

Durbin, Reed press DOD to release contracts between for-profit colleges and military installations

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WASHINGTON - Following a Center for Investigative Reporting (CIR) [investigation](#) published in September 2017 revealing a contract between the University of Phoenix and Fort Campbell, U.S. Senators Dick Durbin (D-IL) and Jack Reed (D-RI) requested copies of all currently effective and expired contracts between Department of Defense (DoD) military installations and for-profit colleges going back to Calendar Year 2012.



In their report, CIR found that the University of Phoenix paid Fort Campbell \$250,000 over a three year period to sponsor 89 events on the base. The contract revealed that in

exchange for its sponsorship of events, Fort Campbell permitted the University of Phoenix to hang signs and banners at the event, be listed in all advertising related to the event, and staff an information booth at the event. In addition, the contract allowed the University of Phoenix special access outside of events including placing promotional materials in high-traffic areas of the base and in welcome packets to incoming service members. This troubling arrangement runs counter to Executive Order 13607, which remains in effect and sought to prevent paid recruitment of service members and veterans by colleges on military installations.

“Given what has been revealed in this single contract, we are deeply concerned about the extent to which Fort Campbell and other military installations may have entered into similar contracts with the University of Phoenix and other for-profit colleges. As such, we request copies of all contracts signed between military installations and for-profit colleges going back to Calendar Year 2012,” wrote Durbin and Reed in a letter to Department of Defense Secretary James Mattis.

While for-profit colleges prey on all types of students, a loophole in federal law makes service members and veterans particularly lucrative targets. The current federal 90/10 rule is a provision in the law that bars for-profit colleges and universities from deriving more than 90 percent of their revenue from the U.S. Department of Education’s federal student aid programs. The other 10 percent needs to come from sources other than the federal government. The purpose of this rule is to ensure that schools are not counting on taxpayer dollars as their sole source of revenue.

Because of the way the law is written, veterans’ and active duty service members’ federal education benefits – such as G.I. bill education benefits and the Department of Defense’s Tuition Assistance funds – do not currently count toward the 90 percent. As a result, for-profit educational institutions aggressively recruit and enroll veterans, service members, and their families as a way to comply with the 90/10 rule.

Recently, Durbin and Reed introduced the [*Protecting Our Students and Taxpayers \(POST\) Act*](#), which would prohibit for-profit colleges and universities from receiving more than 85 percent of their revenue from the federal government and change the calculation of federal revenue to include all federal funds, including Department of Veterans Affairs GI Bill and Department of Defense Tuition Assistance benefits.

According to data released last year by the U.S. Department of Education – in response to a [request](#) by Durbin, Reed, and 18 other Democratic Senators – because of the loophole, 193 institutions, including some of the largest recipients of GI Bill benefits, received more than 90 percent of their revenue from federal taxpayers – nearly \$8 billion cumulatively. Further, more than 563 institutions received more than 85 percent of their revenue from federal taxpayers – \$12.6 billion cumulatively.

Full text of the letter is available below:

December 13, 2017

The Honorable James Mattis

Secretary

Department of Defense

1000 Defense Pentagon

Washington, DC 20301

Dear Secretary Mattis:

We write today to request copies of all currently effective and expired contracts between Department of Defense (DoD) military installations and for-profit colleges going back to Calendar Year 2012.

For-profit colleges have a well-documented record of using unfair, deceptive, and abusive practices to lure students, including service members and veterans, into enrolling in their programs. Company executives and shareholders reap the profits while students are left with more debt than they can ever repay and an education that employers consider worthless. In recent years, nearly every major for-profit college has been investigated or sued by state and federal agencies for predatory practices, including Ashford University, Kaplan University, and University of Phoenix – three of the top for-profit recipients of DoD Tuition Assistance (TA) funds.

While for-profit colleges prey on all types of students, a loophole in federal law makes service members and veterans particularly lucrative targets. As you know, the federal 90/10 Rule states that for-profit colleges must receive at least 10 percent of their revenue from non-federal sources. It was meant to keep for-profit schools, which in general rely much more heavily on federal dollars than traditional schools, from being completely dependent on federal taxpayers to keep their doors open. Unfortunately, current law counts DoD TA funds and Department of Veterans Affairs Post 9/11 GI Bill funds as non-federal revenue. This means that by enrolling enough service members and veterans who qualify for these funds, for-profit colleges can receive 100 percent of their revenue from federal taxpayers while still complying with the law.

As a result, access to military bases and service members has become a key objective of for-profit colleges. In 2015, the Center for Investigative Reporting (CIR) published an

article detailing the University of Phoenix's tactic of paying military installations across the country millions to sponsor concerts, parties, dances, and other events on base to achieve that objective.

In a follow-up investigation published in September 2017, CIR uncovered a contract between the University of Phoenix and Fort Campbell which laid bare the company's true financial motivations for spending \$250,000 over a three year period to sponsor 89 events on the base. The contract revealed that in exchange for its sponsorship of events, Fort Campbell permitted the University of Phoenix to hang signs and banners at the event, be listed in all advertising related to the event, and staff an information booth at the event. In addition, the contract allows the University of Phoenix special access outside of events including placing promotional materials in high-traffic areas of the base and in welcome packets to incoming service members. As Will Hubbard, vice president of Student Veterans of America, told CIR, "the special access outlined in the Fort Campbell contract would make it look to service members as though the military were endorsing the for-profit college."

This troubling arrangement runs counter to Executive Order 13607, which remains in effect and sought to prevent predatory recruitment of service members and veterans by colleges on military installations. Given what has been revealed in this single contract, we are deeply concerned about the extent to which Fort Campbell and other military installations may have entered into similar contracts with the University of Phoenix and other for-profit colleges. As such, we request copies of all contracts signed between military installations and for-profit colleges going back to Calendar Year 2012.

Thank you for your assistance in this matter. We look forward to continuing to work with you to prevent our service men and women from being exploited by for-profit colleges.

Sincerely,

DURBIN, REED PRESS DOD TO RELEASE CONTRACTS BETWEEN FOR-PROFIT COLLEGES & MILITARY INSTALLATIONS