds and Other State Programs," available at: <https://vetsedsuccess.org/wp-content/uploads/2018/09/state-tuition-recovery-programs.pdf>

**2. Heed the Warning Signs** - It is fiscally irresponsible to fail to ignore obvious warning signs about a crumbling school. Congress should consider rigorous safeguards to guarantee that the schools that are receiving GI Bill funds are providing quality education, producing gainful employment, and are not in jeopardy of shutting down. In a recent study conducted by VES, “Could Education Corporation of America’s Sudden Closure Have Been Avoided?”,<sup>3</sup> we identified six warning signs that should have made it abundantly clear that the schools owned by Education Corporation of America (ECA) were in serious danger of closing:

**a. Dismal Student Outcomes** - Students who complete a post-secondary program should, more often than not, be better off than a high school graduate and be on par with similar certificate- and degree-granting institutions. At ECA, for example, only one in three students earned more than the average high school graduate.

**b. Degree Programs that Do Not Lead to Jobs, in Violation of “Career Ready Student Veterans Act”** - In 2016, Congress passed P.L. 114–315, which, in section 409, prohibits GI Bill approval for programs that do not meet state licensure and certification requirements. This provision is referred to as the “Career Ready Student Veterans Act.” This law is not being implemented. In VES’ research report, “Despite a 2016 Statute, the GI Bill Still Pays for Degrees That Do Not Lead to a Job,”<sup>4</sup> VES found that half of the problematic degree programs identified in a 2015 report<sup>5</sup> are still enrolling GI Bill students even though they fail to prepare graduates for the licensure or certification required to get a job, and an additional 49 degree programs in fields such as law and dental/medical assisting that are also not preparing beneficiaries for licensure and certification but are GI Bill eligible - in violation of PL 114–315. When ECA recently shuttered, their campuses were approved for GI Bill benefits, however, nineteen of their 32 programs failed to meet state licensure and certification requirements including the dental assisting programs offered by Brightwood College campuses.

This law was put in place to protect students from wasting education benefits at low performing schools that cost a significant amount of money yet provide worthless degrees that do not allow them to work in the career field they are studying for.

**c. Lack of a Respected Accreditor** - ECA was accredited by the Accrediting Council for Independent Colleges and Schools (ACICS) which was derecognized as an accreditor by the Department of Education in 2016 -the same ACICS that told Congress that Corinthian was in compliance with its accreditation standards until the day it closed. Most ACICS-approved schools found new accreditors when ACICS was formally terminated in December 2016, and ACICS-accredited schools were given 18 months to find a new accreditor.

ECA was among 85 schools that remained accredited by the discredited ACICS, only, a likely indication that no other accreditor was willing to approve its schools.<sup>6</sup> At a bare minimum, programs approved by discredited accreditors or those under scrutiny should be going through regular risk-based reviews by SAAs to ensure programs approved for GI Bill benefits are indeed offering high quality programs and outcomes.

**d. Student Complaints** - Student complaints filed with VA’s GI Bill Comparison Tool and the Education Department provide another warning sign about a failing school. In the case of ECA, VA and the Education Department had significant student complaints, especially about financial improprieties. Schools that receive regular complaints about the quality of education they are receiving as well as the institution’s handling of tuition and fees should be automatically flagged for a risk-based reviews by SAAs.

**e. Over-reliance on Taxpayer Support** - Schools that are unable to attract employer investment or private paying students and are instead almost completely reliant on Federal funds should be flagged for further review. Any school that cannot

<sup>3</sup> Veterans Education Success, Issue Brief #7: Could Education Corporation of America’s Sudden Closure Have Been Avoided? (Dec. 2018), available at: <https://vetsedsuccess.org/wp-content/uploads/2019/01/could-education-corporation-of-america-sudden-closure-have-been-avoided.pdf>

<sup>4</sup> Veterans Education Success, “Despite a 2016 Statute, the GI Bill Still Pays for Degrees That Do Not Lead to a Job” (April 2018), available at: <https://vetsedsuccess.org/wp-content/uploads/2019/01/2018-career-ready-act-update.pdf>.

<sup>5</sup> Veterans Education Success, “The GI Bill Pays for Degrees That Do Not Lead To a Job” (Sept. 2015), available at: <https://vetsedsuccess.org/wp-content/uploads/2015/09/gi-bill-pays-for-degrees-that-do-not-lead-to-a-job.pdf>.

<sup>6</sup> Center for American Progress, “The 85 Colleges That Only ACICS Would Accredite,” (July 3, 2018) available at: <https://www.americanprogress.org/issues/education-postsecondary/news/2018/07/03/453079/85-colleges-acics-accredit/>

attract employer or private students and instead relies on Federal funds to stay in business should be closely monitored for its financial viability.

**f. Indications of Financial Instability and an Unsustainable Business Model** - Since June 1, 2015, ECA was regularly subject to Heightened Cash Monitoring by the Department of Education (ED). Despite communicated concerns by ED, the school maintained its ability to receive Federal funds right up until it shuttered.

**3. Better communication between Veterans Affairs (VA) and the Department of Education when a school is put on warning by an accreditor or by the Department of Education** - The VA is not always aware that a school is at risk of closing or that a school has been reprimanded in some way. It is important that VA be made aware of such findings as it is their role to disburse GI Bill funds. If VA has no knowledge of such problems, it is impossible for measures to be taken that protect military-connected students and their GI Bill benefits. It is also important to identify ways in which VA can proactively get information to maintain awareness of state and Federal agency actions against a school.

**4. More Caution Flags on the Comparison Tool** - The Comparison Tool is a resource for students when deciding what institution of higher learning to attend. By providing students with transparent information about problems institutions are facing, students will be better able to make an informed decision as to whether or not they want to take a risk by attending such schools. Currently, VA caution flags on the Comparison Tool are inadequate. Despite letters from Congress - including HVAC Chair Takano - calling on VA to expand the use of its Caution Flags and to create a "risk index" for students,<sup>7</sup> it has not. Students remain in the dark when a school is under law enforcement action for defrauding students or when it is under Federal or state agency penalty or action.

**5. VA and SAAs Should Not Ignore Other Government Agency Punitive Actions** - When schools fail to perform, there should be triggering events that preclude institutions from getting access to GI Bill funds. Congress could legislate better "risk-based program reviews" by VA and SAAs when another government agency has taken punitive action against a school. One such event should include when the ED revokes Title IV funding or DOD revokes a school's eligibility for voluntary education programs. Very recently, ED discovered Argosy schools were stealing Title IV funds from students and failing to disburse the funds, so ED cut off the school entirely. Despite such a significant action by ED for an egregious action, SAAs did not act, and VA, citing lack of authority to cut a school off without the SAA doing so first, continued to fund the schools and sent a letter to GI Bill students saying they could continue to attend. When a school is cut off by a Federal agency for stealing Federal funds, VA and SAAs should immediately suspend the school and investigate.

Congress also should stop the flow of funds to fraud. Federal or state law enforcement lawsuits against a school for defrauding students or the government should similarly trigger a "risk-based program review," and depending on the severity of the fraud alleged - should trigger a suspension or disapproval of GI Bill funds.

**6. Clarify the Roles and Authority for VA and SAAs** - In conversations with representatives from VBA and SAAs, both wanted to take necessary action against Argosy but, based on our understanding, did not feel they had the clear authority to do so. This leads to confusion and inaction.

Additionally, in August 2018, VA issued a policy advisory that advised SAAs to accept the decisions of accreditors and other agencies regarding whether a school is properly preparing students for licensed occupations and other Title 38 requirements, rather than having SAAs come to their own decision about whether a school warrants concern.<sup>8</sup> While this policy advisory appears to have been published in re-

<sup>7</sup> See Letter from Mr. Takano and other Members of Congress to the Secretary of Veterans Affairs calling on the Secretary to "add a 'risk index' to the GI Bill Comparison Tool that would rate schools as low-risk, medium-risk, or high-risk based on factors such as heightened monitoring by the U.S. Department of Education, investigations and settlements with state Attorneys General and the Federal government, failure of credits to transfer, and other appropriate factors. Such an index would significantly improve the consumer protection information available to veterans. It is vital not only to veterans but to their smart use of taxpayer dollars." (June 22, 2015), available at: <https://www.blumenthal.senate.gov/newsroom/press/release/sen-blumenthal-reps-brown-takano-and-colleagues-urge-va-to-increase-protections-for-veterans-against-for-profit-college-predatory-practices>

<sup>8</sup> VBA Policy Advisory, "Acceptance of Certifications by Other Appropriately Authorized Agencies or Offices that Applicable Standards Have Been Met" (Aug. 30, 2018), available at: <https://static1.squarespace.com/static/556718b2e4b02e470eb1b186/t/5cdaedba24a6941b952f3abe/1557851579166/VBA+Aug2018+Policy+Advisory+to+SAAs+on+Accreditor+Actions.pdf> ("In all instances where an agency or office (either Federal, state or nongovernmental) outside of the SAA



sponse to specific instances where VA believed an SAA was doing duplicative work outside their scope of expertise, there has been much confusion around the intent of the advisory and the impact it would have on SAAs doing their independent investigation.

Several SAAs interpreted this advisory to mean that, regardless of whether an accreditor has put a school on probation or given the school a deadline to correct the deficiencies, if the school technically retains its accreditation, SAAs are not allowed to suspend new enrollment for GI Bill beneficiaries. One SAA was also told their contract would be terminated because it had suspended a law school that remained technically accredited despite being on probation and showing serious warning signs of financial trouble.<sup>9</sup>

In both examples above, there appears to be lack of clarity on the roles and authority of VA and SAAs. We urge the Committee to clarify the roles and authority of VBA and the SAAs and to consider the VA Inspector General's (IG) guidance on this topic.

**7. Clarify or Give VA the Ability to Disapprove Schools** - VA believes it has no statutory authority to disapprove schools and that only the SAAs have such power. This is in part due to how 38 USC is written.

The VA Inspector General (IG) and Yale Law School both believe differently.<sup>10</sup> A recent VA IG report states, "According to VA OGC, SAAs have nearly exclusive authority to approve, suspend, or withdraw programs for the Post-9/11 G.I. Bill, not the VA, and this SAA authority is largely unchallengeable."<sup>11</sup> The IG however "does not agree that VBA's responsibility is so narrow"<sup>12</sup> and outlines four reasons, for this opinion:

**VBA Has Statutory Program Disapproval Authority under 38 USC 3679:** 38 USC § 3679 provides the Secretary program disapproval authority, in addition to SAAs: "Any course approved for the purpose of this chapter which fails to meet any of the requirements of this chapter shall be immediately disapproved by the Secretary or the appropriate state approving agency."

The IG cites this as a prime reason the IG believes VA has the authority to disapprove programs.<sup>13</sup>

This is also the central finding of Yale Law School's report: "The VA's statutory authority is clear: The VA is responsible for approving, disapproving, and suspending G.I. Bill funds for educational institutions according to various criteria. Although SAAs also have authority to act, the VA retains authority to disapprove

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has been duly authorized, appointed or designated by state or Federal law or regulations as the agency or office responsible for certifying compliance with applicable laws, regulations, or non-governmental standards, those offices have already expended resources to ensure compliance with the standards. Therefore, it is inefficient and a waste of VA resources for a SAA to repeat their work and expend further resources in an attempt to confirm or overrule their determinations. Furthermore, these agencies and offices are presumed to be the authoritative experts on these requirements, and the same cannot be presumed of the SAA. Actions Required: SAAs should discontinue current practices of re-adjudicating certification (including, but not limited to: certifications; business licenses; licenses, approvals, or authorizations to operate; accreditation; authorization to provide postsecondary education; authorization to confer degrees, etc.) issued by an agency or office duly authorized, appointed or designated by state or Federal laws or regulations as the agency or office responsible for certifying compliance with applicable laws, regulations, or non-governmental standards.")

<sup>9</sup>Letter from Robert Worley, VBA, to Keith Boylan, California Department of Veterans Affairs (Aug. 24, 2018), available at: <https://static1.squarespace.com/static/556718b2e4b02e470eb1b186/t/5cdaf219140b7f577f64ce3/1557851937687/VA+ltr+to+CA+re+disapprovals+Aug2018.pdf> ("CSAAVE inappropriately took action as if the programs were not accredited and advised the school to request a waiver from VA. Thomas Jefferson School of Law's programs were accredited at the time, although in a probationary status").

<sup>10</sup>U.S. Department of Veterans Affairs, Office of the Inspector General, "VA's Oversight of State Approving Agency Program Monitoring for Post-9/11 GI Bill Students" (Dec. 3, 2018), available at: <https://www.va.gov/oig/pubs/VAOIG-16-00862-179.pdf>; Yale Law School, "VA's Failure to Protect Veterans from Deceptive College Recruiting Practices" (2016), available at: <https://www.insidehighered.com/sites/default/server-files/files/Yale-VES%20Memo%20.pdf>.

<sup>11</sup>U.S. Department of Veterans Affairs, Office of the Inspector General, "VA's Oversight of State Approving Agency Program Monitoring for Post-9/11 GI Bill Students" (Dec. 3, 2018).

<sup>12</sup>Id. at 4.

<sup>13</sup>IG Report at 28-29 ("The OIG also does not agree with the statement that that SAAs are primarily responsible for approvals and are given this authority nearly exclusively under the law. The provisions of 38 CFR § 21.4152, Control by agencies of the United States, prohibits VA from supervising or controlling the SAAs, but also specifically states that VA retains the right to determine whether the SAAs are complying with Title 38. Furthermore, 38 U.S.C. §3679, Disapproval of courses, also allows VA to approve or disapprove schools, courses, or licensing or certification tests and does not include any limitations stating VA can only exercise this authority when acting in the role of an SAA.")

schools or courses and approve schools ‘notwithstanding lack of State approval.’<sup>14</sup>

**Under OMB Guidance and the Financial Integrity Act, VBA is “Ultimately Responsible” for Stewardship of Taxpayer Funds:** As the IG wrote: “VBA’s position also does not address its responsibilities under the Federal Managers’ Financial Integrity Act of 1982 (FMFIA) and OMB Circular A–123, which state that agency managers and staff are responsible for the proper stewardship of Federal resources.”<sup>15</sup>

**VBA Has Overridden SAAs:** As the IG wrote: “The OIG also noted that the statement about the nearly exclusive authority of the SAAs, except in cases where the state does not have an SAA, directly contradicts prior VBA actions: VBA stopped an Arizona college in 2015 from enrolling additional students in flight training programs approved by the Arizona SAA until the college complied with Title 38 regulations and suspended payments to Ashford University after the Arizona SAA approved the university’s programs in 2017.”<sup>16</sup>

**VBA has power to oversee SAAs:** Finally, VBA has central authority to oversee SAAs to ensure they satisfy Title 38 standards.<sup>17</sup>

Despite the IG and Yale Law School’s belief that VA does have authority to disapprove schools, we ask Congress to clarify VA’s authority in statute:

a. **Clarify or Give VBA Authority to Disapprove Schools Even if an SAA Fails to Do So.** This would protect students and taxpayer dollars from schools that has been cut off by ED for stealing funds.

b. **Codify the Principles of Excellence so Schools Must Sign a Contract to Participate in GI Bill** - Both DoD and ED have signed contracts schools must sign in order to participate in their education funds.<sup>18</sup> When a school violates the terms of that contract, DoD and ED have the contractual authority to disapprove the school. Congress could strengthen VA’s authority to disapprove schools by aligning VA with DoD and ED by codifying VA’s Principles of Excellence (which are currently voluntary and unenforceable) in a contractual framework schools must sign, which would empower VA to limit or end a school’s participation in VA education funds. This new VA MOU should incorporate the elements in DoD’s MOU, where appropriate, and should explicitly incorporate ED’s “program integrity” requirements - just as DoD did in its MOU for schools.

c. **Strengthen 38 USC 3696** - One reason schools shutter is because they are engaged in fraud that is exposed by law enforcement. Bipartisan state and Federal law enforcement is taking action to protect students, such as the lawsuit brought by 48 states plus the District of Columbia, against one school for defrauding students. 38 USC 3696 requires the disapproval of schools that engage in misleading and deceptive advertising and recruiting.<sup>19</sup> Implementation of this statute would have dis-

<sup>14</sup>Yale Law School Report at 6 (quoting 38 C.F.R. § 21.4152(b)(5)). See also Yale Law School at 5, footnote 31 (“38 U.S.C. §§ 3675, 3679 (granting both “[t]he Secretary or a State approving agency” authority to approve and disapprove educational institutions); see also 38 U.S.C. § 3690(b)(3)(A) (granting suspension authority to the VA); 38 C.F.R. § 21.4210 (detailing the process that must accompany a mass suspension of funds, and of enrollments or reenrollments at educational institutions); 38 C.F.R. § 21.4259 (granting suspension authority to the SAA); S. REP. NO. 111–346, at 21 (2010) (noting that the 2010 amendments to the G.I. Bill were intended “to expand VA’s authority regarding approval of courses for the enrollment of veterans (and other eligible persons) who are in receipt of VA administered educational assistance programs”) (emphasis added).

<sup>15</sup>IG Report at 15 (“Agency managers and staff are expected to ensure programs operate and resources are used to meet agency missions with minimal potential for waste, fraud, and mismanagement.”); see also IG Report at 18 (“Although VBA may comply with a strict interpretation of Title 38 requirements, it is not effectively overseeing the program to safeguard students’ interests and taxpayers’ funds and ensure the proper stewardship of Federal resources as required by FMFIA and OMB Circular A–123.”)

<sup>16</sup>IG Report at 28–29.

<sup>17</sup>IG Report at 13–14 (“VBA believed it had a very restricted role in the SAA oversight process and subsequently did not identify its weaknesses. The former Executive Director stated VBA is prohibited under Federal law from exercising control over the SAAs . . . The former Executive Director stated that the primary responsibility for the review, approval, and continuous monitoring of the programs resided with the SAAs and that VBA had no control over what the SAAs did. He maintained this position even though VBA has the authority to establish and negotiate contracts with the SAAs [and] the authority to determine whether an SAA is complying with the standards and provisions of the law.”)

<sup>18</sup>DoD’s “Memorandum of Understanding” with schools is available at <https://dodmou.com/>. ED’s Title IV “Program Participation Agreement” is available at <https://ifap.ed.gov/regcomps/doc4072—bodyoftext.htm>.

<sup>19</sup>38 USC 3696(a) (“The Secretary shall not approve the enrollment of an eligible veteran or eligible person in any course offered by an institution which utilizes advertising, sales, or enroll-

approved some of the worst bad actor schools before they shuttered and would have saved tens of thousands of veterans from wasted time and GI Bill.

Congress could strengthen 38 USC 3696 by adding clarifying language, clear triggers, and giving a time limit on VA to act (e.g., “within 90 days of learning of a government agency action, lawsuit, or settlement, or of more than 50 student veteran complaints filed with VA about the institution.” Congress also could strengthen the law by specifying steps for VA to take, including:

- Disapprove the enrollment of future eligible persons, or disapprove the enrollment of both future and current eligible persons if, in the Secretary’s or SAA’s discretion, the situation warrants such;
- Post a caution flag on the GI Bill Comparison Tool;
- Alert currently enrolled GI Bill students; and
- Refer the matter to the Federal Trade Commission for its preliminary findings, in accordance with 38 USC 3696(e).

Congress also could specify the time period until a bad actor school could reapply for approval, such as: “An institution of higher education shall not be eligible to enroll new GI Bill students until 24 months have passed and the institution presents independent, third-party verification that its practices are no longer in violation of 38 USC 3696(a).”

**8. VA Can Suspend New Enrollments If It Does Not Want to Disrupt Current Students** - VA officials often explain they do not want to disapprove schools because they are concerned about displacing current students. To address this concern and protect new students from being harmed, we encourage VA to consider stopping new enrollments.

**9. Protect GI Bill Funds by Adjusting How VA Disburses Funds** - The US Government Accountability Office reported that GI Bill overpayments cost \$416 million in FY 2014, affecting 1 in 4 GI Bill students.<sup>20</sup> VA claws back GI Bill tuition overpayments directly from students,<sup>21</sup> even though the school received the money. This places the student in the position of having to ask the school for a refund.

A major cause of the GI Bill overpayment is the way VA differs from ED on how much tuition a school can keep. VA disburses the entire semester of Post-9/11 GI Bill benefits directly to the school after a veteran (or his/her designated beneficiary) sits for just one day of class. This “Just 1 Day” mentality incentivizes colleges to deceive veterans to get them to enroll for “Just 1 Day,” and denies veterans the opportunity to experience and evaluate the product being provided without being on the financial hook. Historically, Congress carefully avoided direct payments to schools because of such fraud.<sup>22</sup>

In contrast, ED disburses Title IV funding immediately, but prorates the amount of tuition the school has “earned” during the term, up until 60 percent of the time in a semester has passed; after the 60 percent cutoff, a school is viewed as having earned 100 percent of Title IV funds.<sup>23</sup> ED also maintains a disbursement delay of 30 days for new students (covering a college “add/drop period”), to ensure they can find the right school prior to ED’s releasing funds.<sup>24</sup> ED handles overpayments by adjusting future disbursements to reflect past overpayments, including situations when a student does not begin attendance at an institution and when a student withdraws.

VA should follow ED’s pro-rated basis for determining how much tuition the school has “earned,” and follow ED’s method of clawing back tuition overpayments from the school, not the student, since the school got the tuition money. VA also should immediately comply with the 8 GAO recommendations on overpayments, including monthly enrollment verification by each veteran. (Housing allowance overpayments would still need to be clawed back from the student, but VA should not clawback a student’s monthly housing allowance if a college changes its zip code/VA facility code, and the student did not change anything.)

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ment practices of any type which are erroneous, deceptive, or misleading either by actual statement, omission, or intimidation.”)

<sup>20</sup> U.S. Government Accountability Office, “Post-9/11 GI Bill: Additional Actions Needed to Help Reduce Overpayments and Increase Collections” (2015), available at: <https://www.gao.gov/assets/680/673230.pdf>.

<sup>21</sup> See 38 USC 3680(e).

<sup>22</sup> The Century Foundation, “Truman, Eisenhower, and the First GI Bill Scandal” (2017), available at: <https://tcf.org/content/report/truman-eisenhower-first-gi-bill-scandal/>.

<sup>23</sup> See US Education Department, “Withdrawals and the Return of Title IV Funds,” available at: <https://ifap.ed.gov/sfahandbooks/attachments/0708Vol5C2a.pdf>;

<sup>24</sup> See 20 U.S. Code §1078–7 “Requirements for disbursement of student loans.”

We appreciate the amount of time, effort, and attention the Committee has given to ensure military-connected students are protected when institutions close. Thank you for considering the views of VES on this important topic.


**MATERIAL SUBMITTED FOR THE RECORD**  
**FROM REPRESENTATIVE SUSIE LEE**

[REDACTED]

CHRISTINE M ANDERSON

[REDACTED]

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EDUCATION LOAN SERVICES  
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**Why We're Contacting You**

We are writing to inform you that your loan(s) is ineligible for discharge for the reason(s) listed below.

- According to the National Student Loan Data System, it shows that The Art Institute of Las Vegas is still open.

The administrative forbearance that was placed on your loan(s) has ended and payments are now due. All unpaid interest that accrued during the forbearance was capitalized (added to the principal balance).

**Additional information**

If you believe you qualify for the discharge, please provide us with supporting documentation of your enrollment dates.

If you have questions, we are available at the number above Monday through Thursday 6 a.m. to 7 p.m. and Friday 6 a.m. to 5 p.m., Mountain Time. We can also be reached by e-mail at [customerservice@mycornerstoneloan.org](mailto:customerservice@mycornerstoneloan.org).

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**Why We're Contacting You**  
We are writing to inform you that your loan(s) is ineligible for discharge for the reason(s) listed below.

- According to the National Student Loan data System, the Art Institute of Las Vegas is still open. You are not eligible for discharge from this school.

The administrative forbearance that was placed on your loan(s) has ended and payments are now due. All unpaid interest that accrued during the forbearance was capitalized (added to the principal balance).

**Additional information**

*If you believe you qualify for the discharge, please provide us with supporting documentation of your enrollment dates.*

If you have questions, we are available at the number above Monday through Thursday 6 a.m. to 7 p.m. and Friday 6 a.m. to 5 p.m., Mountain Time. We can also be reached by e-mail at [customerservice@mycornerstoneloan.org](mailto:customerservice@mycornerstoneloan.org).

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ⓘ Repayment Options

📄 Tax Information

📄 Loan Forgiveness & Discharge

📄 Contact Us & FAQ

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As of 05/03/2019, your account is now 17 days past due.  
If you did not make a payment yet, you can choose to [pay online](#) right now.

Payments & Billing

\$600.56

Due on 6/17/2019

Amount Past Due  
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Current Payment Due  
\$303.37

> Upcoming Due Dates

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Loan Details

4.23%

Average Interest Rate

● \$29,231.77 Principal Balance

● \$60.95 Outstanding Interest

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Current Balance

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Account Summary.html

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Show all

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1 Payments received for qualified tuition and related expenses <b>\$17,181.00</b>		2	
3		4	
5 Scholarships or grants <b>\$11,842.00</b>		6 Adjustments to scholarships or grants for a prior year	
7 Checked if the amount in box 1 or 2 includes amounts for an academic period beginning January 1 - March 2019		8 Checked if at least half-time student <input checked="" type="checkbox"/> [X]	
9 Checked if a graduate student <input type="checkbox"/> [ ]		10 Ins. contract reimb./refund	
Service Provider/Acct No. (see instr.)		(keep for your records) <a href="http://www.irs.gov/1098t">www.irs.gov/1098t</a>	
Form <b>1098-T</b>		Department of the Treasury	

