

Business & Education Services

U.S. Senate Ed Committee Criticizes For-Profit Sector Again, but Solutions Remain Unclear - ALERT

Today, the Senate Committee on Health Education Labor and Pensions (HELP) held the third in a series of hearings titled “*The Federal Investment in For-Profit Education: Are Students Succeeding?*” Overall, the hearing continued the critical tone of the previous sessions on the subject, but seemed to lack focus on specific issues, in our view. While Sen. Harkin suggested that he will be introducing new legislation next year, possible solutions by the Senate committee remain unclear. Notably, Sen. Harkin called for another hearing on for-profit schools in December.

- **Lots of issues discussed again, but solutions are not offered.** The Senate committee again examined a broad range of issues related to the for-profit sector. Sen. Harkin repeated his call for legislative action to fix “systemic” problems in the for-profit sector. The committee’s report highlighted high dropout rates at for-profit schools, although the exact methodology was not provided. The committee also noted concerns related to the high proportion of federal student loans/grants going to the sector, the relatively higher operating profit margins of for-profit schools, and cases of abuse and misrepresentation. We note that some of these key topics are already being addressed in the currently proposed regulations from the Education Department (e.g., accreditation, incentive compensation, and misrepresentation). We recognize that the highlighted issues are not simple and require much preparation to be addressed adequately. Still, the Senate committee remains unclear about what possible solutions it may offer. Importantly, we think comparisons between for-profit and traditional schools made by committee members don’t fully reflect the differences in student demographics (lower-income independents vs. wealthier families) and student outcomes (career-focused vs. traditional university studies). Also, despite the committee’s focus on return on investment in federal student aid, the hearing did not address the cost to taxpayers of direct government subsidies to traditional schools. That said, we think that the for-profit sector could better articulate its case.
- **Legislative proposal is still likely, but the November elections play an important role.** We still believe that the end goal of Congress is to provide adequate controls of federal student aid and limit abuses, not to shut down the for-profit education sector altogether. Importantly, at today’s hearing, several Democratic committee members acknowledged some “good actors” in the for-profit industry. While Sen. Harkin (and Sen. Durbin at a different venue) have called for additional legislation against the sector, a potential Republican majority (particularly in the House) likely would make passage of such legislation more difficult. With recent escalation of lobbying efforts on behalf of the sector and student rallies in DC, for-profit education seems to have become an increasingly partisan issue. The Republicans have historically been more understanding towards the for-profit sector. Notably, the committee Republicans declined to offer a witness at today’s hearing because of the harsh treatment of witnesses in the prior hearings on the subject.

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