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Please accept this written statement of ITT Educational Services, Inc., which is more detailed than the oral statement given at the Philadelphia hearing. Thank you for the opportunity to participate in this important process.

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**Statement of ITT Technical Institutes
to the Department of Education
Public Hearing in Preparation for Negotiated Rulemaking
June 22, 2009**

ITT Educational Services, Inc. appreciates the opportunity to provide input to the Department of Education as it begins the process of reviewing regulations that implement the Higher Education Act of 1965, as amended. ITT/ESI is a leading provider of technology-oriented postsecondary degree programs. As of June 1, 2009, ITT/ESI operated 116 ITT Technical Institute locations in 37 states, which predominantly provide career-focused associate's and bachelor's degree programs of study to a total of approximately 65,000 students. Programs are offered in the School of Information Technology, the School of Electronics Technology, the School of Drafting and Design, the School of Business, the School of Criminal Justice and the School of Health Sciences. Most ITT Technical Institute programs of study blend traditional academic content with applied learning concepts.

As of June 10, 2009, ITT/ESI also owns and operates Daniel Webster College, a residential college in Nashua, New Hampshire, that offers associate's, bachelor's and master's degree programs in the fields of aviation, computer science, management, engineering, and social science.

Gainful Employment in a Recognized Occupation

The Higher Education Act requires that a proprietary institution and a postsecondary vocational institution must provide an educational program that leads to gainful employment in a recognized occupation. This means that the institution must be able to demonstrate that there is at least one occupation that a student who completes the program would be qualified to enter. Currently, institutions assign a CIP code to each program, which provides a crosswalk to occupational listings through various databases of the Bureau of Labor Statistics, Employment & Training Administration, and Census Bureau. However, many educational programs do not fit neatly into a single CIP code, but rather could have one of several CIP codes attached. As a result, the occupations that graduates obtain may not correlate exactly with the occupations in the crosswalk from the CIP code that is assigned to the program.

In addition, it is important to recognize that a significant number of adult students are pursuing higher education for career advancement, not initial job entry. Particularly in the graduate programs, students may be obtaining a credential that will allow them to progress within their current field rather than training for a new occupation.

Most for-profit institutions provide information to prospective students of examples of the types of employment that graduates of the program have obtained in the past. For example, the ITT Technical Institutes provide the following information to prospective students on their web sites for the Information Systems Security program:

“Graduates of the Information Systems Security program in the School of Information Technology at ITT Tech will have a credential that can help them pursue career opportunities in a variety of entry-level positions involving information systems

security, some of which may include: security professionals as part of software development and information technology infrastructure teams; security technicians working with Internet service providers, application service providers and systems integrators; and security auditors.”

Because of the possibility that a single program can prepare a student for a number of occupations within a general classification, ITT/ESI suggests that any regulation implementing this statutory provision should not be overly prescriptive in requiring direct linkage to one specific occupation.

Incentive Compensation

In general, the safe harbor approach to the incentive compensation issue has been very helpful. Prior to the current regulation, the lack of clear guidance made it very difficult for institutions to be confident of their compliance with this important rule. Under the current regulation, institutions have the ability to fashion compensation programs that are within the safe harbors and operate with some confidence. Clarity in the regulatory guidance is especially important in light of the risk faced by institutions in the form of qui tam lawsuits, in which even a tenuous claim of regulatory violation may cost the institution hundreds of thousands of dollars in legal fees.

One of the provisions where additional clarity would be helpful is the safe harbor relating to salary adjustments. ITT/ESI believes that the regulatory language for this safe harbor could be clarified to provide improved guidance to institutions in fashioning their salary adjustment policies. In doing so, it is important to preserve the ability of institutions to make the kinds of institution-wide changes to compensation that are part of the usual course of business, such as increasing the co-pay on health insurance premiums, changing the matching percentage for the 401(k) plan, or implementing a cost of living allowance, without that counting as one of the annual permissible salary adjustments.

Definition of a High School Diploma

With institution locations in almost every state, ITT/ESI can attest that there can be difficulties in determining what is a legitimate high school diploma. There have been a number of “diploma mill” high schools that have begun operating over the last few years, and there is currently no way to easily know whether a high school is legitimate. The Department of Education does not maintain a list of legitimate high schools, nor does it maintain a list of recognized K-12 accreditors. The state education agencies do not keep a comprehensive list of legitimate high schools or high school programs in their states. Some states, such as California, keep a list of accredited high school programs, but a high school program need not be accredited to be legitimate. To further complicate matters, there are a growing number of legitimate online high schools in the market.

ITT Technical Institutes attempt to ensure that our students have presented legitimate high school diplomas through a variety of checks and reviews, including having our internal auditors review a sample of diplomas. When we are able to identify a diploma mill we add it to a list and no longer accept diplomas from that high school. However, to the extent that the diplomas from the diploma mill high schools look on their face to be legitimate, and there is no publicly available database of legitimate high schools from which to check, it would be an unreasonable burden on institutions to be required to research the legitimacy of every high school from which a student produces what appears to be a legitimate diploma.

Verification

Verification continues to be one of the most common program review findings across all sectors and types of institutions, and it is an area on which ITT/ESI spends a lot of time and effort to ensure compliance. One area that poses particular challenges is the level of expertise relating to the federal tax code that our financial aid officers need to have in order to resolve surface level discrepancies such as determining whether the student and his or her family filed their income taxes properly as head of household or married filing separately, for example. Another is data matches. Certificates of Naturalization for Citizenship always come out as C codes because they cannot match any of the available databases.

Simplification of the FAFSA is one important way to reduce the number of items that require verification. In simplifying the FAFSA, ITT/ESI urges that the Department carefully scrutinize each data element to determine whether it is really necessary in order to determine eligibility for student financial aid funds. For example, if there is not going to be a data match with the IRS of income information, is there really a need to continue to ask for parent Social Security numbers?

ITT Technical Institutes proudly serve a large number of veterans and active duty service members. We appreciate that combat pay was removed as an addition to income for the 2009/10 award year and suggest that this policy be broadened by removing all veterans' non-education benefits from being added to untaxed income.

The more that the Department of Education can do to simplify the data elements that must be verified, provide database matching capability, and provide clear guidance to financial aid administrators, the better positioned institutions will be for compliance.

Satisfactory Academic Progress

ITT Technical Institutes devote significant resources to tracking the academic progress of our students. We track satisfactory academic progress ("SAP") not only for federal aid purposes, but also as a means of determining whether students need additional assistance to be successful in their educational programs. We provide tutoring and advising to students who appear to be having difficulty with their class work, or who simply request it.

Students who are not making satisfactory academic progress are not eligible for additional federal student aid. If a student appeals that determination and can demonstrate one of the three circumstances set forth in the student aid regulations, the college can place the student on academic probation, during which time the student will be deemed to be making SAP and will not lose access to aid. Instead of academic probation, a student may be placed on what we term extended enrollment, during which time the student is deemed to not be making SAP and loses access to aid. Instead of extended enrollment, a student may be terminated from his or program if he or she cannot meet the academic standards.

As one means of ensuring that our graduates are adequately prepared to continue in their educational program, students who are on academic probation are encouraged to re-take any courses in which they received a grade of D, F, or W, and students on extended enrollment are required to re-take such courses before they are permitted to progress to other courses in the curriculum.

Our internal data show that three quarters of our graduates progress through their educational program without ever receiving a failing grade. Our data also show a very small number of students lose aid as a result of failure to meet the SAP standards. The small percentage of students who lose aid as a result of SAP may create an assumption that ITT Technical Institutes are not vigorously enforcing the SAP policy. However, the number is low even with rigorous enforcement of our SAP policy, because students most often drop out of school when they reach the point where their aid is withdrawn and therefore do not count as having their aid terminated as a result of failure to meet the SAP standards.

SAP is very complicated with a lot of possibility for error. ITT/ESI is working to automate the process as much as possible to eliminate errors, but because of the complexity of the current federal requirements, there are a number of points at which individual judgment is required. ITT/ESI would support changes to simplify the determination of SAP.

Zero cost of living expenses

There has been increasing concern that some students may over-borrow from the federal student loan programs as they progress through their education. Many institutions, including ITT Technical institutes, share this concern. However, institutions are limited in the ways they can help their students avoid over-borrowing. For example, an institution cannot currently limit the amount a student borrows for living expenses except on a student-by-student basis. It would be helpful if institutions had tools in addition to entrance counseling to help their student borrowers avoid excess debt.

One additional tool would be to allow institutions to make a policy determination that certain groups of students should be limited in their ability to borrow. For example, a large percentage of students at ITT Technical Institutes are working adults. The majority of these students continue to work full time while attending school. Their living expenses have not changed as a result of their educational attendance, yet they are entitled to the same amount of living expenses as students who are in school and not working. The professional judgment exceptions cannot help this entire class of students, as having a large number of professional judgment overrides is a trigger to a program review, as well as it being burdensome for the financial aid officer to document each case. It would be a welcome policy change if the Secretary would, by regulation, allow institutions at their option to set a zero cost of living allowance for students who continue in their current employment while attending school and, therefore, have no additional costs that are fairly attributable as costs of attendance. The institution could set a policy that permits the financial aid official to make an exception and allow a cost of living allowance for students who truly have living expenses attributable to their educational pursuit.

One of the policy forums tomorrow will focus on fostering student educational persistence and degree attainment. The discussion will likely focus on anecdotal and institution-specific comments. As a backdrop to that discussion, it may be helpful to briefly discuss the preliminary findings of a new research study that will be published in final form later this summer. At the recent Career College Association convention, the Imagine America Foundation presented initial data from a new study titled on retention and graduation rates. The lead researcher, Dr. Watson Scott Swail, of the Educational Policy Institute, examined the factors that have a negative impact on persistence and graduation, including age, parental legacy, and income. He analyzed data from both the BPS Longitudinal Survey Data Analysis System and the IPEDS Data Analysis System. Not surprisingly, he found that the student bodies at career colleges have more risk

factors than students attending institutions in the traditional college sectors. However, when he examined the outcomes of career college students, he made some surprising findings.

Career colleges overall had a lower overall graduation rate than private not-for-profit (“NFP”) and public institutions at the 4-year level (48% compared to 64% for NFP and 53% for public institutions), but higher rates at the 2-year level (59% for career colleges, compared to 55% for NFP and 23% for public institutions). However, when institutions with similar student bodies were compared, career colleges outshone their public and NFP colleagues. Among the findings:

- Among 4-year institutions whose student bodies are less than 25% White, career colleges graduated a significantly higher percentage of students (47%, compared to 40% at NFP and 33% of public institutions);
- Among 2-year institutions that serve similarly high populations of minority students, career colleges have a 56% graduation rate, compared to a rate of 44% for NFP and 16% for public institutions;
- Among 4-year institutions that are open admissions, career colleges graduated 45% of their students, compared to 42% at NFP and 31% at public institutions; and
- At the 2-year level, open admissions career colleges graduated 60% of their students, compared to 59% of NFP and only 23% at public institutions.

Data analysis such as this can be a critical element in formulating public policy recommendations.

The student financial aid program regulations are technical and complex. Of necessity, this statement does not cover every issue that may be of importance to ITT Technical Institutes. We very much appreciate the opportunity to have provided input in the initial process by which regulations will be developed and look forward to continuing to participate to the extent possible as the regulations are developed.