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Veterans Agency Seeks to Scrap Ethics Law on For-Profit Colleges

By Patricia Cohen

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The Department of Veterans Affairs is pushing to suspend a 50-year-old ethics law that prevents employees from receiving money or owning a stake in for-profit colleges that pocket hundreds of millions of dollars in tuition paid through the G.I. Bill of Rights.

The agency says the conflict-of-interest law — enacted after scandals enveloped the for-profit education industry — is now redundant and outdated, with “illogical and unintended consequences” affecting employees who have no real conflict of interest, such as a V.A. doctor teaching a course at a school attended by veterans with educational benefits.

But veterans’ groups and ethics experts reject those arguments and say the department is abandoning protections for veterans and taxpayers. They worry that the effort is part of a larger rollback of federal safeguards that were instituted before President Trump took office to combat abuses and fraud by for-profit colleges.

Several officials who worked in the for-profit college industry and had criticized the Obama-era crackdown as excessive, for example, have joined the Education Department, which administers and polices the federal student loan program and the industry.

The proposal to suspend the ethics law was published in the Federal Register in mid-September and is scheduled to take effect on Oct. 16, but no public hearings have been scheduled and no public comments have yet been submitted.

“It’s just reckless and sloppy,” said Walter M. Shaub Jr., a former director of the Office of Government Ethics, said of the agency’s action. He questioned why such a blanket exception for more than 330,000 agency employees should exist when the law allows waivers for individuals or even classes of individuals, like those teaching courses. Invoking the waiver also requires public hearings, he said.

Most troubling to Mr. Shaub, now senior counsel at the nonpartisan Campaign Legal Center, is that the move seems like an attempt by the executive branch to overrule the legislative branch. “They are saying the statute is unreasonable, but that’s not for them to say,” he said of agency officials.

Curtis Cashour, a V.A. spokesman, said officials had focused on the ethics law after the agency’s inspector general investigated complaints this year that two V.A. employees were teaching at a for-profit institution. There were no significant conflicts and a waiver was ultimately granted, he said, but the report led to worries among many employees about the impact of more rigorous enforcement.

“Our response was aimed at easing the concerns of numerous V.A. employees,” Mr. Cashour said in an email, adding that the ethics law had been superseded by subsequent conflict-of-interest statutes.

One concern of critics is that officials at the organization’s upper levels could be making decisions about a college in which they have a financial interest, like permitting a school with a record of abuses to recruit at military bases. Another is that people advising veterans about their educational benefits could steer students to a particular school because they were on the payroll.

“There’s no good that can come from allowing colleges to have unseemly financial entanglements with V.A. employees,” Carrie Wofford, director of Veterans Education Success, a nonprofit advocacy group. “Congress enacted a zero tolerance for financial conflicts of interest for V.A. employees precisely because Congress uncovered massive fraud by for-profit colleges targeting veterans.”

She added that “student veterans were already facing an aggressive rollback of their protections under the Trump administration’s Education Department.”

Two months ago, the Republican-led Senate Appropriations Committee issued a report during its debate over the military budget instructing the department to review the statute — but its concern was that the current rules “may be inadequate to identify conflicts of interest that can develop” because of gifts or expensive meals.

Veterans are particularly valuable as potential students: There are limits on the federal funds that for-profit schools can receive, but money from the G.I. Bill is not counted.

Even before last year's presidential election, some of the biggest veterans and military organizations were urging the department to better monitor for-profit colleges that were misleading veterans about the costs and benefits of enrolling, and violating legal and regulatory standards.

And a report issued in July by the director of the agency's Education Service found that financial issues involving tuition and fees were by far the leading complaint among students who had called the agency's G.I. Bill hotline since 2014.

Some ethics experts disagreed with the department's contention that other federal statutes made the ethics law unnecessary, saying the agency's rule sets a higher bar, requiring, for example, more public review.

Dozens of other agencies also have supplemental ethics rules that have been written to address potential problems specific to those agencies.

Senator Patty Murray, Democrat of Washington, and a longtime advocate for veterans, said she planned to look into the agency's decision. "I am deeply concerned the V.A. is opening the door for predatory for-profits to take advantage of men and women who have bravely served our country," she said.

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