Washington, DC (July 27, 2012)—Today, Rep. Elijah E. Cummings, the Ranking Member of the Committee on Oversight and Government Reform, circulated a memo with preliminary findings from his investigation of executive pay at for-profit educational institutions—which receive a majority of their funds from U.S. taxpayers in the form of financial aid to students.

“The findings are particularly troubling given the billions of U.S. taxpayer dollars flowing into these institutions,” Cummings said. “These companies are paying their top executives millions of dollars in compensation and bonuses, but they consistently place corporate profitability measures far ahead of factors relating to the success of their students. The executive pay structure at many of these institutions must be changed, not just for the students, but for the American taxpayers.”

Cummings sent letters to 13 publicly traded, for-profit educational institutions requesting documents that indicate to what extent they base executive salaries, bonuses, and other compensation on the performance of their students. Although the companies’ responses are incomplete, they provide enough information to make the following preliminary observations:

- · ***Corporate profitability is the single most important factor in determining executive compensation.*** The documents obtained during the course of this investigation indicate that the single most significant measure for determining executive compensation at these schools is corporate profitability, including factors such as operating income, earnings, profits, operating margins, earnings per share, net cash flow, and revenue. Across the board, measures relating to corporate profitability dwarfed those relating to student achievement.

- · ***Certain companies failed to demonstrate any link whatsoever between the compensation they pay their executives and factors relating to the success of their students.*** These companies based compensation primarily on the achievement of corporate financial goals. Some of these companies indicated that bonus pay could be based in part on executive performance, but they did not demonstrate that student achievement was among those goals.

- · ***Several companies provided documents with vague references to student performance, but failed to indicate the specific extent to which they affect executive compensation.*** Although student performance appears to be one of many factors considered in determining executive pay at these companies, the documents produced lack details on how pay was awarded as a result of achieving targets for those measures.

- ·***Some companies provided the specific percentages they use to weigh student achievement measures when determining executive compensation—which is commendable—but these factors were far outweighed by corporate profitability concerns.*** In addition, significant questions remain about the relatively low targets set for student performance and outcomes, while certain executives continue to receive high bonus payments.

Although the for-profit education industry serves a laudable purpose in offering academic opportunities to millions of Americans, it has come under significant scrutiny recently for charging extremely high tuition, resulting in crippling debt for students with lower graduation rates and job placement records, while at the same time generating handsome profits for corporate shareholders and lavish compensation for company executives. These are significant concerns not only for students who go through these programs, but also for U.S. taxpayers who subsidize these for-profit companies through student financial assistance.

For-profit education companies collect billions of taxpayer dollars each year in the form of Title IV loans and grants to their students, Title X tuition assistance, and funds distributed pursuant to the Veterans Education Assistance Act. For example, in the 2008-2009 academic year, for-profit colleges received $24 billion in federal Title IV funds alone. In some instances, these for-profit institutions receive more than 90% of their revenue from U.S. taxpayers.

Next week, Cummings plans to join Senator Tom Harkin at a press conference to release a report issued by the Senate Committee on Health, Education, Labor and Pensions documenting the results of its two-year investigation into the high costs of for-profit programs, as well as their rates of student loan default, graduation, and post-graduate employment.