COMMITTEE ON APPROPRIATIONS HEARING

# Subcommittee on Labor, Health and Human Services, Education, and Related Agencies

## "Oversight of For-Profit Colleges: Protecting Students and Taxpayer Dollars from Predatory Practices"

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**Testimony of Marc Jerome**

*President, Monroe College*

My name is Marc Jerome and I am the President of Monroe College. Thank you for permitting me to testify today and offer a different perspective.

I have dedicated my career to studying the effects of public policy on low-income and first-generation students across all sectors of higher education. ***Higher education as a whole is not adequately serving low-income students.*** Graduation rates are too low, and student debt and default rates are both too high. I know that we can do better, particularly for this at-risk population. **To do so, however, we must recognize that the problem has to be addressed across all sectors. This is especially true because the national data that has emerged recently demonstrate that much of higher education would not meet current accountability measures.**

Monroe College was founded 86 years ago in the Bronx by my grandfather and great aunt. Since then, we have added campuses in the city of New Rochelle and the island of Saint Lucia – which I invite you to visit. I have worked at Monroe for close to 25 years, the last two years as its president. For each of those 25 years, I have taught a freshman class made up almost exclusively of first-generation students of color. This is probably my favorite part of the job, other than our graduation at Radio City Music Hall where 12,000 people regularly attend what has to be one of the most joyous commencements in NYC.

Monroe employs 1,100 people and educates close to 9,000 students each year. Our Bronx campus is located in the poorest congressional district in the country, but has some of the best outcomes for low-income and first-generation students of any institution. A student attending Monroe is ten times more likely to graduate on time than a student attending a neighboring public institution.

We consistently rank among the top institutions in New York State for graduating Black and Latino students and our outcomes show that a Monroe degree enhances social mobility. Monroe ranks among the top 50 colleges in the country – in all sectors – for moving poor students up the income ladder after graduation. Part of the reason for these results is an ambitious program that we implemented three years ago that ensures that many low-income students attend debt free. I am proud that the first cohort has achieved a 70% graduation rate.

But I am not here to talk only about Monroe and I am not here to represent the for-profit sector. We should be able to agree that students deserve policies that deter unethical behavior across all sectors and identify institutions in all sectors where student outcomes are poor. ***Simply put, our policies must protect students, especially low-income students of color, wherever they attend.***

## I. THE CURRENT CLIMATE SURROUNDING PROPRIETARY EDUCATION IS TOO DIVISIVE

As we demonstrate at Monroe, the for-profit nature of an institution does not prevent students from having excellent outcomes and our policies should support such outcomes and institutions. But instead, it appears that labels have replaced facts and philosophical bias has replaced objectivity. We need a reset of the debate from both sides to find some common sense, common ground solutions.

I respectfully ask that we stop this habitual coupling of the word "predatory" with "proprietary education." Words matter. It's not right and it immediately stifles thoughtful discussion. This is especially true with the growth of Online Program Managers (OPMs), public and non-profit institutions that have very ambitious national enrollment growth goals, and tuition-driven non-profits that are starving for students.

## II. OUTCOMES FOR LOW-INCOME STUDENTS ARE POOR ACROSS ALL HIGHER EDUCATION AND REQUIRE ALL-SECTOR REGULATION

As proprietary education represents just 6% of students at degree-granting institutions, limiting any policy solely to this sector while refusing to protect students at all other institutions does not adequately protect students or ensure that federal funds are being spent wisely.

Many advocates point to for-profit colleges as representing a disproportionate risk to students and taxpayers. If you look at both completion outcomes and the total state and federal dollars invested in poorly performing institutions, you will see the risk to students and taxpayers is so much greater in the public and non-profit sectors. They educate 94% of the students and receive billions of dollars of public money, often with outcomes that would surprise the general public to know.

### Focusing Policy Solely on the Proprietary Sector Results in Insufficient Consumer Protection Since 94% of All Students at Degree-Granting Institutions Attend Public or Non-Profit Schools

**Fall 2016 Degree-Granting Postsecondary Enrollment [1]**

| | Total | Public | Non-Profit | For-Profit |
|---|---|---|---|---|
| **Fall 2016** | 19,841,014 | 14,582,972 | 4,077,797 | 1,180,245 |
| **Percentage** | 100% | 73% | 21% | 6% |

### The Challenges of High Loan Debt, Low Earnings, and Low Completion Rates Can Be Found Across All of Higher Education and Demonstrate the Need for Accountability at All Institutions and Protection for All Students

1. https://nces.ed.gov/programs/digest/d17/tables/dt17_303.10.asp?current=yes

### High Default Rates Are a Problem Across All Sectors

According to College Scorecard data, there are 334 degree-granting institutions that have default rates above 20% – 188 are public, 55 are private and 91 are proprietary.

Seventy-three percent (73%) of the degree-granting institutions with high default rates are in the public or non-profit sector. See chart below:

**Degree-Granting Institutions with Cohort Default Rates Above 20%**

| | Public | Non-Profit |
|---|---|---|
| **Public** | 188 | 51,044 |
| **Non-Profit** | 55 | 10,993 |
| **For-Profit** | 91 | 39,213 |
| **Total** | 334 | 101,250 |

### Shockingly Low Graduation Rates are a Problem Across All Sectors

According to College Scorecard data, there are 816 degree-granting institutions that have on-time graduation rates less than 10%. That's a problem. It is a problem in the proprietary sector and it is also a disproportionate problem in the public sector.

I am aware that many take issue with using on-time graduation rates, but for the Appropriations Committee, and outcomes in general, on-time graduation is important especially at the associate level since low-income students who attend three or more years use up their grant aid and are forced to borrow if they pursue a bachelor's degree. Improving on-time graduation rates would save the government millions of dollars and is achievable.

**Degree-Granting Institutions with On-Time Graduation Rates Below 10%**

| | Number of Schools | FTFT Enrollment |
|---|---|---|
| Public | 466 | 399,094 |
| Non-Profit | 161 | 24,959 |
| For-Profit | 189 | 32,118 |
| Total | 816 | 456,171 |

## III. CURRENT POLICIES ARE NOT ADEQUATE TO PROTECT THE NATION'S STUDENTS

### The Gainful Employment (GE) Debt-To-Earnings Rule Is an Example of a Policy That Does Not Adequately Protect Students and Leads to Indefensible Higher Education Policy.

### High Debt-to-Earnings Ratios Are a Problem Across All of Higher Education.

The data is clear that if a debt-to-earnings metric was applied across all sectors, huge swaths of higher education would fare poorly as would whole categories of academic study, such as the fine arts.

***A cursory examination of the raw institutional debt and earnings data in the Scorecard illuminates the need for sector-neutral rules — 75% of the institutions with the worst debt-to-earnings ratios are in the public and non-profit sector. Many are HBCUs.***

### The GE Rule Is Too Permissive By Not Protecting Students Who Enroll in Programs With Low Graduation Rates and/or High Default Rates[2]

2. The current GE Rule includes non-borrowers in its formula to determine median debt. The College Scorecard, on the other hand, calculates median debt only for borrowers. Most observers do not grasp the gravity of this provision, which assures a ***perfect score*** for every program where less than 50% of the students borrow, no matter how much those borrowers are suffering. This is one of the most anti-consumer protection aspects of the GE Rule and is intended to protect favored institutions over student borrowers.

Virtually every analysis and study of whether an academic program is successful includes an examination of its graduation rates. The lack of a graduation rate in evaluating the success of a program is a fatal flaw.

***The fact that virtually every public college program with the lowest graduation rates, the highest default rates, or the highest number of defaulters passed the GE Rule is proof in itself that the Rule did not adequately protect student borrowers and was a poor indicator of quality.***

**Repayment Rates Are a Problem Across All of Higher Education**

This metric – which has been touted as an appropriate replacement for cohort default rates – is flawed in its current use. In November 2018, the Department of Education stated that only 24% of all student borrowers in the country were paying down BOTH principle and interest on their loans. ***Despite the ubiquity of low repayment rates across all higher education, the current Borrower Defense Rule contains an indefensible provision requiring only proprietary institutions with low repayment rates to warn students.***

## IV. THE NOTION THAT DIFFERENT OVERSIGHT MODELS JUSTIFY SECTOR-ONLY REGULATION DOES NOT WITHSTAND SCRUTINY

The notion put forward by many advocates that the difference in oversight justifies separate protections for students does not withstand scrutiny. Public boards are often providing political oversight, not outcomes oversight. If the oversight was effective, there would not be so many public and non-profit institutions with such low completion rates, high default rates, and high student debt compared to earnings. Ask any high school principal what would happen if their on-time graduation rate was below 10%. They would lose their jobs. The accountability found in lower ed is absent in higher ed.

### The 90/10 Regulation and Proposed Variations are Regressive and Should Be Reconsidered

At Monroe, our institutional aid (IA) approached $29 million last year. Our policy decision to no longer have many low-income students make cash payments works against us. Further, we are now in year three of a five-year $1.625 million NYS Teacher Opportunity Grant specifically designed to help prepare under-represented students for careers in early childhood education. This grant would count against us as well. It's completely counterintuitive, but the proposal would actually incentivize institutions to cut their IA budgets and not pursue outside grants that reward excellence and help students. Both 90/10 and 80/20 are regressive and should be rethought.

The state and federal government should be concerned about its return on investment. ***However, we believe that even if an institution receives 100% of its funding from public sources but graduates the highest percentage of students and has the fewest number of student debt problems, the government should embrace these outcomes, not threaten them.***

## V. POLICY PROPOSALS AND AREAS REQUIRING FURTHER REVIEW

1. **Commission a study to measure Pell usage by institution divided by the number of Pell students who graduate.**

2. **Track revenue growth and implement an audit where rapid growth occurs, and regulate Online Program Managers (OPMs).**

3. **Include completion rates, CDR and debt-to-earnings ratios as part of the DOE's administrative capability standards.**

4. **Prohibit educational websites from requiring personal contact information prior to entering the site.**

5. **Put limits on marketing and advertising expenditures as a portion of budget.**