

JOB PLACEMENT RATE AS A METRIC

A) The Drawbacks of Making Debt-to-Earnings the Sole GE Metric Could be Addressed with a Job Placement Rate Metric

Making debt-to-earnings ratios the sole metric for defining gainful employment, as the Department's draft proposal did, has two flaws that the job placement rate could be used to address. First, the debt-to-earnings metric does not address the outcomes for non-completers. Second, the debt-to-earnings metric is subject to possible manipulation by predatory schools. Requiring programs to pass a a rate of repayment metric, as well as the debt-to-earnings ratio, would address both of these problems. If the Department does not incorporate a repayment rate metric, however, then requiring programs to achieve a specific job placement rate in combination with a required completion rate also addresses these problems.

1) Outcomes of Non-Completers

The economic outcome for non-completers is an important consideration for gainful employment programs. The Senate HELP Committee reported that 54% of students who enrolled in a for-profit college in 2008-2009 (1,095,873 students) left the program without a degree or certificate by the middle of 2010 and that 63% in an associates program (474,817 students) left without a degree. *See* HELP Executive Summary at 5. This was at substantial cost to taxpayers and to the students themselves who were carrying tremendous loads of debt without the earning power to pay down the debt. Likewise, when the HEA was last reauthorized the Office of Inspector General reported:

[O]ne OIG investigation of an institution revealed that it cost taxpayers approximately \$485,000 in SFA program funds for each of eight state cosmetology licenses obtained by the few students who completed the program relative to the large number of students for whom the school received Pell Grants. In another investigation of a California institution, we discovered that only 186 out of 968 students graduated from a hotel/resort management travel program, costing approximately \$11,800 per graduate. Only two of the 186 students were confirmed as placed in jobs for which the institution purported to train them at a cost of \$1.1 million in federal funds per job.

See Recommendation from the Office of Inspector General to Congress during the 1998 HEA reauthorization at <http://www2.ed.gov/about/offices/list/oig/audittrpts/reauth98.html>.

The legislative history of the gainful employment requirement also shows that the experience of non-completers was a relevant consideration for authorizing Title IV funds for gainful employment programs. *See APSCU v. Duncan*, at 5. The expert relied upon by Congress performed his analysis based on outcomes for both completers and non-completers. *Id.* The Department is charged with gauging whether the program prepares students for gainful employment and a metric must account for this population of students. Otherwise, schools with

excessively high withdrawal rates may appear to perform well under the debt-to-income metric when in reality a huge percentage of students were not prepared for gainful employment.

2) Potential Manipulation of Debt-to-Income Metrics

The debt-to-earnings metric also may be subject to possible manipulation by predatory schools. An institution may make financing choices to temporarily reduce the “debt” portion of the metric so as to pass the test for the requisite year or period. A temporary reduction would not reflect whether there is a long-term benefit in terms of completers/graduates being able actually to earn sufficient wages to pay down their debt.

Both of these flaws may be adequately addressed by requiring that programs pass the debt-to-earnings metric AND a repayment rate metric. The repayment rate metric includes non-completers and it measures the students’ ability to pay down the debt

B) Job Placement as a Metric

Alternatively, if a repayment rate metric is not adopted, a job placement rate requirement would be a reasonable metric. As the Court in *APSCU v. Duncan* observed, “it is reasonable to consider students’ success in the job market as an indication of whether those students were, in fact, adequately prepared. If ‘a program of training to prepare students for gainful employment,’ [citations omitted] does not in fact lead to jobs for any of its students, it is reasonable to conclude that those students were not truly prepared.” *APSCU v. Duncan*, at 19. A specific job placement rate requirement taking into account whether the completers/graduates have obtained employment in the field or related field of study would place some of the focus of the GE regulations on students’ ability to earn a living, rather than on an institution’s ability to control the amount of debt for a particular year.

A placement rate of 70% in combination with a completion rate requirement of 70% also would address the issue of withdrawal rates. Just this month, the Department of Education Inspector General wrote the House Committee on Education and the Workforce and referenced favorably the OIG’s prior recommendation that institutions be required to demonstrate a 70% job placement rate and a 70% completion rate for gainful employment programs. *See* Correspondence from Office of Inspector General to Committee on Education and the Workforce, dated September 9, 2013. Several accrediting bodies and state agencies also require a completion and job placement rate near or above 70%. *See Below Chart of various required placement and completion rates courtesy of State of Wisconsin Educational Approval Board.* Additionally, the regulation governing short-programs requires a completion rate of 70% and a job placement rate of 70%. 34 CFR 668.8(e)(1)(i) and (ii).

Accreditor	Completion Rate	Placement Rate		Notes
ABHES	70%	70%		
ACCET	67%	70%		
ACCSC	54%^	66%	^ Rate varies by program length; 54% is for a one year program.	
ACICS	67%	67%	70% in 2013 by program.	
COMTA	65%	65%		
DETC	Comparable to average of peer group.	none	75% student satisfaction.	
NACCAS	50%	60%		

State	Completion Rate	Placement Rate		Notes
Arizona	60%^	60%^	^ or per accrediting agency.	
Kansas	see note	see note	% will be based on pilot program.	
Ohio	see note	see note	One standard deviation from mean.	
Oregon	50%	50%		
Tennessee	67%	75%		
Texas	60%	60%		