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House of Representatives

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Opening Statement
Ranking Member Elijah E. Cummings

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

July 8, 2011

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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