

United States House of Representatives
For-Profit College Conversions: Examining Ways to Improve
Accountability and Prevent Fraud
Tuesday, April 20, 2021, at 10:15 am (EDT)

Good afternoon, Chairman Scott, Ranking Member Foxx, and Members of the House Education and Labor Committee.

Career Education Colleges and Universities (CECU) believes that proprietary institutions of higher education that seek to convert to nonprofit status or are acquired by a nonprofit or public entity should be subject to a thorough review process at the Department of Education and Internal Revenue Service to ensure that all such deals meet the existing legal requirements for conversion. The Government Accountability Office (GAO) report published in January of this year identified several weaknesses associated with how both agencies process and conduct oversight of these institutions. The agencies charged with oversight should remedy those issues, and Congress should be prepared to provide commonsense legislative solutions to improve the process.

The pre-acquisition review and change of control application processes at the Department of Education are bureaucratic nightmares plagued with inefficiency and red tape. The Department of Education is woefully understaffed to handle these transactions. They rely on one senior attorney in the Office of General Counsel and a small team in the Department's Federal Student Aid office to process most transactions. These staff also have numerous other responsibilities and, as a result, take far too long to review applications. Some institutions have been waiting for their deals to be reviewed for up to six years, and the typical turnaround time is well over 12 months. These delays cost schools time and millions of dollars while holding them in bureaucratic limbo. This process can work better, as processing times can be decreased without sacrificing the review's quality and thoroughness.

Congress should require institutions that seek to convert or are otherwise applying for a change of control to pay an administrative fee when they submit an application. This fee would be used to hire additional staff at the Department to process these transactions.

This fee-for-service model would ensure that institutions that are pursuing deals bear the costs of processing the application instead of shifting that cost to taxpayers. In turn, institutions should be promised that the Department will promptly review their transactions. Such a proposal would not compromise the thoroughness of the review and instead would ensure that the Department staff have the resources to conduct a full review of every transaction. The government does not have to be inefficient, and this is a commonsense solution to a problem that has been plaguing higher education deals for years.

Unfortunately, it appears that the Committee is focusing much of its attention on unrelated issues. This hearing's underlying premise seems to be that proprietary institutions that seek to convert to nonprofit status MUST have ulterior motives. Worse yet, the tagline for this hearing casually asserts that "fraud" may be afoot. Yet, the January GAO report did not identify a single instance where illegal conduct has occurred with any of the 59 transactions it reviewed over the past decade. Fraud is a very serious accusation, and it should not be asserted lightly or used to score cheap political points. Here, there is no evidence that fraud is occurring. If it does, it must be rooted out by those who investigate and prosecute criminal fraud.

Critics also seem to assert that a primary motivating factor for an institution to convert is to avoid regulatory scrutiny. This is an overinclusive assertion and ignores the varied and nuanced business

reasons why many institutions convert. In the past, nonprofit and public schools that have desired to expand their distance education footprint have purchased proprietary institutions with experience in delivering distance education. There is nothing wrong with this. On the contrary, mergers and acquisitions should be encouraged when appropriate, as they help disrupt the status quo and provide innovative solutions to serve students better.

Furthermore, Congress has created a regulatory regime where only proprietary institutions are subject to heightened regulatory scrutiny. An institution that converts is not evading anything; they are being treated like all other similarly situated institutions in the nonprofit sector. There is nothing improper about this, and CECU is baffled that those who oppose the profit motive in education are also seemingly opposed to conversions.

Additionally, many claim that the former owners of proprietary institutions that have converted unduly enrich themselves from these transactions, either at the point of sale or through contractual means over time. Regulators should continue to examine these deals to ensure that undue personal enrichment and improper self-dealing are not occurring. State merger and acquisition law has been addressing these issues for a long time. Congress should consider the best practices in states before devising proposals that may create unintended consequences that will harm students.

CECU is also concerned that this hearing will devolve into unproductive conversations about proprietary schools' role in higher education and portray this issue to be broader than it actually is. Since 2011, 59 schools have attempted to convert, with only 35 applications approved as of August 2020, representing less than 2.6% of all existing proprietary institutions.¹

Congress should work together to reauthorize the Higher Education Act and create institutional accountability standards that protect students and apply to all higher education sectors. Proprietary institutions play a valuable role in providing students' choices around the country, especially for nontraditional students and minority students. As a reminder, our schools are making a difference in Congressional districts all across the country. Here are several data points and examples of the contributions of these institutions:

Data:

1. The average associate-level graduate at a proprietary institution makes about \$35,600, which is more than public and private nonprofit graduates, who make about \$31,800 and \$34,600, respectively.² In 2009-2021, the average earnings of students six years after graduating were nearly \$2,000 higher for graduates from proprietary institutions (\$30,200) when compared to public 2-year graduates (\$28,850).³
2. Proprietary institutions conferred 257,069 or 26.9% of all certificates across higher education sectors below the associate's degree in 2017-18.⁴ The top three fields for proprietary institutions were: (1) personal and culinary services, (2) medical assisting, and (3) health sciences.⁵ Proprietary institutions conferred 69,430 associate degrees in 2017-18. The top three fields for

¹ GAO Report to Congressional Requesters, Higher Education: IRS and Education Could Better Address Risks Associated with Some For-Profit College Conversions, December 2020.

² College Scorecard, 2018-2019.

³ College Scorecard college-level data, accessed in November 2020.

⁴ Digest of Education Statistics 2019 (NCES 2021-009), Table 318.40

⁵ Digest of Education Statistics 2019 (NCES 2021-009), Table 320.10

proprietary institutions were: (1) health professions and related programs, (2) business, and (3) mechanic and repair technologies/technicians.⁶

3. Graduation rates at proprietary institutions are more than double those of public 2-year institutions. For the 2015 starting cohort, graduation rates from the first institution attended within 150% of normal time for first-time, full-time degree/certificate-seeking students at proprietary 2-year institutions was 61.5% compared to 27% at public 2-year institutions and 62.3% at private nonprofit 2-year institutions.⁷ The College Scorecard reports that the median completion rate of students graduating within six years is 51.7% at proprietary institutions, 49.8% at public 4-year institutions, and 25.7% at public 2-year institutions.⁸

Workforce contributions:

1. In 2020, Governor Ralph Northam (D-VA) announced Virginia's first offshore and onshore wind workforce collaborative, the Mid-Atlantic Wind Training Alliance. The alliance will create and build a wind technician workforce to address onshore and offshore wind projects to Virginia and the Mid-Atlantic. The coalition is made up of three institutions, one being Centura College, a proprietary institution.⁹

Centura College has campuses in the districts of Reps. Elaine Luria, Abigail Spanberger, and Chairman Bobby Scott. These programs are of enormous benefit to Virginia and its workforce.

2. In March 2021, Chas Roberts, one of the largest and longest-standing residential Heating, Ventilation, and Air Conditioning (HVAC) companies in Arizona, partnered with the Refrigeration School, a proprietary institution, to recruit and train 100 new installers for Chas Roberts.¹⁰

The partnership plans to address the critical labor shortage within the skilled trades, thereby adding to students' essential skills and training to succeed.

The Refrigeration School is located in Rep. Ruben Gallego's (D-AZ-07) congressional district. These programs are of enormous benefit to Arizona and its workforce.

3. In March 2021, Piedmont Airlines, a wholly-owned subsidiary of American Airlines, partnered with the Aviation Institute of Maintenance, a proprietary institution, to provide AIM students real-world training through part-time jobs and internships.¹¹

AIM has campuses in the districts of Reps. Brendan Boyle (D-PA-02), André Carson (D-IN-07), Alma Adams (D-NC-12), Carolyn Bourdeaux (D-GA-07), Susie Lee (D-NV-03), Al Green (D-TX-09), Stephanie Murphy (D-FL-07), and Ro Khanna (D-CA-17). These programs are of

⁶ Digest of Education Statistics 2019 (NCES 2021-009), Table 318.50

⁷ Digest of Education Statistics 2019 (NCES 2021-009), Table 326.20

⁸ TICAS Report. Table A8. College Scorecard college-level data, accessed in November 2020

⁹ Blog, Governor Northam Announces Mid-Atlantic Wind Training Alliance to Build Wind Energy Workforce in Virginia, October 16, 2020, <https://centuracollege.edu/blog/wind-training/>.

¹⁰ Press release, The Refrigeration School, Inc. and Chas Roberts partner to hire and train 100 construction installers in Phoenix, March 16, 2021, <https://www.businesswire.com/news/home/20210316005911/en/The-Refrigeration-School-Inc.-and-Chas-Roberts-Partner-to-Hire-and-Train-100-New-Construction-Installers-in-Phoenix>

¹¹ MOU signing video between the Aviation Institute of Maintenance and Piedmont Airlines to provide the airline aircraft mechanic workforce: <https://m.youtube.com/watch?v=uadhBMx4CSY&feature=youtu.be>

enormous benefit to Pennsylvania, Indiana, North Carolina, Georgia, Nevada, Texas, Florida, California, and their respective workforces.

4. In 2020, the Nursing Schools' Almanac collected data on over 3,000 nursing schools and campuses throughout the United States and then ranked them accordingly. High Desert Medical College, a proprietary institution, was ranked 68 of the best 75 Nursing Schools in California.¹² High Desert Medical College graduates posted a 91 percent first-time pass rate over the past four years on the National Council Licensure Examination-PN licensure examination.

High Desert Medical College has campuses in the congressional districts of Reps. Mike Garcia, Kevin McCarthy, and Darrell Issa. These programs are of enormous benefit to California and its workforce.

5. California is host to some of the nation's best-ranked colleges providing veterinary programs. As an example, in April 2021, *Best Value Schools* listed the best Veterinary institutions in California. Proprietary schools ranked 1, 3, 4, and 6 in veterinary assistant and veterinary technician programs. These schools were: Stanbridge University – Irvine; Carrington College – Sacramento; San Joaquin Valley College – Visalia; and Pima Medical Institute – San Marcos.

These institutions have campuses in the districts of Reps. Katie Porter (D-CA-45), Judy Chu (D-CA-27), Ami Bera (D-CA-07), Barbara Lee (D-CA-13), Mark DeSaulnier (D-CA-11), Jerry McNerney (D-CA-09), Zoe Lofgren (D-CA-19), Norma Torres (D-CA-35), Jim Costa (D-CA-16), Josh Harder (D-CA-10), and Juan Vargas (D-CA-51). These programs are of enormous benefit to California and its workforce.

The training and workforce contributions made by proprietary institutions are dramatic and have a significant positive impact on the students they serve. These students are your constituents and fellow Americans.

We at CECU support the reforms suggested by the GAO report that Chairman Scott requested. The report Chairman Scott requested was released earlier this year and contained commonsense recommendations to improve confidence in the Department of Education and Internal Revenue Service conversion review processes. We look forward to working with congressional and regulatory leaders in a bipartisan way that protects students and guarantees accountability across all schools in all sectors.

Sincerely,



Dr. Jason Altmire
President and CEO

¹² Nursing Schools Almanac, 2020 Rankings: The 75 Best Nursing Schools in California, 2020, <https://www.nursingschoolsalmanac.com/rankings/california>.