VIRGINIA CAREER COLLEGE ASSOCIATION

VCCA

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VIRGINIA GENERAL ASSEMBLY FOCUSED ON BUDGET, NOT US

The 2010 session of the Virginia General Assembly completed its 60 day "long" session last month doing what many other states and most businesses have been doing for months, tightening the belt on the state's spending plan. During long sessions, which occur every other year, legislators are charged with adopting a two-year state budget and this year the $80 billion spending plan was looking at a $4 billion shortfall. That's a lot of money to shave and legislators wrestled with that issue for most of the session. In the end, they mostly cut many state services in order to achieve a balanced budget as required by the Virginia Constitution. Although K-12 took some big hits, higher education was spared any real budget cuts. The lone exception was the Tuition Assistance Grant program, where award levels reduced slightly.

Of course crafting a budget has never stopped legislators from introducing lots of bills and resolutions, and this year was no exception. Over 2000 pieces of legislation were introduced and about 800 made it successfully through the process. VCCA once again was active at the session, and worked on three bills of importance to our member institutions and students.

Both a Senator and a Delegate introduced separate, and different, pieces of legislation in an effort to exempt yoga schools from SCHEV oversight. Both bills as introduced would have had unintentional, but negative, long term impacts on our sector. VCCA met with both patrons and worked to rewrite the bills in a way that removed our objections. Both bills passed in their revised forms.

The third bill represented an effort to rewrite portions of the code dealing with the Virginia Workforce Council in ways which better separate out the role of the community college system as well as clarifying the role that private career training options represent. Initially VCCA objected to a portion of the bill suggesting that the community colleges system would be the preferred" workforce training provider in Virginia. Once we were successful in having that language removed we worked closely with the Virginia Manufacturers Association and the Virginia Chamber of Commerce to rewrite other portions of the bill to create a more balanced and measurable state and federally-funded workforce training program. If passed, this bill would have focused the efforts of the VWC on reporting "measurable results" in skills certification, work readiness, career readiness, STEM education, military transition services, employment, employment retention, and a work-ready community pilot project. It would have created more options for representation on the Council from the VA Hospital and Healthcare Association and from technology employers. It also would have focused the VWC on Science, Technology, Engineering and Mathematics (STEM) educational opportunities for women, minorities and youth as well as creating a Military Transition Assistance Committee to advise the Governor on reforms necessary to better connect employers with transitioning military personnel. Finally, the bill would have produced a plan to increase the number of private and non-profit training providers accessible to the people of the Commonwealth. At the very last moment, the community colleges objected to the rewritten bill and on a very close committee vote, the bill was killed. VCCA is working on strategies to resurrect this legislation next year. Those strategies include speaking with the Governor, addressing the Workforce Council, and building a larger legislator base of support for the legislation.

Many of our member schools provide financial support to the VCCA Political Action Committee every year, in addition to their dues payments. It is through those contributions that much of our legislative work begins and VCCA wants to thank those institutions for their continued support. Member schools who don't support this effort would be well advised to rethink that position as the association's legislative program is some of the most important work that we do.

A legislative summary of all bills affecting VCCA members can be found on the *Members Only* section of the VCCA website. We encourage your review of that document.

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VCCA MEETS WITH SCHEV MEMBERS

Late last year at a meeting of the SCHEV a number of questions were raised about our schools' educational track record. Two Council members were appointed to "look into" these issues and report back to the full Council at their January meeting. Rather than passively let this process move forward and simply being responsive to whatever questions arose, VCCA decided on a more proactive approach and requested a meeting with the two Council members. SCHEV granted our request and the meeting was held earlier this year.

This was the first time that VCCA members have ever met privately with Council members in such a format, which was informal and without any structured agenda. This approach allowed VCCA staff and board members to address the specific issues raised at the Council meeting (performance metrics, financial stability), but also created a opportunity for participants to talk about a broad range of issues that highlighted the important role our schools play in the lives of so many Virginians .

All parties agreed the meeting was very productive, and VCCA suggested that these discussions continue in the future. As every VCCA member knows, they more anyone knows about our sector, the more favorable their image of our schools and students become. We are, therefore, looking forward to future meetings of this kind.

8%/10 YEAR RULE WOULD HARM STUDENTS

Many career colleges will have to lower tuition to accommodate student debt loads if U.S. Department of Education regulators get their way. Proposed rules would require that schools insure that a new graduate's monthly student loan payments are less than 8 percent of their anticipated median gross income in a 10-year repayment plan. The draft recommendation comes as student debt nationally has snowballed — particularly among those seeking associate's and bachelor's degrees at privately-capitalized schools.

About 96 percent of students graduating from career colleges with bachelor's degrees owe money when they finish, according to the College Board. "I'm worried that some of them (referring to our sector) claim they don't know how much debt their students are in," said Robert Shireman, deputy undersecretary at the Department of Education. "There are various strategies we think institutions should be taking to help reduce tuition, help decrease debt. . . . Anything we can do to push them helps."

But VCCA and CCA argue that the proposed federal rules are too harsh and are meant to limit the prosperity of our sector— or push them out of business. CCA suggests that the only way to meet President Barack Obama's goal to add 16 million more college graduates to the economy by 2025 is for career institutions to be part of the equation.

The 8 percent would be based on median debt loads for each college's program with a 10-year repayment plan and median salaries within a field, defined by the U.S. Bureau of Labor.

Under the proposed rules, a new graduate with $32,653 in debt would need to make $56,366 a year to meet the debt-to-income threshold average, according to Mark Kantrowitz, a leading expert on financial aid, who has written about the proposed rules. "They did some back-of-the-envelope calculations that lead to standards that are just too harsh," said Kantrowitz, publisher of FinAid.org and FastWeb.com.

Career colleges also say the debt ceiling — a rule that would largely apply just to career schools — is an unfair attempt at controlling costs in a private industry. Under the proposed rules, only a few nonprofit programs would fall under the rules, mostly short-term training programs like culinary programs or arts certificates.

VCCA says the plan is simply unfair. It isn't just our students taking on large debt to pay for college. Students graduating from private nonprofit schools had an average debt load of $22,375 in the 2007-08 school year. " I don't think the department gets to say we're OK with you being a philosophy major at a fancy school, but you can't pursue a business degree somewhere else," said Trace Urdan, a career college industry analyst at Signal Hill and a former keynote speaker at the 2009 VCCA Annual Fall Conference.

Federal officials pushing the rule acknowledge the 8 percent cap is a first run within the negotiated rulemaking process and, with input, the proposal could change this summer. Thanks to some good lobbying by our sector and CCA, they indeed got some serious input when they received a letter dated March 22nd from some 15 members of Congress who urged the Department of Education not to move forward with the "gainful employment" concept. VCCA believes that expanding student disclosure rules would provide more insights to students without shutting down their educational opportunities. THIS IS A FIGHT WE NEED TO WIN!

THREE YEAR DEFAULT COHORT IS GOING TO HURT

As this newsletter has previously reported, changes in cohort periods used to determine default rates are going to have serious consequences for many institutions in the career college sector. Starting in 2014, because of concern about rising defaults, schools with rates exceeding 30% for three years -- or 40% for one year -- can lose federal financial aid, which can put schools out of business..

Students who took out government loans to pay for their education at career colleges had a 21% default rate in the first three years they were required to make payments, about three times the level of four-year public and nonprofit institutions, according to a Wall Street Journal analysis of government data. The chart below should get your attention.

Dan Madzelan, acting assistant secretary for postsecondary education, said the data are unofficial and won't result in sanctions. The information covers borrowers who entered repayment in the 2007 fiscal year and defaulted by the end of fiscal 2009. Mr. Madzelan said schools would have time to get their default rates down, and the government "isn't interested in shutting down schools." Well thanks Dan but that may be either the intended or unintended consequence on non-traditional students of moving to a three-year de-

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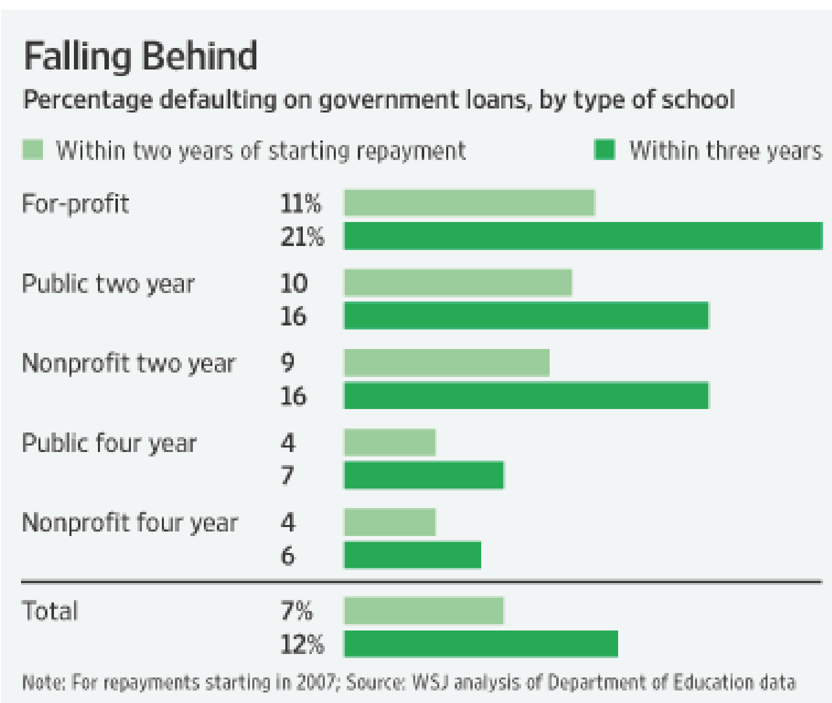

PELL GRANT SHORTFALL PROJECTED

According to an Obama administration official, the Pell Grant program is facing a projected $18 billion funding gap over the next three years. The projected shortage is primarily due to an increasing number of non-traditional students returning to school given the worsening economy as well as recent increases in aid limits. While this could be a concern if additional funds are not appropriated, shortfalls and surpluses are common in the program (the Pell Grant program faced a similar $6 billion shortfall last year) as anyone who is eligible is awarded a grant and it is difficult for the government to predict how many people will apply. Awards are typically given to families earning less than $40,000. Approximately 6.3 million students were awarded the grant last year. Rep. George Miller, Chairman of the House Education and Labor Committee, commented that lawmakers will work to make sure the program is funded as is customary every year. And hopefully the new direct lending legislation (reported earlier in this newsletter) increasing funding for Pell grants will alleviate this stress point in the near future.

REMINDER

2010 VCCA Annual Conference

October 1, 2010

Richmond Hilton Resort & Spa

Short Pump, Virginia

NY TIMES CONTINUES OLD, WORN OUT AND INACCURATE REPORTING

Last month on a Sunday morning the VCCA Executive Director woke up and walked down his driveway to pick up one of the most read Sunday newspapers in the country – The New York Times, and found that on the front page, above the fold, was a headline and story about our sector. It was not a good headline or story. Entitled *"In Hard Times, Lured Into Trade School and Debt,"* the article alleged that "for-profit" schools are expensive, do not lead to meaningful employment, and lure students into the programs with false promises. The end result, the article claimed, was that our students are weighed down with debt while individual and companies are profiting from their hardship. Specific companies mentioned in the article were Apollo, Career Education, Corinthian, and ITT, with particular focus on expensive programs such as culinary (citing tuition in excess of $40,000 for a 15- or 21-month program) and automotive programs ($30,000 for a nine-month program). The Career Colleges Association strongly rebuked the assertions in the article as biased, citing that the average cost of career colleges was approximately $14,000 while average retention and career placement rates were above 70%.

The previous evening National Public Radio ran a story about career schools as well, this one much more balanced.

Links to both can be found below.

http://www.npr.org/templates/story/story.php?storyId=124655777

http://www.nytimes.com/2010/03/14/business/14schools.html?hp

THEN THERE ARE THE FACTS

A new study out last month suggests that community colleges could take a cue from career colleges. The Educational Policy Institute, a research group in Virginia Beach, based its study on federal data which looked at nearly 7,000 higher education institutions, 41 percent of which were career colleges, as well as its own surveys.

It focused on students who were at risk of not graduating for a variety of reasons, including lack of a high school diploma, delayed enrollment, enrolling part-time, being a parent, or holding down a full-time job, and found that they stood a better chance of completing a degree or a certificate in a career college than they did in a community college.

The career colleges had an average graduation rate of 59 percent for this group, compared to 23 percent for public two-year colleges and 55 percent at private, not-for-profit institutions. James Rosenbaum, a Northwestern University researcher, offers some additional thoughts. "Community colleges are big on choice exploration, delaying decisions about your major, and getting a lot of diversity in your first studies," he said. "Private two-year colleges help students make a decision quickly at the outset and then have a very set curriculum. You don't make mistakes. You don't waste time, and it doesn't take you longer to get a degree." counseling sessions. James gets it

He said the private two-year schools also cut out vacation time, schedule classes in ways that are more compatible with maintaining a regular work or child-care schedule, and mandate student-counseling sessions.

James Gets It!!

OBAMA SIGNS LAW OVERHAULING FEDERAL STUDENT LOAN PROGRAM

As a part of the Health Care Reform Bill signed into law by President Obama last month, the federal program that provides Pell grants to millions of middle and lower income college students got a strong boost.

The legislation also includes a major overhaul of federally backed student loans, requiring borrowers to go directly to the federal government for these loans, and not to banks or other lenders. Of the $61 billion the government expects to save by cutting subsidies to banks for student loans, $36 billion will go the Pell grants. The legislation also allocates $2.5 billion to historically black colleges, $2 billion to community colleges and at least $10 billion to reduce the federal deficit.

The additional funding will increase the maximum grant to $5,500 this year, and eventually to $5,975 by 2017. The legislation also adds an annual cost-of-living increase that would take effect in 2013.

In the 2007-2008 school year, 7.3 million students received Pell grants, out of 14.6 million who applied. A decade ago, 4.9 million students received the aid. Pell grants are generally available to families earning less than $40,000 a year. The student loans changes will take effect July 1st.

OIG FILES 41 INVESTIGATE REPORTS IN 09

The Department of Education's (DOE) Office of the Inspector General (OIG), filed 41 investigative reports in 2009, the highest annual total in the past decade. The OIG conducts independent and objective audits, investigations, inspections, and other activities related to ensuring the integrity of DOE programs. The top three areas of focus were financial aid/student loan fraud (14 investigations; 34% of total), other areas of fraud (4 investigations; 10% of total), and theft (3 investigations; 7% of total).

VCCA SENDS MEMBERS COPY OF *GRADUATING AT-RISK STUDENTS* STUDY

VCCA recently sent each member a copy of a new study produced by the Imagine America Foundation entitled *Graduating At-Risk Students: A Cross-Sector Analysis.* The study establishes the fact that career colleges function as an important component of our nation's higher education system. Statistically not only do students attending career colleges perform as well or better than many students attending public institutions, but they persist and complete their education while typically being more socio-economically challenged that other students. For additional copies of this valuable study contact Bob Martin at bobm@imagineamerica.org and reference Graduating 2010.