

For-profit education industry preys on returning US veterans

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17 July 2012

A front-page *Los Angeles Times* exposé published Monday brought new attention to the systematic abuse of Iraq and Afghanistan veterans, along with taxpayers, by for-profit education corporations and their backers in the two big business parties.

The article pointed out that since 2009, for-profit corporations have made up eight out of the ten schools collecting the most money from veteran education funding made available through the Post-9/11 GI Bill of rights.

Tom Tarantino, deputy policy director for the organization Iraq and Afghanistan Veterans of America, summarized the crisis to the *Los Angeles Times* by explaining: “We have millions of federal dollars going into an industry that largely doesn’t have any control, any regulation, and has nothing that helps veterans make solid educational decisions.”

According to a report published by Congress, the top 20 for-profit education companies took \$521 million from veterans’ education funds in 2010 alone. Between 2009 and 2011, for-profit education companies received \$1.6 billion out of a total \$4.4 billion spent by the Department of Veterans Affairs to pay for veterans’ schooling. Though this amounts to 37 percent of total taxpayer dollars that went to veterans’ education during those years, only about a quarter of veterans in school were enrolled at a for-profit college.

American Public Education, Inc. and Bridgepoint Education, Inc. received the highest payments from the Post-9/11 GI Bill payments. In 2011, they took \$133 million and \$113 million from the program, respectively.

From 2009 to 2011, a handful of other for-profit corporations also made off with hundreds of millions of dollars of veteran education funds. Among them were the University of Phoenix, which took \$196 million; ITT Tech, with \$175 million; DeVry University, \$128 million; Kaplan University and the Arts Institute, \$50 million

each; and Westwood College, with \$28 million.

These corporations do not limit themselves to taking from veterans programs. In 2009, for example, the 15 largest for-profit companies obtained 86 percent of their total revenue from federal student aid programs. These 15 companies also spent \$3.7 billion on advertising. In other words, taxpayer money is being funneled almost directly into purchasing advertising space for an industry worth billions of dollars.

Very little of their total budgets is spent on actually educating students. A typical example is provided by Ashford University, the third largest receiver of the government’s funds for educating veterans. Ashford spends \$2,714 per student on recruitment, takes \$1,522 for profit, and spends a paltry \$700 on education.

Recruiters for these companies have also developed thought-out strategies for manipulating veterans about employment prospects, the value of their degrees, the loans they will be required to take out, and the amount of money they can expect to make as graduates.

Moses Maddox, a former Marine Sergeant who left the service in 2006 and is now employed as a recruiter for the University of Phoenix, explained the process of deceit that accompanies his new job. Maddox told the *Times*, “We capitalized on peoples’ fears and lack of knowledge.”

Furthermore, the corporations often force veterans to accumulate student loan debt on top of the \$17,500 they receive for private school tuition from the Post-9/11 GI Bill of Rights each year.

This is partially due to the high cost of attending a for-profit university. A degree costs an average of \$88,000 from a for-profit school like ITT, compared with \$39,000 from a public school like the University of Indiana. As a result, for-profit students account for 47 percent of all student loan defaults despite the fact that they make up only 13 percent of the total student population.

Regardless of the increased debt burden, graduates of

for-profit schools face much higher rates of unemployment, and wages that average about 15 percent lower than graduates of non-profit universities. For-profit schools make little to no effort to place students in jobs upon graduation or even to provide them with job counseling. For example, Bridgepoint Education employs 1,700 recruiters and only one job placement counselor.

In at least one instance, recruiters even took advantage of wounded soldiers at a military base. Daniel Golden, a Pulitzer Prize winning reporter and editor at large for Bloomberg News, described a situation in which “I found that one of the for-profit colleges was sending a recruiter to the wounded warriors’ barracks, where she was signing up brain injured marines who even had difficulty remembering what courses they were taking. And it’s quite a widespread phenomenon.”

The Obama administration and the two capitalist political parties are directly responsible for the treatment of veterans by for-profit education corporations. The Post-9/11 GI Bill of Rights allows veterans with adequate service dating back to 2001 to receive funding for up to four years of post-secondary education, but includes a major loophole that, together with the “90/10 Rule,” provides a major financial incentive for the for-profit education industry to prey on returning soldiers.

The 90/10 rule establishes as a minimum requirement that for-profit companies receive 10 percent of their funding from non-government sources like student savings accounts or private loans. However, the \$63 billion in funds for educational aid made available to veterans through the Post-9/11 GI Bill of Rights was exempt from the 90/10 rule. In this way, federal funding for veterans could be counted on company balance sheets as part of the 10 percent required to avoid government sanctions.

According to the organization Iraq and Afghanistan Veterans of America, “this loophole rewards schools for targeting veterans—for each veteran it enrolls, a for-profit school can enroll nine more students on federal financial aid. Many schools have developed aggressive and deceptive marketing campaigns aimed at getting as many veterans enrolled as possible. And they are succeeding...”

In Obama’s April 2012 executive order, the president included various chiefly cosmetic and toothless measures to supposedly protect former soldiers from abuse. These included trademarking the term “GI Bill” to prevent fraudulent uses, the development of a complaint system, the restriction of for-profit school recruiters from military installations, and the publishing of a pamphlet that

outlines details about fees and loans. Noticeably, the administration did not touch the 90/10 rule exemption, which not only facilitates but directly encourages the exploitation of veterans.

A set of guidelines and regulations by the Department of Education in June 2011 also benefited the industry. As the *Huffington Post* explained, “The specific changes to the regulations mirrored many of the direct suggestions from the industry, including the addition of a three-year phase-in period before schools could be restricted from federal dollars, and a more lenient consideration of how student loan burdens are calculated.”

Afterwards, Secretary of Education Arne Duncan, an advocate of the privatization of public schools, declared: “The new rules are both thoughtful and reasonable, they reflect the great input from the industry, and they are designed to give career colleges every opportunity to reform without letting them off the hook.”

The for-profit education industry has been a major donor for President Obama’s 2008 presidential campaign. James Heavener and Ed Haddock, the CEO and co-chairman of the for-profit Full Sail University, either personally donated or raised over \$300,000 for the president’s election effort.

This support continued through the midterms, when political action committees for the industry gave two-thirds of their campaign cash to the Democratic Party. Industry PACs gave roughly \$100,000 each to the Democratic Senatorial Campaign Committee, the Democratic Congressional Campaign Committee, and the Democratic National Committee. These numbers are over double what the same PACs gave to the Republican fundraising committees. In return, the administration met with industry representatives 17 times in May 2011, the month before the Department of Education’s policy changes were announced.



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