



UNITED STATES DEPARTMENT OF EDUCATION
OFFICE OF POSTSECONDARY EDUCATION

THE ASSISTANT SECRETARY

SEP 17 2013

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

Dear Congressman Kline:

Section 487 (d)(4) of the Higher Education Act of 1965, as amended (HEA), requires the Secretary 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, 2011, to June 30, 2012, 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).

Each year, for-profit institutions submit the percentage of their revenues derived from Title IV sources to the Department of Education (Department). This percentage is 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, the Department provides 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 and non-Title IV revenues based upon each institution's fiscal year, the same period used for the calculations reported by the institutions.

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. 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).

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Page 2- Congressman Kline

If an institution fails 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 percentages provided through the audited financial statements for the most recently completed institutional fiscal year, which is within the July 1, 2011, to June 30, 2012, reporting period, along with the funding levels for the most recent two award years. The report includes those institutions 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 29 institutions failed to comply with the 90/10 rule during the reporting period. The information released on August 30, 2012, for the previous reporting period shows that 28 of the 29 institutions did not violate the 90/10 rule for the July 1, 2010, to June 30, 2011, reporting period. Thus, as required by the HEA, these 28 institutions remain eligible for Title IV participation on a provisional basis. 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 29 schools, Montebello Beauty College (CA), has had two consecutive years of noncompliance with the required ratio and has lost eligibility to participate in the Title IV student aid programs effective as of January 1, 2012.

To foster transparency, the Department will post the full report on the Federal Student Aid Data Center Web site at <http://federalstudentaid.ed.gov/datacenter/schooldata.html> as well as post the required disclosures on the College Navigator Web site. Should 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 202-410-0020.

Sincerely,



Brenda Dann-Messier
Delegated the Authority to Perform the Function
and Duties of the Assistant Secretary

Enclosure