The Protecting Financial Aid for Students and Taxpayers Act

Senator Kay R. Hagan and Senator Tom Harkin

Overview

In tough fiscal times, we must ensure that scarce federal student financial assistance dollars – which are also taxpayer dollars – are not being used on out-of-control advertising, marketing and recruitment practices. However, some for-profit education companies spend taxpayer dollars on just that – massive marketing and recruiting budgets – instead of investing in positive educational outcomes for students. American taxpayers cannot afford, and should not be asked to subsidize massive marketing and recruiting machines aimed at signing up more students who are supported by federal financial aid programs, which include Pell Grants and Post-9/11 GI Bill funds. It is unacceptable that colleges are using billions of taxpayer dollars on promotional activities unrelated to their educational purpose.

The problem

For-profit colleges and universities aim to enroll as many students as possible, often targeting veterans, service members and their families, while skimping on spending for education instruction, student support services and job placement counseling, the elements that will secure students' futures. Following a 2-year investigation of the for-profit college industry, the Senate HELP Committee released a comprehensive report in July of 2012, which included the following findings:

- 15 of the largest for-profit education companies received 86 percent of their revenues from federal student aid programs – such as the G.I. Bill and Pell grants;
- In Fiscal Year 2009, these for-profit education companies spent $3.7 billion dollars, or 23 percent of their budgets, on advertising, marketing and recruitment, which was often very aggressive and deceptive;

These colleges not only outspend other institutions of higher education in their efforts to secure student enrollments, but such spending is disproportionately higher when compared to American businesses' spending on advertising, marketing and recruiting. One study found that, "In the corporate world, marketing budgets typically represent between 4-12 percent of sales, and in the for-profit education sector, "marketing budgets can approach a whopping 40 percent of tuition revenue." In contrast, the study found that nonprofit colleges and universities spend an average of one-half of one percent of their revenues on marketing.

How this bill addresses the problem

In order to maximize student and taxpayer dollars, the ***Protecting Financial Aid for Students and Taxpayers Act*** would:

- Prohibit the use of revenues derived from federal student assistance programs from being spent on advertising, marketing and recruitment.
- The *Higher Education Act* already bans the use of Department of Education federal student aid revenues for lobbying. The ***Protecting Financial Aid for Students and Taxpayers Act*** would simply update this provision to ban the use of all federal aid dollars for marketing, advertisement and recruitment.

Legislative Action and Support

- The Protecting Financial Aid for Students and Taxpayers Act was included in the fiscal year 2013 Labor, Health and Human Services, Education and Related Agencies Appropriations bill, which was voted out of the Senate Committee on Appropriations and is awaiting action by the full Senate.
- The Protecting Financial Aid for Students and Taxpayers Act is supported by 24 national organizations, including the American Association of Collegiate Registrars and Admissions Counselors and the Iraq and Afghanistan Veterans of America.