

Testimony

of

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Improving Educational Outcomes for our Military and Veterans

to

Senate Homeland Security and Governmental Affairs Committee's
Subcommittee on Federal Financial Management, Government
Information, Federal Services, and International Security

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Good afternoon, Chairman, members and staff of the Subcommittee on Federal Financial Management, Government Information, Federal Services, and International Security. Let me first thank you for the opportunity to come before the Committee today to share with you information that is relevant to the Committee's discussions on improving veteran education outcomes. It is an honor to be here.

VetJobs (www.vetjobs.com) has a unique vantage point on these discussions as by the nature of our business, VetJobs deals with veterans and their family members on a daily basis who are pursuing employment and the education necessary to obtain employment.

The mission of VetJobs is to assist veterans, their spouses and dependents find quality jobs with employers worldwide. Since our launch on Veterans Day in 1999, VetJobs has assisted millions of veterans and their family members meet the recruiting needs of thousands of companies. As we speak today, there are over 41,000 jobs on the VetJobs site from hundreds of patriotic companies who want to hire veterans and their family members. Over 160,000 veterans a month or nearly two million veterans a year visit VetJobs seeking assistance. Over the last 12 years VetJobs has been recognized regularly as the leading military job board on the internet.

VetJobs is exclusively sponsored and partially owned by the Veterans of Foreign Wars of the United States (www.vfw.org). Additionally, VetJobs is endorsed by the Vietnam Veterans of America (www.vva.org), Association of the US Navy (www.ausn.org), Veterans of Modern Warfare (www.vmwusa.org), Student Veterans of America (www.studentveterans.org), Military Order of the Purple Heart (www.purpleheart.org), Hope4Heroes (www.hope4heroes.org) and the United States Army Warrant Officers Association (www.usawoa.org).

What follows is a discussion of my observations as a businessman, who interacts with corporations, nonprofit organizations, and businesses seeking to hire veterans and their family members, but also a person who has dealt with many veterans and their spouses who have had problems with certain for-profit schools. As their schooling directly impacts the type of employment they can obtain, VetJobs has assisted veterans and their spouses select the appropriate educational venue.

Following the discussion, I list specific recommendations that will help to clean up the problems and make schools more accountable when using federal funds.

Introduction

Veteran post-service education prospects have improved greatly with the new Post 9/11 GI Bill. While not as substantial as the WWII GI Bill, the current Post-9/11 GI Bill is a move in the right direction.

When one looks at the evidence, the current Post-9/11 GI Bill has been usurped by predatory for-profit schools. The actions and behaviors of the predatory for-profit schools need to be curtailed. Note I use the term predatory for-profit schools as not all for-profit schools have engaged in less than ethical behavior.

I want to be very clear that not all for-profit schools are bad. But those that are bad are very bad. Many technical, trade and universities that are for-profit have done a good job.

However, many of the predatory for-profit schools in the military education space have definitely stepped over the line, and in some cases, committed fraud.

For example, an August 2010 GAO report described investigators posing as prospective students applied for admissions at fifteen (15) for-profit colleges in six (6) states and Washington, D.C. The colleges were selected based on several factors, including those that the Department of Education reported received 89% or more of their revenue from federal student aid. GAO also entered information on four fictitious prospective students into education search Web sites to determine what type of follow-up contact resulted from an inquiry. GAO compared tuition for the 15 for-profit colleges tested with tuition for the same programs at other colleges located in the same geographic areas.

The GAO undercover applications at the 15 for-profit colleges found that 4 of the colleges encouraged fraudulent practices and that all 15 made deceptive or otherwise questionable statements to GAO's undercover applicants. Four undercover applicants were encouraged by college personnel to falsify their financial aid forms to qualify for federal aid.

In spite of the findings of the GAO undercover investigation, VA and DOD continue to allow the predatory for-profit schools to enroll active duty, veterans and spouses. These 15 predatory for-profit schools continue to target veterans and their spouses. There obviously is no effective oversight of the educational programs at DOD and VA!

A recent PBS Frontline report that aired on June 28, 2011, titled Educating SGT Pantzke, highlighted the problem veterans' face when attending predatory for-profit educational institutions. The program can be viewed at <http://www.pbs.org/wgbh/pages/frontline/educating-sergeant-pantzke/?autoplay>.

While it is understood that not every institution within the for-profit sector is engaged in these practices, the factual and testimonial evidence from past and recent press reports have found that many predatory for-profit institutions have engaged in improper and unethical recruiting practices while also reporting record profits generated from billions in taxpayer dollars.

Post 9/11 GI Bill Benefits were expanded in 2008, and this means that the more than 1.2 million veterans deployed since 2001 to Iraq and Afghanistan will be able to use this generous benefit wherever they choose to go to school, even to those career education programs that have been aggressively and deceptively recruiting them into programs shown to provide a very poor education. We owe it to these veterans to give them the tools they need to make sure their one-time GI Bill benefits are used at a school where they get a good education.

Problems for Veterans & Spouses

VetJobs has observed many disturbing activities by the predatory for-profit schools directed at veterans and their family members.

The problems have included:

-Aggressive deceptive marketing to veterans and active duty component members

Many predatory for-profits see military students as dollar signs in a uniform. As a result, predatory for profit schools use exceptionally high pressure techniques to sign up active military and veterans.

-Aggressive deceptive marketing to spouses, especially on military installations

Many predatory for-profits see military spouses as dollar signs on a military base.

-Telling veterans the programs are accredited when in fact the programs are “self-accredited”.

Many of the predatory for-profit schools could not qualify for accreditation through traditional accrediting agencies such as SAC or the AACSB. So to claim “accreditation”, they created their own accrediting agencies, which are not recognized by other traditional brick and mortar schools or state departments of education. Not knowing any better, veterans are being conned by the predatory for-profit schools deceptive claims that they were accredited. To learn more, visit <http://www.geteducated.com/diploma-mills-police/college-degree-mills/204-fake-agencies-for-college-accreditation>. To learn more about legitimate school and college accrediting agencies, please visit <http://www2.ed.gov/admins/finaid/accred/index.html>.

-Credits not transferring especially for graduate programs

-Employers not accepting degrees as accredited

“Mike Shields, a retired Marine Corps colonel and human resources director for U.S. field operations for Schindler Elevator, the North American arm of Switzerland's Schindler Group, says he rejects about 50 military candidates each year for the company's management development program because their graduate degrees come from online for-profits. "We don't even consider them," Shields says. "For the caliber of individuals and credentials we're looking for, we need what we feel is a more broadened and in-depth educational experience." [Bloomberg BusinessWeek](#), 12/15/2009

-Schools not providing marketable skills that give gainful employment

Some technical for-profit schools do not provide adequate training so a student can then obtain a license for their work or get certification.

-Once enrolled, students are offered excessive amounts of financial aid, often in the form of risky private student loans (not federal loans), to cover the high costs of attending these institutions while earning less than worthy degrees or certifications.

Students in two-year programs at for-profit colleges are also eight times likelier to be in debt than those at community colleges, according to a report last month from the Education Trust, a nonprofit advocacy organization based in Washington.

<http://www.businessweek.com/news/2011-01-06/for-profit-colleges-charge-more-while-doing-less.html>

-Exceptionally high tuition when compared to traditional brick and mortar schools.

BusinessWeek reported that Kimberly Connacher, a bank teller, tried to get to Modesto Junior College early enough each evening to beat about 44 other students to a seat and avoid having to stand through her English class. It was the long, nighttime walk through the community college's jammed parking lots in Modesto, California, that prompted Connacher to transfer about a year ago from the campus, where she paid about \$80 a class, to Apollo Group Inc.'s University of Phoenix, where the cost was more than \$1,000. She took out \$12,000 in loans to cover the expense. <http://www.businessweek.com/news/2011-01-06/for-profit-colleges-charge-more-while-doing-less.html>

Lack of Information

Complicating the problem is veterans and their spouses lack key information to make wise college decisions. Many of the military base career counselors seem to lack the necessary knowledge to properly counsel potential students.

As has been reported in the press and blogs, many of the predatory for-profit schools and their extensive lobbying group argue that veterans and their educational benefits should be left to "the invisible hand of the free markets." Others may argue that veterans have the "free choice" to elect an institution that they feel best suits their educational needs. And still others might argue that veterans and servicemembers "know what is best for them as they are grownups" and that these programs "serve those who cannot attend traditional two- and four-year institutions."

These arguments are specious at best and suggest that veterans have the knowledge to make informed decisions, that they have a complete understanding of the stratified system of higher education or have access to the knowledge through base and command education counselors. These are false assumptions.

Many veterans and servicemembers do not have the complete or correct information to understand different types of degree offerings, differences in institutions, importance of appropriate programs to pursue, or institutional accreditation as it relates to other programs of market-place value.

As an example, VetJobs recently worked with a veteran in Michigan who used his Post-9/11 GI Bill to obtain a bachelor degree from a predatory for-profit school while on active duty. Since exiting the military, the individual has been applying to many graduate schools, only to learn that the degree he had is not recognized by traditional schools as being accredited. The veteran had been told by the predatory for-profit school that their degree was accredited. What the school did not tell the veteran was the accrediting agency was a sham agency created by the predatory for-profit schools so they could claim accreditation.

Another example of the accreditation issue is the buying of small accredited schools by investors who then turn the school into a predatory for-profit using the purchased school's accreditation. Ashford University is an example.

As a final example, I have heard from veterans who took a course only to learn afterwards the course did not prepare them to site for a license exam.

This lack of knowledge by the veterans has been noted in the press:

“When these guys get out of the military, they’re told to check with the VA. They don’t know who else to trust. The VA helps them fill out paperwork and gives them money, but it doesn’t tell them what schools to avoid or go to. It doesn’t track how well these schools are doing.” – John Schupp, national director of the nonprofit group Supportive Education for the Returning Veterans - [Bloomberg](#), 9/23/2010

“No records are publicly available showing how many veterans drop out of courses at Colorado Technical’s online program, where most of them take their classes. But in general, the online program has an unusually low rate of retaining first-time students pursuing bachelor’s degrees full time. Only 39 percent of those enrolled in the fall of 2008 returned the next fall, compared with a 77 percent average for four-year colleges nationwide.” - [New York Times](#), 12/9/2010

“I felt like I made a horrible, horrible decision,” said Jason Longmore, 31, a Navy veteran who spent six months at Westwood College, based in Denver, only to conclude that the degree was not attractive enough to employers, forcing him to repeat classes elsewhere before he could transfer credits to a Colorado state university.” - [New York Times](#), 12/9/2010

GI Bill Benefits Lucrative Source

What is driving much of the problem is the Post-9/11 GI Benefits are a lucrative source of revenue for the predatory for profit schools. Because the Post 9/11 GI Bill benefits are such a lucrative source of revenue that has no viable oversight by VA, veterans are being heavily recruited by schools that do not provide a solid education.

According to the Department of Education, in 2008-2009 for-profits schools enrolled about 2 million students but received almost \$25 billion of federal student aid. In other words, well over 25% of taxpayer dollars in student aid went to an industry that enrolls just over 5% of the higher education student population.

Press comments on this include:

“The recruiting techniques of some of these schools have been less than ethical,” [Derek] Blumke, [cofounder of Student Veterans of America] said. “When you’re paying the high costs for some of these schools and drop out, as many attending the online for-profit colleges do, you’re worse off than when you started.” – [Bloomberg](#), 2/23/2011

"They contact me to gain access to our service members and most of them are fairly aggressive," said Chief Warrant Officer Ken Teter, education officer for the Ohio National Guard, based at Beightler Armory in Columbus. – [NBC4i](#), 2/17/2011

“There is such pressure to simply enroll more vets — we knew that most of them would drop out after the first session,” said Jason Deatherage, who worked as military admissions adviser at Colorado Technical University until this spring, when he was fired, he said, for not meeting his quota. “Instead of helping people, too often I felt like we were almost tricking them.” – [New York Times](#), 12/09/2010

Since the Post-9/11 GI Bill is viewed by the predatory for profits as a lucrative source of funds, many spend as much as 50% of their revenue for sales, marketing and commissions. This is five times more than a normal brick and mortar school.

90/10 Rule

At the core of the predatory for-profit school problem is the 90/10 rule. Under this principle, institutions are required to receive no more than 90% of their revenues from federal sources to be eligible to receive federal student aid.

The 90/10 requirement was put in place to prevent schools from existing merely as a means to collect taxpayer subsidized education benefits, but that is what several of the predatory for-profit schools have become. The requirement also sought to improve school quality by incentivizing proprietary institutions to enroll at least some students willing to invest with their own money in the education offered by the school.

However, a loophole in the 90/10 rule allows predatory for-profit schools to continue to receive federal funds even if the institution has reached its 90% limit on federal student aid. As the 90/10 rule is currently constructed, only federal aid administered from the US Department of Education is counted toward the 90% limit. Revenues received from the Department of Veteran Affairs administered benefits like the Post-9/11 GI Bill are treated as non-federal sources under the current 90/10 rule. In other words, a school that has reached its 90% limit of Department of Education funding can solicit revenue from Post-9/11 GI Bill beneficiaries instead of recruiting students willing to pay out-of-pocket. This loophole has the effect of undermining the original intent of the 90/10 rule by giving proprietary schools the opportunity to receive 100% of their revenue from taxpayer-funded sources.

Currently, military and veteran educational benefits DO NOT count towards the 90% restriction. Thus, most predatory for-profit colleges and universities market towards servicemembers, veterans and their dependents understanding that the 90% limit can be exceeded.

Gainful Employment

Another core issue with predatory for-profit schools is program integrity, otherwise referred to as gainful employment. Many predatory for-profit institutions are the most expensive institutions in higher education. As a result, over 95% of students at the predatory for-profit institutions receive loans due to their unmet financial need. Even a few months of attendance at predatory for-profit institutions can leave students saddled with debt in excess of \$9,000.

In contrast, only 13% of community colleges, 48% of four-year public institution, and 57% of traditional four-year private institution (not-for-profit) students take out loans. Clearly, the **predatory for profit schools are an industry that engages in profit maximization through a government voucher system.**

The sad part here is when a veteran defaults on their school loan it becomes difficult to obtain employment now that over 60% of employers conduct credit checks of new employees. Many of the predatory for-profit schools like Kaplan have student loan default rates in the 30% range, which was reported by UBS Financial in the School Cohort Default Rates report. From that report, several predatory for-profit schools had three year default rates in the 25% to 30% range. Veterans and their spouses who have these defaults have a difficult time finding a job.

This problem is exacerbated for student veterans. Gainful Employment Regulations ensure that institutions are offering educational degrees and certificates that have meaningful value in the labor market, students are not left with excessive debt, and students are able to repay any loans accrued in higher education per their discretionary income. This is not occurring with the predatory for-profit schools.

Currently, the education counselors on military installations are not familiar enough with the process to be able to adequately assist veterans and their dependents to choose an appropriate school for college and graduate education.

Predatory for-profit schools have learned how to game the system and obtain monies from DOD and VA. Unfortunately, **once federal agencies turn on the money faucet, there is no oversight or accountability provided**, especially at VA when it comes to oversight of the Post-9/11 GI Bill.

The VA should effectively use its authority to decertify institutions that violate laws that are in place to support student veterans. VA has suspended payments to schools in the past, but later permitted the schools to collect monies. Currently there is not enough oversight to ensure veteran and military educational benefits are spent wisely and that the historic educational investment in veterans pays off.

Higher education and government agencies need to work together to ensure that this substantial investment pays off in degrees with labor market value, such as those found in traditional graduate and professional schools. It would help if more traditional educational institutions would increase their efforts to attract more veterans and active servicemembers into their colleges and universities by offering more flexible education options to include online course work.

To be competitive in the labor market, many companies now require their employees to earn graduate or professional degrees. We now live in a nation that requires higher education to compete for meaningful employment.

The World War II GI Bill gave the United States the greatest generation of scientists, engineers, doctors, lawyers, professors, legislators, business people and Nobel Prize winners that propelled the United States to the economic heights enjoyed during the last half century. Toleration of the behavior of the predatory for-profit schools against our next greatest generation of veterans needs to be stopped.

Recent Actions

There is finally some movement against the predatory for-profit schools.

The Department of Justice and four states have filed a multibillion-dollar fraud suit against the Education Management Corporation, the nation's second-largest for-profit college company, charging that it was not eligible for the \$11 billion in state and federal financial aid it had received from July 2003 through June 2011.

While the civil lawsuit is one of many raising similar charges against the expanding for-profit college industry, the case is the first in which the government intervened to back whistle-blowers' claims that a company consistently violated federal law by paying recruiters based on how many students it enrolled. The suit said that each year, Education Management falsely certified that it was complying with the law, making it eligible to receive student financial aid. The major class of students that Education Management Corporation has targeted over the years is veterans.

"The depth and breadth of the fraud laid out in the complaint are astonishing," said Harry Litman, a lawyer in Pittsburgh and former federal prosecutor who is one of the attorneys representing the two whistle-blowers whose 2007 complaints spurred the suit. "It spans the entire company — from the ground level in over 100 separate institutions up to the most senior management — and accounts for nearly all the revenues the company has realized since 2003."

Education Management Corporation, which is based in Pittsburgh and is 41% owned by Goldman Sachs, enrolls about 150,000 students in 105 schools operating under four names: Art Institute, Argosy University, Brown Mackie College and South University. This suit is just the start of the move by many to curtail the predatory for-profit schools.

Recommendations

I would make the following recommendations for the Committee to consider:

-Veterans and active members of the military need to have better information to make informed decisions about what school to attend

-Education counselors on military installations and commands need to be better educated to adequately assist veterans and their dependents to choose an appropriate school for college and graduate education

-There is a need for greater oversight and accountability by DOD and VA of career education programs that have been handing out worthless degrees, loading up students with debt they are unable to repay, or using up one-time GI Bill benefits

-Taxpayer funds should not be wasted on worthless programs – they need to be invested wisely in solid education programs that offer gainful employment and have traditional accreditation.

-For-profit schools should be limited as to how much money can be used for recruiting, marketing and commissions. If a school is receiving federal funds, the sales, marketing and commissions should be limited to a maximum of 10% of the school's revenue.

-Accreditation issues need to be examined to find a way to ensure that a school's accreditation is legitimate and the school has courses that will be recognized by other schools.

-The 90/10 rule should include all federal funds, not just Title IV, and it should especially include DOD TA and GI Bill benefits

-The 90/10 Percent Rule must be enforced. To eliminate a great deal of the predatory school practices I would recommend it be set at a lower percentage, such as 80/20. Given the economic condition of the United States, higher education institutions should continue to strive towards financing their student populations with less reliance on taxpayer dollars.

-Traditional educational institutions should be encouraged to increase their efforts to attract more veterans and active servicemembers into their colleges and universities by offering more flexible education options including online course work.

-The VA should make better use of their enforcement mechanisms that currently exist. This includes not allowing egregious schools to receive federal funds.

-Predatory for-profit schools that persist in the behavior found by GAO should be banned from using military facilities and banned from recruiting on military bases.

In conclusion, I want to point out that had DOD and VA provided proper oversight for the funds they were dispensing to the predatory for-profit schools, we would not be having this hearing today and veterans and their family members would not have been encountering the myriad of problems discussed above.

Any solution considered by the Congress to the above problems must include a way to ensure DOD and VA are held accountable.

This concludes my testimony.

Thank you for your time.

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