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VIA WWW.REGULATIONS.GOV

July 7, 2017

The Honorable Betsy DeVos
Secretary
U.S. Department of Education
400 Maryland Ave., S.W., Room 7W301
Washington, D.C. 20202-1510

Re: Comment on Gainful Employment Negotiated Rulemaking

Dear Secretary DeVos:

Presently, the Gainful Employment Rule ("GE") reports data mostly from for-profit institutions. Yet the vast majority of postsecondary students are enrolled in public and not-for-profit institutions, and their programs are almost uniformly exempt from reporting the same loan and wage data that programs at proprietary institutions must report. As a result, most students do not benefit from the kind of information that the GE rule is designed to provide. To illustrate why an expansion of coverage to all sectors is essential, Nexus Research and Policy Center undertook a study of GE's potential impact on public programs in Texas, the only state we know of that has the requisite loan data at the program level needed to estimate GE rates.[1]

[1] This study is based on the data provided by the Education Department ("ED") through its link https://studentaid.ed.gov/sa/about/data-center/school/ge along with the Texas data made available to us by the Texas Higher Education Coordinating Board.

Why GE Should Apply to All Colleges and Universities

In its promulgation of the Gainful Employment Rule the U.S. Department of Education has consistently rationalized GE as a safeguard for students and, ultimately, taxpayers,[2] a position widely endorsed by the proponents of GE.

Simply put, the argument is that GE will lead to the closure of programs that do not train students well enough to obtain jobs using the skills they have learned, or that train students in fields that lead to such low wages that they do not justify program costs, or that have high dropout rates.[3] The assumption is that any one of these program failings leads to high levels of defaults on student loans, leaving students and taxpayers saddled with large bills for unpaid debts.

If we accept these premises, then the logical conclusion is that limiting the protections of GE mostly to students attending for-profit institutions is an unacceptable disregard of the vast majority of students who attend public and nonprofit colleges and universities.

Using Texas as an example, consider the following data showing the limited coverage of public sector programs:

- The current GE database contains only 21 out of more than 1,300 public bachelor's programs in Texas—less than 2%—leaving virtually all students in public four-year universities in the dark about their gainful employment prospects.
- Coverage for public community colleges is only somewhat better: the GE database includes only 102 public two-year programs in Texas out of the close to 1,600 programs offered—a coverage rate of only 6.5%.[4] Thus, the vast majority of students in Texas community colleges, like their peers in public four-year institutions, are not provided information about their gainful employment prospects.

Here then is the key policy question:

Why aren't students in Texas public colleges and universities entitled to the same GE protection afforded to students in proprietary schools?

This large gap in coverage might be more justifiable if there was empirical evidence that most programs in public institutions would pass the GE test. However, this proposition has been difficult to test because while many states have measured wage outcomes at the program level,

[2] See for example https://www.ed.gov/news/press-releases/department-education-establishes-new-student-aid-rules-protect-borrowers-and-taxpayers

[3] See https://www.gpo.gov/fdsys/pkg/FR-2014-10-31/pdf/2014-25594.pdf.

[4] Given the lag built into the GE wage data collection, we count programs that were being offered by Texas community colleges in 2014. We exclude all academic associate's degree programs from the base, since these are transfer-oriented programs of study. The remaining associate's degree, certificate and marketable skills credentials are all career and technically oriented and are included in the 1,568 count of programs.

we know of no state but Texas that has the requisite loan data at the program level—data required to estimate GE rates. Below, using these Texas data, we show that many programs offered by public institutions would fail the GE standards while highlighting yet another problem with GE—failure on the GE metrics tend to be clustered in a few areas of study, often in the arts.

<u>Should Some Programs Be Exempt from GE?</u>

The data shown below raises this question: what should be done about programs with high social value whose students face low earnings when they enter the workforce?

For example, as is well known, early childcare education programs lead to a poorly paid yet much needed occupation, but 27% of the relevant education programs in Texas would run afoul of GE. Arts programs fare even worse: Fifty percent of drama and theater arts programs, which lead to careers that are underpaid but much valued by any civic community, also fall in GE's fail or (warning) zone category. Meanwhile 28% of music programs fail or nearly fail, and fine and studio arts programs fare even worse—52% fail or are in the zone.

	Pass	Zone	Fail	Total Zone/Fail	Grand Total	Percent Zone/Fail
Human Development, Family Studies, and Related Services	8	2	1	3	11	27%
Philosophy	8	3	0	3	11	27%
Drama/Theatre Arts and Stagecraft	10	6	4	10	20	50%
Fine and Studio Arts	12	11	2	13	25	52%
Music	18	7	0	7	25	28%

Clearly, students entering into any of these programs should be apprised of their likely gainful employment outcomes—but we, as a society, must decide how to support the next generation of artists and early childcare workers. To solve this problem we suggest that the Secretary establish a technical review panel at ED charged with determining the proper characteristics of programs that fail or are in the zone but whose social and cultural utility may make them worthy of being exempted from the application of GE rules.

In conclusion, GE is intended as a safeguard for students. As such it should be a protection available to all students, not only those studying in the for-profit sector and a few selected public two-year programs. At the same time, ED must make sure that programs producing poorly paid graduates who serve important social and cultural needs be adequately protected from the consequences of GE.

Sincerely,
/signed/
Dr. Jorge Klor de Alva
President
Mobile: 602.684.5401

A Note on Methods

GE Data:

GE data was obtained from the Department of Education website.[5]

Texas Data:

The Texas Higher Education Coordinating Board provided us program-level debt and 3-year post completion wage data. GE calculates whether a program passes or fails using the annual debt payments compared to wages—and classifies programs as pass, fail or zone depending on the ratio of the costs of debt service to income.[6] Using a 10-year loan period and a 4.45%[7] interest rate (the "standard" federal loan repayment schedule and the interest rate for 2017-18 direct subsidized and unsubsidized loans for undergraduate students), we calculated the annual debt payments for each program. We then divided this annual debt payment by the 3-year wages to obtain the debt to earnings ratio. Using the same cutoffs as GE, we classified as passing any program with less than an 8% debt to earnings rate, those between 8-12% were in the zone, and those more than 12% as failing. Using CIP codes, we identified the program areas displayed above.

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[5] See https://studentaid.ed.gov/sa/about/data-center/school/ge.

[6] GE calculates two ratios with different cut-off points: Programs whose graduates have annual loan payments less than 8% of total earnings or less than 20% of discretionary earnings are considered to have passed the GE requirements. In our work, we are estimating only the first measure.

[7] See https://www.navient.com/loan-customers/interest-and-taxes/federal-student-loan-interest-rates/2017-2018-rates.aspx.