



# VETERANS EDUCATION SUCCESS

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**Department of Education Data Shows  
Increased Targeting of Veterans and Servicemembers,  
Highlighting Urgency of Closing 90/10 Loophole**

Today, Veterans Education Success (VES) is releasing a [report](#) that highlights the importance of closing the 90/10 loophole in federal law in order to protect student veterans, servicemembers, and taxpayers from predatory schools. (Click [here](#) for the report.)

VES will release the report at 12 Noon EST in US Senate Dirksen Office Building, Room 215, alongside US Senators Tom Carper (D-DE), Dick Durbin (D-IL), Patty Murray (D-WA), and representatives of The American Legion, Iraq and Afghanistan Veterans of America, Military Order of the Purple Heart, Student Veterans of America, Tragedy Assistance Program for Survivors, and Vietnam Veterans of America. Also at the press conference, legislation will be introduced to close the 90/10 loophole.

The report finds that, through an oversight, educational benefits provided by the Departments of Veterans Affairs (VA), and Defense (DOD) are treated as private dollars and not included with revenue from federal student aid as part of the cap on federal revenue. As proposed by numerous Members of Congress, closing the 90/10 loophole would remove the implicit incentive for aggressive and misleading recruiting of military students, who [historically](#) have been targeted by for-profit schools.

Although the Education Department reports annually on for-profit schools' reliance on federal student aid (Title IV), the extent of these schools' dependency on military educational benefits has long been a matter of uncertainty. In 2014 and again in 2016, the department estimated the extent of for-profit school dependence on all three major sources of federal revenue: Title IV + VA + DOD educational benefits. The department's estimates are based on for-profit sector revenue for two time periods—FY 2011-12 and FY-2013-14. The 2014 estimate was leaked and published by [Reveal](#) and the 2016 estimate was released by the [Education Department](#) in December 2016. Although the results of its 2016 estimate have been widely reported, VES's analysis focuses on for-profit school revenue trends between the two periods examined by the department.

Our analysis found a growing reliance on VA and DOD dollars as enrollment of Title IV students has declined in recent years.

- The Education Department data demonstrate that the sector's dependence on the federal revenue stream from veterans and servicemembers has increased by almost 60 percent—growing from \$727 million in FY 2011-12 to \$1.15 billion in FY 2013-14 for schools that received more than 90 percent of their revenue from federal sources.
- Just two publicly traded for-profit chains, the Apollo Education Group (owner of the University of Phoenix) and Bridgepoint Education (Ashford University), accounted for almost half of this increase and experienced a 20 percent and 77 percent VA and DOD revenue increase, respectively.
- Two other chains—ITT Tech, which is now closed, and American Public University System—each received twice as much revenue from veteran and servicemember education benefits in FY 2013-14 as Bridgepoint.
- Hundreds of for-profit schools are almost entirely dependent on federal revenue and, if the 90-10 loophole were closed, they would thus fail the law's quality proxy—the requirement that at least 10 percent of their revenue come from non-public sources, to prove market viability.

It is important to emphasize that the increase in revenue from GI Bill and DOD programs is *understated* because three of the five GI Bill benefit programs, as well as DOD's scholarship program for the spouses of servicemembers, are excluded from the Education Department's estimates. VES believes that these revenue streams must be counted in any future estimates.

In September 2016, DeVry [announced](#) that it would voluntarily limit its federal revenue to 85 percent, in effect closing the 90/10 loophole. DeVry's overall reliance on federal revenue for its DeVry University brand dropped from 89 percent in FY 2011-12 to 71 percent in FY 2013-14, and revenue from VA and DOD programs declined by 87 percent, falling from about \$137 million to \$17 million. The decreased dependence of DeVry (now known as Adtalem) on federal revenue suggests that other for-profit chains can adjust their business model to comply with an 85 percent federal revenue cap that includes VA and DOD education benefits.

Although the media has long reported on the declining enrollment in the for-profit sector, our analysis of federal revenue flowing to the for-profit sector from VA and DOD highlights the heavy and growing reliance of proprietary schools on such educational benefits and suggests that the sector's targeting of veterans and servicemembers has helped to soften the impact of its overall enrollment decreases.

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Veterans Education Success is a non-profit organization dedicated to protecting the integrity and promise of the GI Bill and other federal educational programs for veterans and servicemembers. For more information, visit [www.VeteransEducationSuccess.org](http://www.VeteransEducationSuccess.org)