DeVos Is Discarding College Policies That New Evidence Shows Are Effective

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Cost of College

Betsy DeVos, the secretary of education, during an appearance on Capitol Hill this month. She is seeking to repeal rules intended to protect students and taxpayers from predatory for-profit colleges, calling the regulations "a muddled process that's unfair to students and schools."Doug Mills/The New York Times

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In June, the secretary of education, Betsy DeVos, announced plans to dismantle a set of Obama-era policies devised to protect students and taxpayers from predatory for-profit colleges.

Yet data released in the final days of the previous administration shows that the existing rules have proved more effective at shutting down bad college programs than even the most optimistic backers could have hoped.

The rules that Ms. DeVos wants to repeal are called the gainful employment regulations. For all for-profit programs, and any nondegree employment certificate programs at public or nonprofit colleges, the Education Department compares how much typical students borrow with how much they earn after graduation.

If the ratio is too high — if students borrow lots of money and can't get well-paying jobs — the program is deemed "failing." A program that fails in two out of three years becomes ineligible for federal financial aid. Since many for-profit programs get up to 90 percent of their revenue through the Department of Education, the penalty will almost surely shut them down.

No program has reached this point yet. Before it could complete the rules, the Obama administration had to spend years fighting through a thicket of lawsuits filed by the for-profit college industry. Eleven days before President Trump's inauguration, the Department of Education released the first list of failing programs. Ms. DeVos has extended the original deadline for appealing the findings, and recently announced plans to rewrite the rules.

But a close analysis of the more than 500 failing programs that haven't appealed their status reveals something interesting: A substantial majority of them, 300 or so, have already been shut down — even though colleges are not yet required to do so. The gainful employment test turns out to be an accurate way of identifying programs that for-profit colleges themselves don't think are worth saving, as well as identifying programs run by colleges that are on the brink of bankruptcy and dissolution.

Some of the failing programs were run by ITT Tech, a publicly traded chain of technical schools that collapsed under a wave of consumer lawsuits and government investigations in 2016. Dozens of other for-profits have failed in recent years, from mom-and-pop hairdressing academies to business schools with dozens of programs in multiple states.

The gainful employment results suggest why. Students who earned a bachelor's degree in fashion design at Sanford-Brown College's now-defunct Chicago campus left school with over $45,000 in federal and institutional loans. But they earned less than $21,000 per year, before taxes, food and rent. That's barely above the minimum wage for a family of three. Only 29 percent of students who started the program graduated on time.

Sanford-Brown operated for years with results like this, until the Education Department stepped in. Announcing that the entire chain would shutter, Ron McCray, C.E.O. of Sanford-Brown's parent corporation, cited a "challenging regulatory environment" and "the gainful employment regulations issued last year." In other words, rather than invest the time and money necessary to offer affordable programs that lead to well-paying jobs, they simply closed up shop.

Other colleges stayed open, but quickly dispensed with their failing programs. Fortis College, which operates more than 40 campuses in 15 states, used to offer an associate degree in criminal justice and safety studies at its Centerville, Ohio, location. Students typically left the two-year program with nearly $32,000 in debt — yet earned only $15,400 a year. Officials at the Centerville campus say the program is no longer accepting new students.

In fairness, colleges may not have known how ineffective their programs were. Complete, detailed earnings information is hard to come by. (The Education Department gets its data from the Social Security Administration.) Administrators may simply be acting responsibly based on new knowledge, as Harvard did when it suspended a theater arts program that failed the test.

The colleges that are keeping their failing programs open tend be small concerns that simply can't afford to lose the revenue. The Seattle Institute of Oriental Medicine offers only three programs, one of which, a master's degree in acupuncture, failed the test. Tuition is $76,800. The median earnings for program graduates is $16,256 per year.

Despite strong evidence that the gainful employment rules are working as intended, Ms. DeVos has decided to tear them up and start from scratch, calling the regulations "a muddled process that's unfair to students and schools." Both Ms. DeVos and the president of the for-profit college industry association, Steve Gunderson, have said that students should be protected from "fraud." Many of the failing programs aren't fraudulent, in the strict, legal sense of the word. They're just extraordinarily ineffective: a waste of taxpayer money and student time.

Bridgepoint Education, a publicly traded for-profit college corporation, offers an online associate degree in early education through Ashford University that costs almost $34,000 in tuition, fees and supplies, most of which students finance with debt. Fewer than half of students finish on time, and the median graduate earns less than $16,000 per year. If those results continue, the program will be cut off from aid under current rules.

Until this year, Robert S. Eitel was a top executive at Bridgepoint. He is now a senior counselor to Ms. DeVos, and has been officially designated as the Education Department's regulatory reform officer, in charge of trimming rules under an executive order issued by President Trump.

It will take two years for the Department of Education to write and set into effect new gainful employment rules. A department spokesman declined to say whether the department would be enforcing the existing rules in the meantime. If it doesn't, and if the new rules gut the existing regulations, Ms. DeVos will have destroyed a highly effective tool for protecting students from for-profit colleges that offer few job prospects and mountains of debt.