

Washington, DC (Dec. 7, 2012)—Today, Rep. Elijah E. Cummings, Ranking Member of the House Committee on Oversight and Government Reform, and Rep. Raul M. Grijalva sent a [letter](#) in support of recommendations to increase transparency over spending by for-profit colleges and universities that receive significant taxpayer funds through federal student aid. The letter also urged these recommendations to go further and require for-profit schools to disclose their spending on marketing, advertising, and recruitment.

“It is our concern that far too much emphasis is placed on recruiting new students, rather than supporting and counseling current students to success through the academic process,” they wrote. “Transparency helps ensure that all stakeholders, policymakers, and students are given accurate information to help them make the best educational decisions.”

The Congressmen wrote their letter in response to a [report](#) issued by a Technical Review Panel that sought comments from interested parties about recommendations to require for-profit institutions to disclose the same categories of data currently required for public and private non-profit schools, which submit more extensive financial information in several detailed categories of spending.

The Members also urged the Panel to expand their recommendations to require for-profit colleges and universities to disclose the amounts they spend on marketing, advertising, and recruiting. They proposed using the definitions already included in H.R. 4390, which was introduced by Rep. Grijalva in the House, and S. 2296 in the Senate, to better serve students and taxpayers.

Cummings has been [investigating](#) the extent to which the compensation of executives at for-profit universities and colleges is tied to student performance. On July 27, 2012, he issued a [memo](#) finding that for-profit institutions place profitability far above student outcomes in importance and that some companies fail to demonstrate any ties at all to student outcomes in determining executive compensation.

Below is the full letter:

December 7, 2012

Ms. Janice Kelly-Reid

IPEDS Project Director

RTI International

701 13th Street NW #750

Washington, DC 20005

Dear Ms. Kelly-Reid:

We are writing to provide comments regarding the Technical Review Panel's August 2012 report on improving finance survey forms for for-profit institutions. [\[1\]](#) We fully support the Panel's recommendation to require for-profit higher education institutions to report additional financial and other information to increase data comparability with public and private non-profit institutions. In addition, we believe the Panel can and should go further by requiring for-profit colleges and universities to disclose the amounts they spend on marketing, advertising, and recruitment, particularly in light of the significant amount of taxpayer funds they receive in the form of federal student aid.

During the 112th Congress, Representative Cummings, as Ranking Member of the House Committee on Oversight and Government Reform, has been investigating the extent to which the compensation of executives at for-profit universities and colleges is tied to student performance. On July 27, 2012, he issued a staff memo containing the preliminary findings of this investigation. [\[2\]](#) Most concerning among these findings is that these educational institutions placed profitability far above student outcomes in importance and that some companies failed to demonstrate any ties at all to student outcomes in determining executive compensation.

Based on the results of the investigation, we fully support the Panel's recommendation to require for-profit higher education institutions to "increase data comparability across institutional sectors and utility to institutions and decision makers, while also ensuring data being reported are appropriate for the sector and accurately represent the institutions."

As the Panel's report explains, "for-profit institutions report less detailed revenue and expense information, and the data are not generally comparable with the public and private nonprofit sectors." Under current regulations, public and private non-profit institutions are required to disclose extensive financial information that reflects specific categories of spending. In contrast, the reporting requirements regarding for-profit institutions are significantly more limited and combine vastly different categories of spending into lump sums. We believe the significant growth of for-profit institutions has led to a need for more significant disclosure.

This lack of transparency in the for-profit sector is especially concerning because of the significant and increasing amounts of taxpayer funds they receive, including under Title IV of the Higher Education Act, as well as aid received by veterans and active duty members of the military. It is our concern that far too much emphasis is placed on recruiting new students, rather than supporting and counseling current students to success through the academic process. We believe the proposals issued by the Panel are an important step in proceeding towards an era of greater accountability in higher education.

In addition, we believe the Panel's recommendations should go further by requiring for-profit colleges and universities to disclose the amounts they spend on marketing, advertising, and recruiting. In its report, the Panel noted that spending on these functions would be very helpful, but that it could be challenging to collect. The Report stated:

Several panelists noted that more data on marketing, advertising, and student recruitment expenditures would be valuable in terms of increasing the financial transparency of for-profit institutions. Panel members agreed that there is high interest in this information and while such data would be useful, the lack of a clear definition prevents these expenditures from being collected in a way that is comparable across institutions.

To address this issue, we recommend that the Panel utilize the definitions already included by Rep. Grijalva as H.R. 4390 in the House and S. 2296 in the Senate, which are as follows:

(A) Advertising and promotion activities, including paid announcements in newspapers, magazines, radio, television, billboards, electronic media, naming rights, or any other public medium of communication, including paying for displays or promotions at job fairs, military installations, or college recruiting events.

(B) Efforts to identify and attract prospective students, either directly or through a contractor or other third party, including contact concerning a prospective student's potential enrollment or application for grant, loan, or work assistance under title IV of the Higher Education Act of 1965 (20 U.S.C. 1070 et seq.) or participation in preadmission or advising activities, including—

(i) paying employees responsible for overseeing enrollment and for contacting potential students in-person, by phone, by email, or by other internet communications regarding enrollment; and

(ii) soliciting an individual to provide contact information to an institution of higher education,

including websites established for such purpose and funds paid to third parties for such purpose.

(C) Such other activities as the Secretary of Education may prescribe, including paying for promotion or sponsorship of education or military-related associations.

Finally, we urge the Panel to consider developing easier tools for directly comparing the costs of attendance at various institutions. Although various tools exist now to perform this function, none delivers the direct comparisons that would be the most helpful to students making the difficult decision of which institutions to attend.

We strongly support the measures delineated by the Panel to achieve greater transparency within the higher education industry by providing additional detail within categories of institutional spending. Transparency helps ensure that all stakeholders, policymakers, and students are given accurate information to help them make the best educational decisions. All members of the education industry will benefit from greater transparency, especially for-profit institutions that are already operating as responsible and innovative leaders in the field.

Thank you for the opportunity to submit these comments. If you have any questions regarding this matter, please contact Jimmy Fremgen of the Committee on Oversight and Government Reform staff at (202) 225-5051.

Sincerely,

Elijah E. Cummings
M.Grijalva

Raúl

Ranking Member
Congress

Member of

Committee on Oversight and

Government Reform

cc: The Honorable Arne Duncan, Secretary, Department of Education

[1] (August 2012) (online at https://edsurveys.rti.org/IPEDS_TRP/documents/Report%20and%20Suggestions%20from%20IPEDS%20TRP%2039_final.pdf).

[2] (July 27, 2012) (online at http://democrats.oversight.house.gov/index.php?option=com_content&task=view&id=5764&Itemid=104).