



VETERANS OF FOREIGN WARS OF THE UNITED STATES

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STATEMENT OF

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BEFORE THE

COMMITTEE ON HOMELAND SECURITY AND GOVERNMENT AFFAIRS
SUBCOMMITTEE ON FEDERAL FINANCIAL MANAGEMENT
UNITED STATES SENATE

WITH RESPECT TO

IMPROVING EDUCATIONAL OUTCOMES FOR OUR MILITARY AND VETERANS

WASHINGTON, DC

September 22, 2011

MR. CHAIRMAN AND MEMBERS OF THIS COMMITTEE:

On behalf of the more than 2 million members of the Veterans of Foreign Wars of the United States (VFW) and our Auxiliaries, the VFW would like to thank this committee for the opportunity to present its views on educational outcomes for members of the military and veterans who choose to utilize their earned benefits. The VFW played an integral role in passing the Post-9/11 G.I. Bill, and we have a vested interest in ensuring that the veterans who utilize this robust benefit receive quality educational and vocational training outcomes.

During these difficult economic times, military and veterans' education benefits provide a critical tool in ensuring that those who have defended our nation can be competitive in an often cut-throat employment climate. Recent unemployment numbers from the Bureau of Labor Statistics indicate that young veterans of the current conflicts have been hit disproportionately hard by the economic downturn, which means this committee has a vested interest in ensuring that federal education dollars for our military men and women are spent in a responsible manner, training the future leaders of our country.

In the years since the Post-9/11 G.I. Bill took effect, it has come to the attention of the VFW that certain institutions of higher learning – many times predatory for-profit schools – have chosen to prey on those eligible for military and veterans' education benefits, failing to keep their promise of delivering a quality education. The VFW must clarify that this is not an indictment of the for-profit education industry, which many times provides quality educational tools to members of the military and veterans, but rather an indictment of schools that seek to aggressively recruit and

prey on veterans who are eligible for taxpayer-funded benefits, with no intention of conferring a valuable degree or relevant industry credentials. These kinds of predatory schools have chosen not to focus on the educational outcomes for those they enroll, but rather a bulk of one-time payouts of federal benefits to maintain their bottom line. Businesses that choose this as their business model should be embarrassed by how they have sought to exploit the brave men and women who have fought to defend our nation, and the VFW stands ready to hold such institutions accountable.

Accountability of G.I. Bill dollars is a national imperative to the VFW. In recent months, discussions over fiscal responsibility have made our organization concerned about the continued viability of the program, should veterans not receive the educational opportunities they were promised. Not only is this a disservice to the veteran; but it is a disservice to the nation that so desperately needs the skills of our veterans in the civilian workforce. In passing the G.I. Bill, we have decided to invest in the proven leadership capability of our veterans, cultivating these brave men and women to lead us in the 21st century. It worked for our Greatest Generation, and it must work for our newest generation of war heroes.

Sadly, when predatory schools take advantage of veterans, they rob our brave men and women of their hard earned benefits. We are only two years into the Post-9/11 G.I. Bill, so the VFW believes that we have not yet seen the worst of this phenomenon. For example, a student-veteran may have enrolled in a program at a predatory school, wasting up to two years of Post-9/11 G.I. Bill benefits. At this point, the veteran may have realized that the program was worthless and impossible to complete, withdrawing and seeking higher education at another institution. Unfortunately, the new institution will not accept the credits for work completed at the predatory school. The veteran is back at square one, with four years of school ahead, but only two years of benefits remaining. The veteran will now need to pay out-of-pocket to finish a degree, wasting time and taxpayer dollars, while the predatory school walks away with deeper pockets.

G.I. Bill benefits – and particularly the Post-9/11 G.I. Bill – are designed to prepare veterans to lead our nation in the years to come. This is not an entitlement fund from which companies can simply draw a profit. Critics have cried that this is simply a free market at work and that the government should stay out of this fight, since quality for-profits that provide quality educational and vocational training will survive and the bad companies will eventually go out of business. The VFW disagrees with this assertion, since both legitimate and disingenuous for-profit schools continue to profit from government benefits regardless of the quality of the degrees they confer. For example, the VFW equates G.I. Bill funds to federal contracts – taxpayer money set aside to finance a specific deliverable. When the military contracted to build a new hospital at Fort Belvoir, a major for-profit company certainly earned money from taxpayer sources as a result of the project. However, if you visit Fort Belvoir, you will see a new, fully-functional hospital serving soldiers. When students utilize their G.I. Bill benefits, the VFW expects schools to be able to deliver relevant, useful degrees or certificates with which veterans can compete in the job market. If a company's business model ensures that veterans cannot receive such a degree or certificate, they most certainly do not deserve to receive further federal funding.

Unfortunately, predatory schools are not a new problem. Different rules have been in place since the first G.I. Bill of Rights was passed into law to ensure that schools could not prey on veterans'

education dollars. The reasoning behind such rules appears in the 1952 legislative history of the Veterans' Readjustment Assistance Act – or the Korean War G.I. Bill – calling such rules a “sufficient safeguard against the creation of fly-by-night schools.” Over the years, however, these rules have been amended, renamed, moved, and manipulated in ways that have rendered them nearly ineffectual at weeding out an evolving landscape of what legislators called “fly-by-night” schools, but have now evolved into major companies with deeply vested interests.

One rule that has garnered much attention from the veterans' community in recent months is the VA's 85/15 rule and its companion in the Higher Education Act, the 90/10 rule, designed to ensure that schools could not receive all of their funding from federal sources. The first iteration of 85/15 read that student-veterans would not receive education compensation for programs at proprietary schools that enrolled more than 85 percent of students eligible for some kind of military tuition reimbursement or G.I. Bill program. Over the years, this rule was expanded to also include non-profit and public institutions of higher learning. Taking a page from the VA's effective ability to reign in predatory schools, legislators chose to include a similar provision in the Higher Education Act of 1992 to protect Pell Grant recipients and other beneficiaries of federal programs from predatory education programs, seeking to get rich off of taxpayer money.

Interestingly enough, both the 90/10 rule and the 85/15 rule are still on the books, operating independently of each other. 90/10 states that proprietary schools cannot receive more than 90 percent of their revenue from Title 20 and Title 42 sources. 85/15 states that proprietary schools cannot receive more than 85 percent of their revenue from Title 38 and Title 10 sources. Moreover, Post-9/11 G.I. Bill funds, or Chapter 33, are not included in VA's guidelines on administering education benefits with regard to 85/15. To the VFW, this creates a perfect storm through which predatory schools could master a complex cycle of compliance simply by manipulating students eligible for taxpayer-funded education programs. For example, if a school is approaching its 90-percent threshold of Higher Education Act-eligible enrollees, administrators are well served to seek out veterans by any means necessary to help the school stay in compliance with 90/10. Simply enrolling one veteran allows a predatory school to enroll nine more Higher Education Act-eligible students. This business model would ensure that a predatory school could enroll 100 percent of its students on taxpayer-funded programs without relying on investment from customers willing to spend their own money on the school's product.

90/10 and 85/15 are ineffective as stove-piped regulations. To protect military and veterans' education benefits, the VFW would recommend amending these rules to, first, include Chapter 33 benefits, and, second, ensure that all taxpayer-funded programs fall under a single umbrella. The VFW believes that by strengthening 90/10 for all schools – not simply for-profits – will create an incentive to focus on quality education outcomes.

Over the last few months, student outcomes have caught the attention of Congress when discussing predatory schools' usage of G.I. Bill dollars. However, student outcomes are a difficult metric to monitor, given the fractured nature of the higher education system. According to a recent Military Times story, VA has tracked the six-year graduation rate for proprietary schools at only 23 percent, compared to 67 percent for private, non-profit schools and 57 percent for public schools. The VFW believes this is not because proprietary schools are worse than non-profit schools or non-profit schools are easier than proprietary schools. Rather, the VFW believes

these poor graduation rates indicate a system whereby school solvency for predatory for-profit schools is contingent on raw enrollment figures, not alumni success. While the VFW would not recommend legislating specific graduation rate or default rate thresholds to which schools must adhere, the VFW believes that the Department of Education and VA must insist on transparency from institutions eligible to receive taxpayer-funded education dollars. Transparency will provide the necessary incentives for schools to focus on quality education outcomes, instead of raw enrollment.

The VFW has learned that quality for-profits already offer this kind of transparency to their students, developing model programs to improve the services they deliver to their military and veteran students. Other quality for-profits are also looking to enter into Memorandums of Understanding, or MOUs, with the Department of Defense, codifying the services they plan to make available to student-veterans. These schools must be commended for these critical first steps, but the VFW believes that VA should require similar MOUs with specific transparency provisions.

After speaking with several for-profit schools that have led the way in this preparedness effort, we believe that MOUs should include some of the following provisions: Collect and disclose graduation rates; provide in-depth information about school accreditation, including post-enrollment transferability of credits, such as eligible post-graduate programs; disclose specifics on ability to sit for certification and licensure exams; include a comprehensive breakdown of program or degree cost; disclose technical and time requirements to complete programs; include information on military and veterans' faculty points-of-contact and any tutoring or support infrastructure available to student-veterans.

The VFW believes that student-veterans should have all the information to make an informed decision before choosing an education program. Mandating comprehensive MOUs and encouraging transparency from all schools seeking to educate G.I. Bill-eligible veterans will ensure that educational outcomes improve.

Unfortunately, the benefit approval process for veterans and the program approval process for schools seeking to enroll G.I. Bill-eligible students create two more hurdles for those seeking to utilize their benefits. First, VA is solely in the business of verifying benefit eligibility for veterans based on military service obligations. VA does not track whether or not a veteran has the capability to return to school. The VFW has learned that many times students who are ineligible for college courses enroll in schools only to learn that they do not qualify to receive the G.I. Bill for their particular program, either due to missing high school credentials or failure to complete requisite entrance exams, such as the SAT or ACT. Unfortunately, many times a student-veteran already owes the school for a semester of enrollment that VA now refuses to pay. Since VA now pays schools directly for tuition under the Post-9/11 G.I. Bill, the VFW believes that VA must also play a role in verifying a veterans' ability to attend classes before creating a potential financial hardship for veterans who simply sought to improve their employment prospects.

Next, the VFW has learned that many times State Approving Agencies tasked with ensuring compliance with VA eligibility regulations for institutions of higher learning are often

understaffed or inadequately trained. For example, the VFW recently learned that the State Approving Agency tasked with approving education programs in the state of Rhode Island was only one person who assumed the role as a collateral duty. Rhode Island is one of more than 16 states with two or fewer dedicated staff listed for SAA functions on the National Association of State Workforce Agencies' website, with many states – including Rhode Island – listing consultants, state education directors, or office administrators as primary points of contact for their collateral duty. Overworked and undertrained SAAs cannot possibly vet education programs adequately. SAAs must have adequate training and staffing to ensure that schools are compliant with regulations.

The VFW must reiterate that G.I. Bill accountability is a concern with national implications, and an imperative for Congress to address during these difficult fiscal times. The VFW looks forward to working with this committee and the education community on developing solutions that best ensure our veterans receive the benefits and training that they have earned.

Mr. Chairman, this concludes my statement. I would be happy to answer any questions that you or the members of the Committee may have.