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## FIGHT OVER FOR-PROFIT COLLEGES' FUNDING CENTERS ON VETERANS

*Loophole in federal-aid rule leaves GI Bill money outside the cap on schools' revenue, putting a premium on service-member recruitment*

By Jesse Naranjo and Michelle Hackman  
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Jose Diaz-Buttler, a trained mechanic three years removed from the Navy, was seeking steady work in the Bay Area when the 2008 financial crisis hit. After initially contacting Heald College, a nearby for-profit school, to boost his job prospects, he found himself the target of calls every other day from Heald recruiters who promised job leads following graduation.

But those opportunities didn't materialize after Mr. Diaz-Buttler enrolled and later graduated from its computer-science program with two associate degrees in 2011.

For-profit colleges' aggressive recruitment of veterans like Mr. Diaz-Buttler, now 37 years old, is partly spurred on by a loophole that exempts GI Bill dollars from a federal funding cap. That loophole is at the heart of a dispute between the industry, which argues that these institutions are often the best option for veterans to obtain degrees, and some lawmakers, who counter that the funding rule leads schools to exploit vulnerable students.

Funding from federal aid at for-profit colleges and universities, which often specialize in career-focused two-year degrees and certificates, is governed by the "90/10 rule," which caps at 90 percent the total revenue schools can receive from federal financial aid such as Pell Grants or loans. That rule, created in 1998, was meant to ensure that poor-quality schools wouldn't be propped up by federal aid dollars.

Under the formula, GI Bill dollars count toward the nonfederal end of that equation. Schools that struggle to find students who will pay their own way can turn to veterans to plug the revenue hole without hitting the federal-fund ceiling.

The industry is under pressure after punitive actions by investigators who have accused schools like Heald of inflating job-placement rates to prospective students. In the past half-decade, a handful of for-profit chains shut down, and several others have been accused of deceptive recruiting practices that prompted state sanctions and law-enforcement scrutiny.

At the height of their popularity, for-profit schools served about one in 10 students, but they also were a disproportionate driver of the run-up to \$1.5 trillion in total U.S. student debt, as well as a sharp rise in defaults.

Efforts to reach many of the defunct schools for comment were unsuccessful.

Heald's veteran-recruitment practice was in line with other schools that shared its parent, Corinthian Colleges Inc. The now-defunct chain closed Heald's 12 campuses, along with the other schools under its ownership, in 2015 as part of a deal with the Education Department the prior year that included selling the bulk of its more than 100 campuses.

Corinthian said the winding-down was largely because of financial penalties and conditions imposed by federal and state regulators. Authorities were concerned about the company's marketing practices, including claims that it falsified data about student job placement – for which the company was fined \$29.7 million in 2015.

The 90/10 loophole has become a target of Democratic lawmakers. Democrats have made changing how GI Bill benefits factor into the formula a priority in their overhaul of the federal law governing higher education, which House and Senate committees are currently negotiating. Some Republicans argue eliminating the rule altogether could solve the issue.

Rep. Mark Takano (D., Calif.), chairman of the House Veterans Affairs Committee, has proposed reducing the federal-aid revenue cap to 85 percent and counting GI Bill funds toward the cap.

"The 90/10 rule incentivizes the for-profit college system to adopt aggressive recruiting tactics targeting vulnerable student populations, such as low-income students, veterans and minorities," Mr. Takano said.

Veterans interviewed for this article said for-profit schools typically begin targeting service members with social-media ads as soon as they enlist, and their materials feature prominently in the postmilitary-options courses members take as they leave. Recruiters routinely call prospective students, sometimes multiple times a week, and offer to hold spots.

One long-running website prominent in Google searches, gibill.com, promoted a small group of for-profit schools as the best place for students to use their GI Bill benefits. The website was shut down in 2012 after 20 state attorneys general began investigating its practices and the marketing firm behind it. The domain name now redirects to the Department of Veterans Affairs website.

Industry advocates counter that squeezing revenue for the schools, which are sometimes the only higher-education institutions servicing rural areas, could force some institutions to close – hurting students who want to enter the workforce quickly or who prefer to complete course loads online.

According to a study released this spring by Career Education Colleges and Universities, the trade group representing for-profits in Washington, 260 schools would immediately close, stranding up to 158,000 veterans.

Michael Dakduk, the group's executive vice president and a co-chair of Veterans for Career Education, said most other for-profit schools would likely need to raise prices to comply and stay in business.

"Schools would have to restrict access to low-income students or to military veterans," he said. "The easiest way to comply is to close the door to one of those communities."

Some veterans' advocates, meanwhile, have proposed excluding veterans from the 90/10 equation, so schools aren't discouraged from accepting them because of how their benefits factor into either proportion.

"If you take veterans out of the equation entirely, veterans don't become the target," said Daniel Elkins, founder and director of the Veterans Education Project, an Enlisted

Association of the National Guard of the United States program which advocates for veterans' education benefits.

Mr. Elkins said his organization was concerned about sweeping changes aimed at deceptive practices that could hurt student veterans, whose benefits are earned and which he sees as distinct from other aid sources.

According to an analysis of VA data by the Institute for Veterans and Military Families at Syracuse University, about 20 percent of GI Bill recipients attend for-profit schools, but about 50 percent of complaints come from student veterans at for-profit institutions.

Mr. Diaz-Buttler, who was an engineman in the Navy, said after several years of couch-surfing, working odd jobs and applying to hundreds of positions, he ended up near where he had started: as a diesel technician.

"I thought this was the plan that they tell you," he said. "'Go to the military, go to school, and then find a job and get to work.' But it didn't pan out."