UNITED STATES DEPARTMENT OF EDUCATION

OFFICE OF POSTSECONDARY EDUCATION

THE ASSISTANT SECRETARY

SEP 17 2015

Honorable John Kline
Chairman
Committee on Education and the Workforce
House of Representatives
Washington, DC 20515

Dear Mr. Chairman:

Section 487 (d)(4) of the Higher Education Act of 1965, as amended (HEA), requires the Secretary of Education to submit an annual report to Congress containing information regarding the amount and percentage of each for-profit institution's revenues from Title IV sources and non-Title IV sources as provided by the institution in its audited financial statements. The purpose of this letter is to transmit this information for the July 1, 2013, to June 30, 2014, reporting period. This information relates to the requirement that a for-profit institution of postsecondary education derive at least 10 percent of its revenue from non-Title IV sources (the 90/10 rule).

The funding information from each for-profit institution is submitted annually to the U.S. Department of Education (Department) and reported in the footnote disclosures of each institution's audited financial statements. The 90/10 revenue percentage is calculated under specific requirements in the HEA and corresponding regulations. Specifically, these regulations address the order in which funds are deemed to be paid to the institution on behalf of a student and how those funds are to be classified. In the enclosed report, we are also providing the annual Title IV funding levels for each institution in order to provide more context for the reader. It is important to note that the Title IV funding level provided in this report is based on an award year, while the 90/10 ratio is calculated using the institution's fiscal year. The Department is continuing its development of a system to provide actual Title IV revenues and other revenues reported by institutions that support the calculated percentage.

The 90/10 rule was amended by the enactment of the Higher Education Opportunity Act (HEOA) in 2008 to permit an institution that fails the 90/10 requirement for one year to continue its eligibility to participate in the Title IV programs. However, the institution's participation would become provisional for two fiscal years. If the institution does not satisfy the 90/10 rule for two consecutive fiscal years, it would lose its eligibility to participate in the Title IV programs for at least the following two fiscal years. This two-year provision was effective upon enactment of the HEOA on August 14, 2008.

The Department used the negotiated rulemaking process to revise the 90/10 regulations to implement the changes made by the HEOA. Those regulations were published in the fall of 2009 and went into effect on July 1, 2010 (74 Fed. Reg., No. 208, October 29, 2009).

If an institution fails to satisfy the 90/10 rule, the Department is required to disclose this information on the College Navigator Web site (http://nces.ed.gov/collegenavigator/), including information on the extent to which the institution failed to satisfy the rule.

The report attached to this letter includes the revenue percentage provided by the independent auditor for each institution for the most recently completed institutional fiscal year that is within the July 1, 2013, to June 30, 2014, reporting period, along with the funding levels for the most recent two award years. The report includes those schools whose financial statements for the period being reported have been reviewed by the Department at the time this report was generated. The table accompanying the report provides a summary of the data.

The data in this report show that 14 institutions failed to satisfy the 90/10 rule during the reporting period. The report shows that, as required by the HEA, 13 of the 14 institutions remain eligible for Title IV participation on a provisional basis because they all satisfied the 90/10 rule for the previous reporting period. The Department will monitor whether these institutions satisfy the 90/10 rule in the following year in order to remain eligible to participate in the Title IV programs. One of the 14 schools, Fortis College, has missed the required ratio for two consecutive years and has lost eligibility to participate in the Title IV student aid programs.

The Department will post the full report on the Federal Student Aid Data Center Web site at https://studentaid.ed.gov/sa/about/data-center/school/proprietary as well as post the required disclosures on the College Navigator Web site.

If you have any questions about this report, please have your staff contact Jodie Fingland in the Office of Legislation and Congressional Affairs by e-mail at Jodie.Fingland@ed.gov or by phone at 202-401-1043.

Sincerely,

Jamienne S. Studley
Deputy Under Secretary
Delegated Duties of the Acting Assistant Secretary
for Postsecondary Education

Enclosure