

**STATEMENT OF  
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BEFORE THE HOUSE COMMITTEE ON VETERANS' AFFAIRS  
ECONOMIC OPPORTUNITY SUBCOMMITTEE**

**May 15, 2019**

Good morning Chairman Levin, Ranking Member Bilirakis, and Members of the Subcommittee. I appreciate the opportunity to appear before you today to discuss the effects of permanent school closures on student Veterans who are using education benefits from the Department of Veterans Affairs (VA). My testimony today will focus on school closures; the restoration of entitlement authority in the Harry W. Colmery Veterans Educational Assistance Act of 2017 (Colmery Act) or, as it is more commonly referred to, the Forever GI Bill; the current partnership between VA, State Approving Agencies (SAAs), and other Federal agencies; the identification of, and dissemination of information about, at-risk schools; and VA's ongoing efforts to ensure effective oversight of approved educational institutions. Accompanying me this morning is Charmain Bogue, Acting Executive Director for Education Service.

**School Closures**

The permanent closure of educational institutions at which GI Bill beneficiaries are actively pursuing approved programs of education or training negatively impacts student Veterans and eligible dependents in several ways. First, these individuals are unable to complete their programs of education at their chosen schools. Also, in many cases, they will not be able to graduate on time because some or all of their credits do not transfer to another educational institution. Consequently, there is a greater likelihood that some individuals will exhaust all of their GI Bill entitlement before completing their programs. Second, monthly benefit payments will be terminated, abruptly removing an important source of income that beneficiaries often rely on to pay a mortgage, rent, or other bills.

VA is aware of numerous institutions that closed their doors since 2013 while students were actively attending classes – disrupting the education plans of thousands of students. Specifically, in Fiscal Years 2013 and 2014, 70 VA-approved schools closed, impacting approximately 1,600 Post-9/11 GI Bill beneficiaries actively pursuing an approved program of education or training. On April 27, 2015, Corinthian Colleges, Inc., closed its 28 remaining schools and subsequently filed for bankruptcy. On September 6, 2016, ITT Technical Institute closed between terms, impacting the plans of approximately 11,000 GI Bill beneficiaries. Most recently, 18 Art Institute and Argosy University campuses were approved for GI Bill benefits when they closed on March 8, 2019. As of April 10, 2019, VA identified 1,782 students who may be affected by these closures.

## **Restoration of Entitlement**

Prior to the enactment of section 109 of the Colmery Act, (38 U.S.C. §§ [3680\(a\)](#) and [3699](#)), VA had no authority to continue benefit payments or restore benefit entitlement in the event of a permanent school closure, regardless of the reason for closure. Section 109 authorizes VA to restore benefits and provide relief to beneficiaries affected by school closures and certain program disapprovals. For qualifying closures and disapprovals, VA is able to restore some, if not all, entitlement used in pursuit of the interrupted program of education. This provision applies to beneficiaries receiving benefits under chapters 30, 32, 33, and 35 of title 38, United States Code (U.S.C.), and chapters 1606 and 1607 of title 10, U.S.C., for programs of education discontinued after January 1, 2015. For courses or programs discontinued during the period beginning January 1, 2015, and ending on August 16, 2017, an individual who does not transfer any credits can have his or her entitlement used for the entire period of enrollment in the program of education restored. However, for programs discontinued after August 16, 2017, VA is only authorized to restore the entitlement used only for the interrupted term, and only if no credit is earned for that period. In addition, VA contacts impacted students within 5 days of notification of a school closure to provide information on the qualifications for restoration of benefits and instructions on how to make a request for restoration. The information is also available on the GI Bill Web site accessible at <https://benefits.va.gov/GIBILL/FGIB/Restoration.asp>. VA relies heavily on its SAAs to provide official notification of a closure to VA. As of April 26, 2019, VA restored 14,252 months of entitlement for 1,380 beneficiaries who attended schools that were closed prior to August 1, 2017 and restored 1,218 months of entitlement for 506 beneficiaries who attended schools that were closed on or after August 1, 2017.

Section 109 also allows for the extension of the Post-9/11 GI Bill monthly housing allowance (MHA) payments when a school closes or is disapproved during an active term. In these instances, enrolled beneficiaries may be eligible to continue receiving MHA payments until the original end of the term or 120 days, whichever occurs sooner. This provision was effective on August 1, 2018 and applies to courses and programs of education discontinued on or after August 16, 2017. VA does not have the authority to extend monthly benefit payments under the other GI Bill programs following permanent school closures.

## **Partnerships**

VA maintains a close working relationship with the Department of Education (ED), the Department of Defense, the Department of Justice, the Consumer Financial Protection Bureau, and the Federal Trade Commission (FTC). Together, these Federal entities engineered a broad strategy for sharing information through independently developed processes and tools that provide tailored information related to an institution's graduation rates, tuition costs, and academic programs. An interagency agreement facilitates this information sharing across the agencies, which benefits students and provides a network of relevant information students need to make informed decisions on the educational institution that best fits their respective needs.

However, VA still has limited authority to take action against a school to protect students prior to a school closure. VA only has authority and resources to gather allegations, keep students informed of the current state of a school, and refer issues to other offices (such as the FTC or the VA's Office of Inspector General) for investigation, or wait for information to be provided to VA by another source (e.g., SAAs, Veterans Service Organizations, ED, State Attorney General's office, etc.).

### **At Risk Schools**

VA also looks at indicators to identify if a school is likely to close. These indicators include ED's heightened cash monitoring designations and ED's revocation of participation in Federal Student Aid (FSA) programs. Our experience has shown that economic factors, such as revocation of FSA participation, are generally the number one indicator for school closures. However, it is important to note that neither financial stability nor FSA participation are approval requirements for accredited programs and, consequently, VA and SAAs lack the authority to disapprove a program, or the enrollment of eligible Veterans, merely because a school appears to be in economic distress.

Nonetheless, as we have seen a number of large schools close over the last several years, VA has taken a more proactive approach to get information out to students enrolled in at-risk schools. Specifically, VA puts caution flags on the VA GI Bill Comparison Tool indicating when a school has been designated for heightened cash monitoring or may lose approval for FSA benefits, as a way of alerting students to potentially at-risk schools. In addition, VA sends emails and uses social media to provide information and resources to potentially impacted Veteran and dependent students. For example, we sent two emails to Art Institute and Argosy students prior to the school closures, and we subsequently sent additional correspondence to inform them of their potential eligibility for entitlement restoration. As of April 25, 2019, VA has received 265 applications for restoration and granted entitlement restoration to 95 of these students.

### **Government Accountability Office (GAO) Report**

The GAO report, "VA Education Benefits: VA Needs to Ensure That It Can Continue to Provide Effective School Oversight" (GAO-19-3, November 14, 2018), accessible at <https://www.gao.gov/products/GAO-19-3>, recommends that the Secretary of Veterans Affairs direct the Under Secretary for Benefits to: (1) identify and assess risks related to future withdrawals by state agencies in overseeing schools, and (2) address these risks by preparing a contingency plan for how VA will oversee additional schools if more states choose not to renew their oversight contracts.

VA agrees with this recommendation. VA has assessed the risks associated with state agencies not renewing their contracts. VA has a long history of fulfilling the role of SAA during gaps in SAA coverage, historically, on a limited scale for either one state at a time or, for a couple smaller-scale states simultaneously. Recognizing the risk of

having to fulfill this role on a larger scale VA has developed a formal contingency plan for assuming and accomplishing additional oversight responsibilities. The contingency plan was approved by the Veterans Benefits Administration (VBA) on April 15, 2019. In addition, the VBA's Education Service initiated discussions with the National Association of State Approving Agencies in the summer of 2018, regarding VBA's interest in using the services of one or more individual SAAs to work with VBA's Education Service to complete field work (i.e., school site visits, compliance visits, and other appropriate actions). This work will be completed by the non-contracting SAA, to be paid with unallocated annual SAA funding. VBA expects to finalize the communication that will go out to all of the SAAs by July 31, 2019. However, VBA has concerns that it may not be adequately resourced to effectively carry out SAA responsibilities in multiple states, or a few large states, simultaneously, and we would be willing to discuss the issue and possible solutions in greater depth with the Subcommittee.

Finally, VBA will continue to fund \$3 million in its GOE account to ensure the work of SAA's is administered appropriately; this allows VBA to address the work of any SAA that does not enter into a cooperative agreement with VA for any portion of the year.

Mr. Chairman, this concludes my testimony. We are prepared to respond to any questions you or other Members of the Subcommittee may have.