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Higher Education Relief Funds: How Will They Be Allocated Across Institutional Sectors?

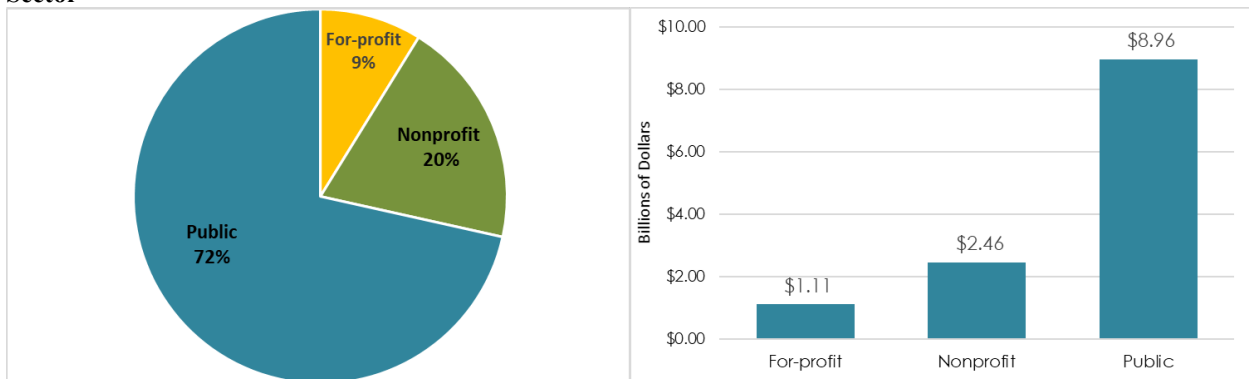
Higher education emergency relief funds authorized by § 18004 of P.L. 116-136, the Coronavirus Aid, Relief, and Economic Security Act (CARES), are limited to institutions whose students were attending classes at a brick-and-mortar campus.¹ Funds are not available if students were enrolled exclusively online.

The American Council on Education (ACE) [published](#) “preliminary, best guess estimates” of how 90 percent of the higher education emergency relief funds (approximately \$12.5 billion) will be allocated by state, by institutional sector within each state, and for each school participating in federal student aid.² The ACE estimates provide a benchmark with which to assess the Education Department’s allocations of the emergency funds, which were published on April 9, 2020. ACE did not publish estimates of total allocations by institutional sector—public, nonprofit, and for-profit.

Institutional Sector Breakdown of CARE Act Funds

Our analysis of the ACE estimates found that 91 percent of the emergency funds could be allocated to public and nonprofit institutions. Only about 9 percent (\$1.1 billion) may end up being distributed to for-profit schools (see figs. 1 and 2). The Education Department’s actual allocations by sector were almost identical—71 percent (\$8.93 billion) and 20 percent (\$2.46 billion) to public and nonprofit institutions and 9 percent (\$1.11 billion) to for-profit schools. As discussed below, there was greater variability between the ACE estimates and the Education Department’s actual allocations to specific institutions.

Figures 1 and 2: Estimated Distribution of \$12.5 Bill of CARES Act Emergency Relief Funds by Institutional Sector



Source: Veterans Education Success Analysis of ACE simulation.

Note: The methodology used by ACE to develop these estimate can be found [here](#).

¹See p. 287 of this [link](#).

²The remaining 10 percent of funds will be allocated among Historically Black Colleges and Universities, minority-serving institutions, and other institutions that the Education Department determines have the greatest unmet need.



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Although many public and nonprofit institutions now offer online programs, most offer primarily campus-based classes to students. For example, Arizona State University has a strong online presence but only 34 percent of its students are exclusively online. Several public and nonprofit institutions, however, do enroll a large proportion of their students in exclusively online education. For example, all or the vast majority of students at nonprofit Western Governor’s University (100 percent), University of Southern New Hampshire (93 percent), and Liberty University (81 percent) are enrolled online. Public institutions with a high percentage of exclusively online students include University of Maryland Global Campus (80 percent) and Colorado State University Global Campus (100 percent).

CARE Act Funds Allocated to Three Chains Under Law Enforcement Action

We also used the ACE estimates to calculate the proportion of the emergency funds that could potentially be allocated to all of the campuses operated by three large for-profit chains that are primarily or exclusively online—Bridgpoint Education, Apollo Global Management, and Career Education Corporation.³ These chain-owned schools operate under the following brand names: Ashford University, University of Phoenix, Colorado Technical University, and American InterContinental University.⁴ The schools’ owners could receive \$9.4 million in relief funds, about .075 percent of the \$12.5 billion to be allocated (see table 1). As shown in table 1, the actual allocations published by the Department of Education differed for three of the four schools but the total allocation for all four schools is similar. The differences between the ACE estimate and the actual allocations may be that the Education Department [adjusted](#) some of the data for 2017-18 enrollments using data reported for 2018-19 or fall 2018 while the ACE [methodology](#) made no such adjustments.

Table 1: CARES Act Estimated Emergency Relief Funding and Actual Allocation for Four Primarily or Exclusively Online For-Profit Schools

For-profit school	Percentage enrolled exclusively online ^a	Number of locations	Estimated allocation	Education Department allocation ^b
Ashford	100%	1	\$1,000	\$1,001
University of Phoenix	99%	19	\$7,534,000	\$6,589,433
Colorado Technical University	96%	3	\$631,000	\$1,581,179
American InterContinental University	95%	1	\$1,216,000	\$1,150,405
Total			\$9,382,000	\$9,322,018

Source: Veterans Education Success Analysis of ACE simulation and actual allocations published by the Education Department.

^aPercentage enrolled exclusively online is data reported by institutions for the fall of 2017.

^bThe Department of Education’s allocations of emergency relief funds under § 18004(a)(1) of the CARES Act were [published](#) on April 9, 2020. The Department reiterated the stipulation in § 18004 that half of each amount was reserved for emergency financial aid grants to students. In describing its allocation [methodology](#), it stated that it was

³According to [our analysis](#) of Department of Education 2015-16 survey data, about 20 percent of undergraduate and 40 percent of graduate students who were using GI Bill benefits were enrolled in exclusively online programs. The majority of GI Bill students, however, are enrolled in undergraduate credential programs.

⁴Bridgpoint was rebranded as [Zovio](#) and the Career Education Corporation is now known as [Perdoeco](#).



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reserving \$50 million to be provided in a subsequent award because “limitations of available data preclude calculating precise amounts.”

On March 9, 2020, the U.S. Department of Veterans Affairs (VA) [announced](#) that it intended to cut off the new enrollment of GI Bill beneficiaries at the University of Phoenix, Colorado Technical University, and American InterContinental University for violating Title 38 § 3696 unless the schools implemented corrective actions within 60 days.⁵ Title 38 § 3696 prohibits VA from approving enrollment of GI Bill beneficiaries at schools that use erroneous, deceptive, or misleading recruitment practices. The owners of these schools had settled lawsuits with the Federal Trade Commission (FTC) in 2019 which provided the evidence VA used to justify its actions. Phoenix paid a \$191 million fine and [Career Education Corporation](#), the owners of the other two schools, paid a \$30 million fine and agreed to erase nearly \$500 million in student loan debt in a separate [settlement](#) with 49 state Attorney’s General. Similarly, a still pending November 2017 [lawsuit](#) by the California Attorney General provides strong evidence that Ashford has also used similar deceptive practices to recruit veterans. On April 9, 2020, 32 military and veteran service organizations, sent a [letter](#) to VA, expressing support for its actions to enforcing 38 U.S.C. § 3696.

⁵See VES Issue Brief on § 3696 [here](#) for background on this statutory requirement.