FAQ Regarding New York's Proposed For-Profit College Accountability Act
Last Revised January 22, 2019

I. Background on the For-Profit College Accountability Act

Q) What impact would New York's proposed For-Profit College Accountability Act have on members of APC (for-profit degree-granting colleges)?

The proposed Act would entirely eliminate for-profit degree-granting colleges in New York State due to the nature of the metrics that would be used. These metrics, discussed in greater detail below, are illogical, unfairly punitive, and fail to consider the type of students served or the quality of the academic programs at a for-profit college. The Act would restrict the amount of public funds that could be accepted by for-profit colleges and would dictate the amount of funding that for-profit colleges must spend on instruction. Institutions that do not meet the metrics would be prohibited from enrolling new students and would be in jeopardy of losing their ability to participate in State-sponsored student financial aid programs.

While it may seem logical to restrict the amount of public funding a college may receive and to impose spending requirements in order to ensure public dollars are being well-spent, the reality is that these metrics do a great disservice to New Yorkers and the students served by these colleges and would have lasting impacts on New York's communities and workforce pipelines.

Q) What metrics are being proposed by the Act?

The Act would prohibit New York State's for-profit degree-granting colleges and non-degree schools from receiving more than 80% of their revenue from public grants, scholarships, or loans (referred to in this FAQ as the proposed "80/20 Rule"). In addition, these colleges and schools would be required to spend at least 50% of all expenditures on instruction (the proposed "50% of expenditures" rule), as well as annually disclose a detailed financial statement that lists the compensation paid to executives and senior administrators. These metrics are discussed in greater detail in the next sections.

Q) What would be the penalty if a college does not meet these metrics?

Colleges that do not meet one or more of these metrics would be prohibited from enrolling any new students until the college can meet the metric. In addition, the President of the Higher Education Service Corporation would have discretion to terminate a college's participation in any New York State student financial aid program, including the Tuition Assistance Program (TAP) and the Enhanced Tuition Award (ETA) Program.

Q) The Act doesn't say anything about closing colleges. Why would APC member colleges close?

APC member colleges would be unable to meet the metrics due to the nature of the students served and the colleges' operating models. While the Act gives colleges two years to come into compliance, the reality is that there would no way for institutions to comply unless they stop accepting low-income, minority, and economically- and educationally-disadvantaged students. Colleges cannot operate without students; therefore, the Act's prohibition on enrolling any new students would result in colleges being forced to close.

Q) When would the Act take effect?

The Act would take effect immediately upon being signed into law.

Q) Does the Act allow colleges time to remediate or come into compliance?

The Act would provide colleges two years to comply before being subjected to penalties; however, two years is simply not enough time for colleges to restructure their entire operating model, especially when one considers that colleges make many key operating decisions far in advance. For example, most colleges are already enrolling students and determining their financial aid packages for the next academic year (AY 2019-20). It is very unlikely that colleges would be able to significantly reconfigure their operating models by AY 2020-21.

II. Restriction on the Use of Public Funds

Q) What would the proposed "80/20 Rule" require?

It would prohibit colleges from deriving more than 80% of their annual revenue from any taxpayer sources, including…

- Federal grants – such as Pell grants and scholarships for veterans and their dependents;
- Federal student loan programs – such as Stafford loans, Direct loans, and "work-study" programs;
- New York State grant programs – such as the TAP and ETA grant programs, opportunity programs for students from disadvantaged backgrounds, and scholarships for Native Americans, veterans and their dependents, and dependents of firefighters and police officers;
- Any other local, New York State, or federal program providing loans, grants, or scholarships to cover tuition, room & board, and other costs of attending college.

Q) What would happen to a college if it <u>did</u> derive more than 80% of its revenue from those sources?

The college would be prohibited from enrolling any new students until it is able to meet the "80/20 Rule" requirements and, because the college would have no incoming students to teach, would likely be forced to cease operations entirely. In addition, existing students could lose access to crucial State student financial aid programs, including TAP and ETA.

Q) Doesn't the federal government already limit the amount of revenue that colleges can derive from taxpayer-funded sources? Why is New York State's proposed "80/20 Rule" such a big deal?

The federal government's revenue limit – known as the "90/10 Rule" – has existed since 1992, but it differs from New York's proposed "80/20 Rule" in a very big way: The federal "90/10 Rule" only counts revenues derived from <u>certain</u> taxpayer-funded programs (such as federal student loan programs and the Pell grant program), whereas New York's proposed "80/20 Rule" would count revenues derived from <u>any</u> taxpayer-funded program (including programs excluded from the federal "90/10 Rule", such as G.I. bill benefits, as well as State and local taxpayer-funded programs). Therefore, New York's proposed "80/20 Rule" is much stricter, not only because it lowers the threshold by an additional 10%, but because more sources of funding are included.

Q) How would APC member colleges fare under the proposed "80/20 Rule"? Do they have any trouble complying with the federal "90/10 Rule"?

APC member colleges are well within the limit of the federal "90/10 Rule" – on average, they derive only about 60% of revenues from the funding sources counted by this rule. In contrast, under the proposed New York "80/20 Rule", because of the more expansive list of funding sources counted, it is likely that very few (if any) APC member colleges would be able to meet the requirements.

Q) Why would the proposed "80/20 Rule" be bad for students? It would be good for colleges to be less reliant on taxpayer dollars, right?

It would have a disparate impact on students whose families cannot afford to pay for college "out of pocket" and who instead rely on grants, scholarships, and loans to pay for college. For colleges with large populations of these students, it is simply unavoidable that a greater percentage of revenues will come from taxpayer sources. In order to meet the requirements of the proposed "80/20 Rule", these colleges would have to <u>stop</u> <u>enrolling</u> these types of students – effectively cutting off opportunities for large numbers of students from low- and middle-income families, students of color, students who are first in their families to attend college, and other students who rely on taxpayer-funded student financial aid programs.

Q) Couldn't those colleges simply find other sources of revenue, such as alumni donations or investment income?

Identifying new sources of revenue cannot be done overnight – in fact, doing so would likely require significant restructuring of a college's entire operating model. Even if such an immediate restructure were feasible without impacting students, relying on alumni donations and investment income is a pretty big gamble – a college's operating budget should not be dependent on the generosity or wealth of individuals or the performance of the stock market on a given day.

III. Mandating Expenditures Spent on Instruction

Q) What would the proposed "50% of expenditures" rule require?

It would require colleges to spend a minimum of 50% of all expenditures on "student instruction."

Q) What would happen to a college if it failed to spend at least 50% of its expenditures on student instruction?

The college would be prohibited from enrolling any new students until it is able to meet the "50% of expenditures" requirement and, because the college would have no incoming students to teach, would likely be forced to cease operations entirely. In addition, existing students could lose access to crucial State student financial aid programs, including TAP and ETA.

Q) Why would the proposed "50% of expenditures" rule be bad for students? It would be good for students if their colleges spent more on student instruction, right?

The amount of money spent by a college on student instruction is not reflective of a college's academic quality or rigor. Under the Governor's proposal, student instruction includes only the salaries and fringe benefits paid to a college's professors. This metric does not measure the amount of money spent by a college on academic & student support services that are crucial to student success.

Q) How would APC member colleges fare under the proposed "50% of expenditures" rule?

APC member colleges would be unable to meet this requirement. Still, APC member colleges are proud of the investments they make in student instruction and academic support: For every $1.00 in revenue received by an APC member college, approximately 93 cents are spent on the instruction and support of students.

Q) How would other colleges in New York fare under the proposed "50% of expenditures" rule?

According to IPEDS data for the year 2017, 65% of <u>all</u> 4-year colleges in New York State would not meet the requirements of this rule, including Fordham University, Cooper Union, RPI, Cornell University, New York University, and numerous SUNY and CUNY universities and colleges.

IV. Impact to Students Attending For-Profit Colleges

Q) What would happen to students enrolled at an APC member college?

Many students who attend APC member colleges are people of color or of other minority groups, low- or middle-income, educationally- or economically-disadvantaged, or juggling other demands such as young families and jobs. These students rely on publicly-funded scholarships and grants and federally-backed student loans to afford their college educations. If a college were to lose the ability to participate in State-sponsored student financial aid programs, such as TAP and ETA tuition funds, it would negatively impact these students' ability to pay for their educations. Similarly, if a college were prohibited from enrolling new students, the college would be forced to close entirely. Under either scenario, the students would be forced to either pursue their educations at institutions elsewhere or end their educations altogether – outcomes that ultimately punish students simply for the college they chose. Further, students who attempt to transfer to a new institution would have no guarantee of even finding an institution that offers the same academic program or that meets their other needs, nor would they have any guarantee of having all their earned academic credits actually transfer to the new institutions, resulting in students having to take additional, redundant coursework in order to complete their degrees. Moreover, while academic credits may transfer, financial aid packages would not: Last year, APC colleges provided their students with over $95 million in institutional aid, none of which would be transferrable or guaranteed to be provided by a new institution. Trying to navigate the challenges of transferring institutions and financing one's education is daunting for many students, and it is anticipated that many students impacted by the Act will simply never finish their degrees. Students who do not complete their degrees have a significantly higher risk of defaulting on their student loans, impacting their finances for life.

Q) Does the Act benefit students?

No. In fact, the Act would negatively impact the very students for whom New York State and its lawmakers have fought so hard to expand opportunity and access to higher education. Since 1974, New York invested in low-income, minority, and first-generation students through its Tuition Assistance Program (TAP), an income-based grant program that students can utilize to attend any college or university (public or private) which has a contractual relationship with the state. Over the last 40 years, TAP has enabled hundreds of thousands of New Yorkers afford a college degree who would be otherwise unable to do so. The proposed Act would result in the closure of all for-profit degree-granting colleges in New York, thereby eliminating a pathway for students to succeed. Today, over 30,000 students attend a for-profit college in New York State, with over 26,000 of those students enrolled at APC member colleges. If these colleges were forced to close, the only option for most students (due to their financial circumstances) would be to finish their degrees at public institutions – predominantly community colleges – where many of these students have already tried and failed to succeed.

Q) How is the typical student of an APC member college different from a student who attends a public college or university?

Many students attended P-12 in our urban school districts (Buffalo, Rochester, Syracuse, Albany, Yonkers, NYC), which struggle to ensure students are college- and career-ready upon graduation. Many of these districts have student graduation rates of approximately 50%. The students who do graduate from high school in these districts often enter college with deficiencies in reading and math. In addition, these students need assistance obtaining the soft skills that employers need and want. APC member colleges help their students with their individual challenges and put in place the supports necessary to make students successful in their future careers.

Q) How many students attending an APC member college receive federal or state grants?

Approximately 75% of students receive federal Pell grants and over 15,800 students receive a New York State TAP award.

Q) What are the demographics of students who attend an APC member college?

On average, at APC member colleges …

- 69% of students are women;
- 24% of students are Black;
- 16% of students are Hispanic; and
- 43% of students are White.

Q) Where do the students attending APC member colleges come from?

Approximately 90% of APC member colleges' students come from New York and stay in New York State after graduation. Of the 90% originating from a community in New York…

- 52% of students come from the NYC Metro Area;
- 20% of students come from the Capital District/Hudson Valley;
- 11% of students come from Central NY/Finger Lakes;
- 10% of students come from Western NY; and
- 7% of students come from Long Island.

V. College Affordability & Loan Defaults

Q) Would the Act help keep college affordable or prevent students from defaulting on their college loans?

No, the Act would not help keep college affordable or prevent students from defaulting on student loans. The reality is the Act maintains the status quo on these issues. In order to generate revenue from more non-public sources, colleges could choose to increase tuition, accept only students that do not need financial aid, or decline to participate in New York state financial aid programs. These options will only <u>increase</u> the cost of college attendance. Likewise, the Act does not prevent students from defaulting on student loans they have already taken. In fact, the Act would most likely result in an increased rate of student loan defaults, because many students would be unable to transfer or complete their degrees. Students who do not complete their degrees are significantly more likely to default on their student loans.

Q) Do students attending APC member colleges have student loan debt?

Yes, many students attending APC member colleges need to take out student loans to be able to afford tuition or to cover costs such as housing, day care, transportation, and other basic needs while they are enrolled in college.

Q) Do students attending APC member colleges incur more loan debt compared to other students?

No – in fact, according to recently released College Scorecard data, students graduating from APC member colleges accumulate an average of $22,357 in student loan debt, which is <u>significantly lower</u> than the average student loan debt of New York residents of $30,931 and the national average of $28,650. APC member colleges are committed to keeping college affordable.

VI. Program Quality

Q) Does the Act impact program quality?

No, the proposed act has nothing to do with program quality. New York has had a regulatory structure in place governing for-profit degree colleges since 1972 that should be a model for the rest of the country. In New York, for-profit degree granting colleges are governed by the New York State Education Department and are held to the same degree, program, and curricula standards as SUNY, CUNY and not-for-profit colleges, including some of the nation's most elite – Columbia, Cornell, NYU. This means that every program offered by a for-profit degree granting college in New York has to be reviewed and approved by the State Education Department prior to it being offered. The State Education Department reviews the curriculum, faculty, demand/saturation for the program, and overall success of an institution prior to granting approval. This regulatory structure continues to ensure program quality and has prevented significant growth and some for-profit colleges from operating in New York which has avoided many of the abuses that occurred nationally.

VII. New York's For-Profit Sector

Q) How many for-profit degree-granting colleges operate in New York State?

The Governor inaccurately claims that 50 for-profit degree-granting colleges exist in New York. In fact, there are 25 for-profit degree-granting colleges in New York, many of which have been family-owned and –operated for generations. Many of the publicly-traded for-profit colleges have closed over the last several years, including ITT Tech, Everest College, the Art Institute, and Briarcliffe College owned by CEC. APC member colleges educate more than 26,000 of the 30,000 students that are enrolled in a proprietary degree-granting college in New York.

Q) Who are the APC member colleges?

APC members are family-owned colleges that have been in existence, on average, for 100 years. The 12 colleges that are members of APC include: Berkeley College (campuses in Brooklyn, Manhattan, and White Plains), Bryant & Stratton College (campuses in Buffalo, Rochester, Syracuse, and Albany), the College of Westchester, Elmira Business Institute, Five Towns College, Island Drafting & Technical Institute, Jamestown Business College, LIM College, Monroe College (campuses in Bronx and New Rochelle), Plaza College, the School of Visual Arts, and the Swedish Institute.

The 13 for-profit degree-granting colleges that are not members of APC include: ASA College, Christie's Education, DeVry College of New York, Long Island Business Institute, Mandl School, Mildred Elley School, New York Automotive & Diesel Institute, New York Conservatory for Dramatic Arts, New York Film Academy, New York School for Medical & Dental Assistants, Pacific College of Oriental Medicine, Sotheby's Institute of Art, St. Paul's School of Nursing, and Tri-State College of Acupuncture.

Q) Do APC Colleges provide direct financial support to their students?

Yes, in 2017, the twelve members of APC provided their students with more than $95 million in institutional aid.

4810-6734-8870, v. 3