

The Gainful Employment Rule and Its Importance to U.S. Veterans

What is the Gainful Employment Rule?

- The Gainful Employment Rule, finalized in 2014 and upheld by federal courts multiple times, implements the requirement in the Higher Education Act that career education programs (whether for-profit, public, or non-profit) must “prepare students for gainful employment in a recognized occupation.”¹
- The rule applies to specific programs within a school, but not to schools as a whole.
- The two-part rule focuses on accountability and transparency:
 - *Accountability*: The rule measures graduates’ debt compared to their incomes to ensure that federally-funded career education programs are preparing students for gainful employment. Programs are given several years of warning and then are cut off from federal student aid if they consistently leave students with debts they cannot repay.
 - *Transparency*: the rule ensures informed college choice by requiring schools to provide information about graduates’ earnings, debt, and success in finding a job in their field.

What Veterans Say About the Gainful Employment Rule

34 of the nation’s largest veterans & military service organizations wrote several [letters](#) urging no weakening in Gainful Employment, because veterans are often targeted by the lowest-performing colleges that want their GI Bill. Also see The American Legion [Resolution](#).

Veterans’ Testimony at Education Department Public Hearings, 2017:

- **Student Veterans of America**: “This common-sense requirement applies to career education programs at all types of colleges (public, nonprofit, and proprietary) and protects both students and taxpayers from waste, fraud, and abuse. Additional resources ought to be committed to ensure this regulation is fully implemented, to prevent schools with poor outcomes from continuing to deceive student veterans.”²
- **Vietnam Veterans of America**: “Too many veterans have been scammed by for-profit institutions of higher learning for which profit is the bottom line and educational opportunities have little importance. VVA has heard countless stories of benefits wasted on bogus degree programs.”³
- **Blue Star Families**: “The families of our All-Volunteer force make unprecedented sacrifices as it is. Military families should not have to experience [being targeted] to fulfill their personal goals and/or to financially contribute to the essential and vital dual-income family lifestyle that they live.... Gainful employment provisions that address this issue on the front-end are 100% necessary. The rules and provisions must be implemented; not today, or tomorrow, but yesterday”⁴

¹ 20 U.S.C.A. § 1088.

² https://static1.squarespace.com/static/556718b2e4b02e470eb1b186/t/59d585dbf7e0abe5b1ab9876/1507165660380/SVA+Public+Comment_ED+EO+13777+Hearing.pdf

³ <https://static1.squarespace.com/static/556718b2e4b02e470eb1b186/t/59dd05a48419c2bc5a9f07dd/1507657125089/Bethany+Keirans+Testimony+-+ED+Student+Aid+Protections.pdf>

⁴ https://static1.squarespace.com/static/556718b2e4b02e470eb1b186/t/5964bc05414fb52a415d2d74/1499773961275/Blue+Star+Families+Testimony_Dept+of+Ed_HJD_07102017.pdf

- **Veterans Education Success:** “Since 2012, the FTC, CFPB, Justice and numerous state Attorneys General have concluded 17 settlements with for-profit schools. The basis for these settlements were findings of misleading and deceptive advertising and recruiting, including misrepresenting costs, quality, accreditation and the transferability of credits, job placement rates, and post-graduation salaries. Gainful Employment will help protect veterans by shutting down and requiring warnings for career education programs that leave students with too much debt relative to income. In fact, many such programs have already been eliminated because of the Rule.”⁵
- **Iraq and Afghanistan Veterans of America:** “Of strong concern to IAVA is the delayed implementation of the Gainful Employment Rule. This rule was established to protect students from the predatory practices of inadequate schools that seek to sell them useless education programs, and burden them with large student loan debt and little access to the jobs that they wanted. We should fully enforce the Gainful Employment Rule to reduce the odds of situations like [Corinthian and ITT] occurring again. [The] Rule encourage[s] reforms by distinguishing the worst actors in the for-profit sector from those that are delivering quality education programs.”⁶

Why is the Gainful Employment Rule important to Veterans?

- The Gainful Employment Rule helps protect student veterans from programs that consistently leave students with debts they cannot repay. The rule weeds out substandard programs that leave students worse off.
- Veterans are often bombarded with misleading and aggressive marketing and recruiting by substandard colleges hoping to use GI Bill dollars to get around the 90/10 rule; veterans are treated as “nothing more than dollar signs in uniform,” as Holly Petraeus explained.⁷
- 7 of the 10 schools receiving the most GI Bill dollars were under law enforcement investigation for defrauding student veterans, according to a 2014 Senate Report. Eight of those schools received about \$1 billion in GI Bill dollars, but nearly half a million veterans withdrew from those institutions within their first year. In those same eight schools, 54 percent of students withdrew from the Bachelor’s program, and two-thirds withdrew from an Associate’s program without graduating.
- At these substandard schools, the institutional spending on instruction can be relatively low compared to other schools, sometimes even lower than what is spent on marketing and profit. These schools also provide questionable academic rigor, few student services, and insufficient job placement services.
- For example, in the 2014-2015 school year, private non-profit schools spent \$17,567 per student on instruction in 4-year programs, as compared to \$10,221 at public schools, and only \$3,948 at for-profit schools.⁸ In the 2014-2015 school year, the school receiving the most GI

⁵<https://static1.squarespace.com/static/556718b2e4b02e470eb1b186/t/5963daebbf629af21c096f6f/1499716332044/VES+-+ED+Public+Hearing+-+oral+comment+June+10%2C+2017.pdf>

⁶<https://static1.squarespace.com/static/556718b2e4b02e470eb1b186/t/59d58cdd59cc68289c43bd8d/1507167453948/IAVA+Education+Dept.+Hearing+Remarks-October+4%2C+2017.pdf>

⁷ www.nytimes.com/2011/09/22/opinion/for-profit-colleges-vulnerable-gis.html?mcubz=o

⁸ <https://nces.ed.gov/fastfacts/display.asp?id=75>

Bill funds, The University of Phoenix, spent only \$2,126 on instruction, per student on their largest campus.⁹

- Undercover agents from the U.S. Government Accountability Office found programs granting credit for obviously plagiarized work and for unacceptable work, including a submission of celebrity photos as a response to an essay assignment.¹⁰
- In 2010, substandard colleges that were examined employed two and a half recruiters for every student support employee.¹¹
- University of Phoenix, for example, had a student population of nearly 500,000, but zero career placement staff as of 2010. Similarly, Ashford University, employed one career placement official for their entire student population of over 77,000, as of 2010.¹²
- Without the Gainful Employment Rule, Veterans can be left worse off than they started, unable to secure employment in their chosen field, but burdened with student loan debt.

Has the current Gainful Employment Rule been effective?

- Kevin Carey for the *New York Times*, wrote in June 2017, “data released in the final days of the previous administration shows that the existing [gainful employment] rules have proved more effective at shutting down bad college programs [than expected].”¹³ According to the Education Department’s published data under the first years of implementing the Gainful Employment threshold, five percent of programs failed.¹⁴ These include obvious failures:
 - Art Institute of Pittsburgh Associate’s degree in graphic design costs \$44,804. Only 12 percent of students finish on time. Graduates typically earn less than \$22,000, but owe more than \$40,000 in federal student debt.¹⁵
 - McCann School of Business Associate’s degree program in medical assisting results in graduates typically earning less than a high school graduate with no college education, and carrying more than \$26,000 in debt.
 - A Master’s degree in acupuncture from the Seattle Institute of Oriental Medicine costs \$76,800, but results in median earnings for graduates of just \$16,256 per year.¹⁶
 - Fortis College’s Associate’s degree program in criminal justice produced graduates carrying debts of almost \$32,000 but earnings of only \$15,400 after graduation.
- Administrators now have a clearer idea of their programs’ effectiveness thanks to the Gainful Employment Rule, and can now act more responsibly.¹⁷

⁹ <https://nces.ed.gov/ipeds/datacenter/institutionprofile.aspx?unitId=afb3afb1acae>

¹⁰ <https://static1.squarespace.com/static/556718b2e4b02e470eb1b186/t/56112384e4b0521c793b0c4d/1443963780937/harkins-full-report.pdf>

¹¹ *Id.*

¹² *Id.*

¹³ <https://www.nytimes.com/2017/06/30/upshot/new-evidence-shows-devos-is-discarding-college-policies-that-are-effective.html>

¹⁴ <https://studentaid.ed.gov/sa/about/data-center/school/ge/data>

¹⁵ <https://ticas.org/blog/-/78>

¹⁶ <https://www.nytimes.com/2017/06/30/upshot/new-evidence-shows-devos-is-discarding-college-policies-that-are-effective.html>

¹⁷ *Id.*

Why is the Gainful Employment Rule important to taxpayers?

- As of 2012, the career college industry had received up to \$32 billion¹⁸, about 25 percent, of all federal financial aid in a single year.
- The career college industry serves only 9 percent of college students but accounts for 33 percent of the nation's student loan defaults.¹⁹
- The Congressional Budget Office (CBO) estimates that repealing the Gainful Employment Rule would increase spending by \$1.3 billion over ten years by leaving students in subpar programs that will cost taxpayers through wasted student aid and loan defaults.
- The Gainful Employment Rule ensures taxpayer dollars are being spent effectively, and that taxpayer-backed federal student aid is investing in future employment and self-sufficiency for students.

¹⁸<https://static1.squarespace.com/static/556718b2e4b02e470eb1b186/t/56112384e4b0521c793b0c4d/1443963780937/harkins-full-report.pdf>

¹⁹ https://ticas.org/sites/default/files/pub_files/cdr_nr_sept_27.pdf