May 27, 2014

Ashley Higgins
U.S. Department of Education
1990 K Street, Room 8037
Washington, D.C. 20006-8502

Re: Docket ID ED-2014-OPE-0039

Dear Ms. Higgins:

This letter is being submitted on behalf of the American Association of Community Colleges (AACC), the Association of Community College Trustees (AACT), and the undersigned organizations, concerning the March 25, 2014, Notice of Rulemaking (NPRM) on “Gainful Employment (GE),” Docket ID ED-2014-OPE-0039. AACC and ACCT represent the CEOs and trustees, respectively, of the nation’s more than 1,100 community colleges.

With few exceptions, all community college certificate programs eligible for federal Title IV, HEA student aid are GE programs. Collectively they enroll more than 2 million students. Although the GE regulations are associated with for-profit institutions, in fact they cover far more programs at community colleges.

We agree with the U.S. Department of Education (ED) that students and taxpayers need a gainful employment rule that ensures that students receive education and training that leads to employment in their chosen occupation without unmanageable levels of debt. Unfortunately, the NPRM’s proposed metrics, which are primarily and appropriately focused on programs that lead to excessive debt, indiscriminately impose expensive and burdensome reporting and disclosure requirements on all institutions with GE programs, regardless of their cost, borrowing rates, and risk to students. Additionally, in the final 2011 GE rule, ED correctly defined programs with a median loan debt of zero as automatically passing the debt metrics because they “are not placing any debt burden on the majority of their students.”1 AACC and ACCT agree with this rationale and call for ED to restore this provision in the final rule.

In addition to the accountability framework represented by the loan metrics, the GE regulations need to help students make effective decisions about which GE program to choose. AACC and ACCT agree with the intent of the disclosure framework of the NPRM, but the content needs to be simplified and focused to increase its usefulness.

As stated, the NPRM appropriately is targeted on heavy student debt and its consequences. However, because the proposed GE regulations focus exclusively on Title IV recipients, this severely undermines the applicability of the framework to community colleges.2 The overwhelming majority of students in community college GE programs are not Title IV recipients. Only 36 percent of certificate-seeking students at public two-year institutions receive any Title IV funds; more importantly, only nine percent

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2 Although imposed by Association of Private Sector Colleges and Universities v. Duncan, 870 F.Supp.2d 133 (D.D.C. 2012), the limitation of “student” to mean “Title IV student” in the proposed GE regulations has a significant impact on community colleges that must be addressed.
take out federal loans. Just 36 percent of all certificate completers at community colleges are federal loan borrowers.

The following comments elaborate on the nature of GE programs in community colleges and demonstrate how their small sizes, particularly the number of Title IV-aided students, are ill-suited in many respects for the proposed GE metrics and the related reporting and disclosure requirements. The proposed changes by AACC and ACCT are designed to strengthen and focus the regulations, while precluding unintended negative consequences for students and institutions.

**Community Colleges Have Small GE Programs**

Under the proposed GE regulations, only a limited number of community college programs are subject to the metrics because of their size. Even in the programs that are subject to the GE metrics, the number of Title IV recipients is small and the number of federal loan borrowers is smaller still. Therefore, the proposed metrics would necessarily capture information about a fraction of students, and they will often be materially and statistically unrepresentative of all the students in a program. As stated, more than nine out of ten students in community college GE programs do not incur any federal student loan debt.

Most community college programs do not meet the size thresholds for either the debt-to-earnings (D/E) or program cohort default rate (pCDR) metrics as proposed. According to ED’s informational data, only four percent of GE programs at community colleges met the threshold of having 30 completers in a two-year cohort, or a four-year cohort if the first threshold is not met for the calculation of the D/E metric. Moreover, ED data show that only four percent of GE programs at community colleges would be subject to the pCDR metric. Overall, only six percent of community college GE programs meet the size threshold for calculation of either rate. While we appreciate that ED recognizes that the low cost of community colleges generally helps students avoid borrowing, this recognition needs to be reflected throughout the final rule.

The debt-to-earnings calculation is essentially irrelevant to community college GE programs, where median debt will almost always be zero. No community college programs fail the D/E metrics. For the pCDR calculations, merely 701 out of 18,791 community college GE programs were evaluated in ED’s informational data. Moreover, 376 programs with a pCDR did not have enough Title IV completers to generate any D/E rate. Of these 376 programs, the median number of students in the repayment cohort was 38, suggesting that most of these pCDRs were generated from up to three cohorts of borrowers entering repayment, again reflecting small numbers of borrowers.

The small size of most community college GE programs raises problems for adequately measuring program performance and producing reliable disclosures. These problems are compounded by the enrollment patterns of community college students. While completion and withdrawal rates can be readily calculated for students who enroll and stay in one program until they either complete it or leave the institution altogether, most community college students do not follow such well-defined educational paths. Rather, they are likely to switch programs mid-course or enroll in multiple programs. It is essential that the final GE rule addresses the issue of how institutions are to report these students’ enrollment in GE programs. The outcome will also have implications for the calculation of completion rates, and whether programs meet the size thresholds for the debt metrics and certain disclosures. To ensure consistency in

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how students are counted in GE programs, ED must provide detailed guidance to institutions on how to classify students with these enrollment patterns.

The 2012 GE informational rates provide a helpful early look at the types of GE programs at all institutions that may pass, fail, or fall into the “zone.” However, in not all cases are the programs listed in fact GE programs. On the one hand the NPRM stated that: “A student would be excluded from the D/E rates calculations for a GE program if... the student subsequently completed a higher credentialed undergraduate GE program at the same institution...” On the other hand, comparison of the programs included in the informational rates reveals that some community college programs confer certificates and associate degrees concurrently, and the certificates are subsequently reported as GE programs. In California, for example, many community colleges offer two-year associate nursing degrees that award a “certificate of achievement” in the same field upon completion of the registered nursing or the licensed vocational nursing curriculum. These certificates are, in fact, duplicative of degrees and should be explicitly excluded from classification as GE programs because the certificate is awarded concurrently and does not represent a separate program.

Proposed Accountability Metrics are Ill-Suited to Community College Gainful Employment Programs

Underpinning the accountability part of the framework is an effort to ensure institutions limit student debt by providing affordable programs and a credential that enables borrowers to repay their loans. The proposed GE regulations presume that “institutions have the ability to impact the debt that their students accumulate by lowering tuition and fees...” Unfortunately, this is not always the case.

Controlling “sticker price” does not necessarily prevent over-borrowing, accumulation of debt, or default. Community colleges are proud to be the most affordable sector of higher education. The proposed GE regulations count each student’s loan debt up to the total amount of published tuition, fees, books, and supplies for the median debt calculated under the D/E metric, as well as any debt on which the student enters repayment for the pCDR metric. This is the case even if the median student had zero out-of-pocket costs for tuition, fee, books, and supplies. For example, fees for community college GE programs in California are generally the lowest in the nation, at just over $1,400 per year for a full-time student. The California Board of Governors fee waivers cover all fees, but not other costs of attendance such as living expenses, books, and supplies. Of the state's 2 million credit-bearing community college students, nearly half receive fee waivers. In other words, half of California community college students pay nothing for tuition and fees, but many are still taking out, and sometimes defaulting on, their loans. Institutions of higher education can do little to impact directly the federal borrowing of their students when they use these funds to cover non-tuition and fee charges, such as living expenses. Therefore, institutions must be given more tools to reduce over-borrowing if they are to be held accountable for debt. Similarly, the pCDR metric reflects only students who take out federal loans, no matter the amount or purpose, and fails to account for the vast majority of students who do not borrow at all.

Cost and debt—the D/E Metric

As previously stated, 91 percent of all community college GE program students have no federal student loan debt, and neither do 74 percent of Title IV recipients in these programs. No community college programs fail the debt metrics, because even the debt levels of Title IV recipients are low. Therefore, the

D/E framework represents a largely inadequate accountability system for community college programs that have kept their tuition and fees so low that most students do not require federal student aid to attend. Limiting the D/E metric to Title IV students also has the effect of dramatically limiting the generation of earnings information on program completers. Community colleges have long supported making earnings data available for all postsecondary program completers.

AACC and ACCT agree with negotiators, however, who stated that restricting the universe of students to only Title IV recipients “would provide insufficient information to consumers about the amount of loan debt students in a GE program incur, particularly at low-cost institutions with few borrowers.” Debt information that is limited to Title IV recipients by its nature is skewed, making it more difficult for prospective students to make informed comparisons about GE program costs and expected student debt.

ED recognizes that low borrowing and debt accrual rates, which are the stated intended purpose driving the debt metrics, should be acknowledged. However, instead of adopting a median debt of zero as a benchmark for passing the debt metrics, ED has proposed a new “mitigating circumstances” appeal for a program found to be failing or in the zone under the D/E measure. GE programs that can demonstrate “that less than 50 percent of all individuals, both those who received title IV, HEA program funds and those who did not, who completed the program during the applicable cohort period incurred any loan debt” will be considered as having passed the metric. The appeal amounts to a back-end approach to pass the D/E metric alone based on low borrowing rates, whereas a front-end approach for both metrics is far more efficient and rational. AACC and ACCT propose that programs for which mitigating circumstances are demonstrated (i.e., meet the criterion of a low borrowing rate of 50 percent or less among Title IV completers) should automatically pass both GE metrics. This would be far less burdensome on both ED and institutions like community colleges with extremely low borrowing rates, than the proposed process whereby programs that ultimately pass the D/E metric must first undergo the process of having a debt-to-earnings rate calculated regardless of borrowing rate. If the reporting proposal outlined below is adopted, most of these programs also would not have a meaningless D/E metric calculated.

Debt and default—the pCDR metric

Community colleges fundamentally object to the use of cohort default rates as a measure of GE program quality. First and foremost, there are very few borrowers in community college GE programs. In addition, the regulation assumes that institutions can control how much students borrow, or need to borrow, based on the cost of attendance, but, as discussed above, they cannot. Institutions, systems, and states may set sticker prices, but students can borrow up to the maximum allowed, which may be well in excess of the cost of tuition and fees. Finally, institutions have only a limited ability to impact repayment once a student has left the institution.

Part of ED’s rationale for using the pCDR is that institutions would have the prospective ability to reduce default rates once a high pCDR was observed. However, research on predictors of student default and delinquency has firmly established that other factors, such as unemployment or difficulty completing a credential, which are inextricably linked to the many barriers facing low-income students, are strongly correlated with student default and delinquency. Furthermore, because repayment cohorts do not track evenly to any particular enrollment year, program managers, campus officials, trustees, and state or local policymakers would have great difficulty in making any adjustments to program or institutional practices.

that could potentially impact the repayment behavior of a future “cohort” of students entering repayment. Additionally, even successful efforts to dramatically improve degree completion at community colleges nationwide have not necessarily reduced pCDRs.

First, AACC and ACCT believe the pCDR is not an appropriate metric for the value of GE programs and should be removed from the GE rule. However, if ED is determined to apply two GE metrics, we propose that, as in the case of the D/E metric, there be a threshold set for automatically passing the pCDR. That threshold should be that at least 50 percent of program completers have federal loan debt.

If ED insists on retaining the pCDR, it should dramatically enhance the processing, timeliness, and assistance in pCDR challenges, adjustments, corrections, and appeals, as elaborated below. Without such changes, the proposed GE regulations fail to achieve the intended accountability and transparency purposes and could further reduce community college participation in the Direct Loan program.

Our position on the inapplicability of the pCDR to community college GE programs also derives from the fact that many of them will be averaged across multiple cohorts of borrowers. Although ED claims that provisions to aggregate cohorts are a way to “mitigate volatility that may arise from small numbers,” they do not in fact do so. Significant volatility within repayment cohorts still exists, but this volatility is simply obscured by the averaging of rates. Averaging also does nothing to change that the pCDR metric remains “volatile” for programs at or near the threshold of 30 when this number represents a small percentage of program participants. Additionally, one pCDR calculated through the average rate formula may include a repayment cohort that is also duplicated in a pCDR in order to produce the “averaging” needed to meet the threshold of 30 borrowers. These borrowers may look very different from the average program participant. We are also concerned that unrepresentative pCDRs may eventually be made public by ED with little accompanying context or explanation via College Navigator or similar portals. AACC and ACCT request that ED does not publish pCDRs that do not meet the threshold of 30 borrowers, as these small cohorts will prove confusing or misleading for potential students, and may also compromise student privacy.

Community college experience with institutional-level cohort default rates has shown that the timely processing of appeals, adjustments, and corrections is critical for preventing unintended and needless negative consequences. CDR sanctions imposed at the program level, such as default management plans, provisional certification, or potential loss of Title IV eligibility will bring widespread and unnecessary confusion to campuses. As is the case with the D/E metric, it would be more practical and fair to designate programs with low borrowing rates as automatically passing the pCDR metric instead of a protracted process with its associated administrative burdens and potentially reduced Direct Loan program participation.

Lastly, absent the removal of pCDR or the low borrowing threshold for passing the GE metrics, Participation Rate Index (PRI) appeals can potentially help institutions avoid undue CDR sanctions when the CDR does not appropriately reflect the low borrowing rate. AACC and ACCT believe that, at a minimum, institutions should be allowed to file a PRI appeal for the most recent cohort year, instead of waiting until the program is deemed to have failed the metric. A statutory appeal option

10 AACC and ACCT continue to believe that colleges should be able to reduce student borrowing for broad categories of students, or by program, and suggest these changes as a component of HEA reauthorization.
12 In the NPRM, it states: “[a] negotiator contended that the Department should allow an institution to challenge a pCDR based on a participation rate challenge or appeal when the first pCDR of 30 percent or greater is issued, and
intended to resolve unintended consequences for programs with low borrowing rates should not be arbitrarily limited, especially when that option could be used to provide important reassurance for students. The stakes are simply too high. For similar reasons, ED should permit yearly PRI appeals for all institutional CDRs, as AACC and ACCT have long requested.

The potential for pCDR sanctions, even if none are ever imposed following a successful appeal, could cause confusion to enrolled and prospective students. It is more practical to allay student concerns and preempt the need for warnings by processing appeals before they become problematic for the program or institution. An example of a situation that should be avoided is Mohave Community College, which filed a loan servicing appeal in November 2013, and more than six months later has yet to receive a response to its appeal from ED. Given that institutions must generally file appeals and challenges within 45 days of receiving any CDR data, ED should be held to the same standard when responding to appeals. AACC and ACCT propose that appeals (challenges and adjustments) be made within 45 days of receipt of the appeal and that no warnings are issued pending resolution of appeals, challenges, or adjustments, but instead only following the resolution of the appeal.

**Debt metric failure warnings**

The proposed GE regulations delineate certain consequences of a program being deemed ineligible for Title IV funds based on failure of, or being in the “zone” for, a final GE metric. These include warnings within 30 days to each enrolled student in the GE program after notification by ED as being ineligible, as well as to prospective students at the time that either the prospective student first contacts the institution or is contacted by the institution about the GE program. The warnings to enrolled and prospective students must be made directly and in writing. For enrolled students, “directly” is defined in the NPRM as hand-delivery or sent to a primary e-mail address by which the institution communicates with the student. In lieu of having enrolled and prospective students sign a physical document that they have received a warning, AACC and ACCT propose that a student e-mailing the institution indicating that they have received the warning should satisfy the warning requirements.

**Reporting & Disclosures Must Be Better Targeted and Provide Useful and Relevant Information**

While community colleges support the disclosure of useful consumer information to prospective students and their families, we are deeply concerned about both the cost of implementation and the relevance of the NPRM’s reporting and disclosure structure. Much of this structure is already in place under the current regulations and is therefore a known quantity. While we cannot provide a sector-wide estimate for the cost of GE reporting, we know that it is extraordinarily costly for institutions, representing expenditures better directed towards students. The Office of the Chancellor of the Virginia Community College System estimates, for example, that the annual cost of the proposed NPRM would be approximately $2,356,000 for their state system. According to ED’s calculations of the estimated burden on institutions of implementing the GE regulations the first year would be a little over $60 million. Implementing the reporting and disclosure requirements, including the costs of calculating, reporting, and challenging specific disclosure items (completion, withdrawal, and repayment rates) would represent more than two-thirds (68 percent) of the total cost of implementation. Even this estimate could well be
low; ED has projected an ongoing annual reporting cost of approximately $10 million, an amount that diverges significantly from the Virginia estimates.

Under existing sub-regulatory guidance, some disclosures are required of all GE programs, whereas smaller programs—those with less than 10 completers in an academic year—are appropriately exempt from other requirements. For the most recent academic year for which data are available, 2011–2012, more than two-thirds (69 percent) of all GE programs in community colleges had 10 or fewer completers. Therefore, completion and median loan debt information was disclosed for less than one-third (31 percent) of all community college GE programs. This serious misalignment of the reporting and related disclosures degrades the NPRM’s accountability and transparency structure.

In addition, the vast majority of prospective students cannot possibly assimilate all of the 36 proposed required disclosures stipulated in the NPRM, or understand that the information may not reflect their own situation. The disclosures are particularly problematic and difficult to understand because different disclosures are based on different sets of students, depending on the item. Some disclosures apply to all Title IV recipients while others only to Title IV-aided program completers. Other disclosures apply to only federal loan borrowers and yet others to only those borrowers who entered repayment in a certain time period. An overabundance of information that will only confuse potential students is worse than having too little data. Relevant and comparable information is needed to serve current and perspective students the best way possible.

AACC and ACCT continue to support GE disclosures that meaningfully reflect community college programs and those in other institutions. A limited number of changes can reduce administrative burden, provide meaningful information for students, and ensure appropriate program standards.

**Reporting requirements**

AACC and ACCT propose that ED set a threshold of the number of Title IV students needed for reporting on GE programs that is consistent with other policies embedded in the NPRM. Options include aligning the required reporting to the number of completers needed to calculate the maximum tracking period under the D/E metric (30 over four fiscal years); OR a threshold of 10 completers per year consistent with the current disclosure guidance; OR an institution with fewer than 20 Title IV completers over the most recent two-year period would be automatically exempt for the next two years. These approaches have the common-sense benefit of providing meaningful information for programs that have a sufficient number of completers to make the data generated relevant and useful. Institutions should certify that their GE program completions are below the stipulated threshold on an annual reporting basis, and this should be subject to program review.

**Disclosure requirements**

Only relevant information that helps students make informed decisions about their GE program selection should be disclosed. AACC and ACCT propose that an institution should always be required to disclose for each GE program the following information, regardless of size:

- The primary occupations (by name and SOC code) that the program prepares students to enter.
- The length of the program in calendar time (i.e., weeks, months, years).
- The number of clock or credit hours, as applicable, in the program.

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• The total cost of tuition and fees, and the total cost of books, supplies, and equipment that a student would incur for completing the program within the length of the program.
• With respect to the occupations for which the program prepares students as disclosed by the institution, whether completion of the program satisfies any applicable educational prerequisites for professional licensure in the state in which the institution is located and in any other state included in the institution’s Metropolitan Statistical Area.
• If applicable, whether the program holds the programmatic accreditation necessary for an individual to obtain employment in the occupation for which the program prepares the student.
• A link to the U.S. Department of Education’s College Navigator website, or its successor site.

If data are available, consistent with the existing disclosure thresholds of 10 Title IV-aided students, AACC and ACCT propose that an institution should be required to disclose the following information:

• The placement rate for the program, if the institution is required by its accrediting agency or state to calculate a placement rate.
• Program completion rates for full-time and less-than-full-time students for 150 percent of normal time and 300 percent of normal time, as calculated by the secretary.
• Median earnings for all program completers, as calculated by the secretary.
• Median debt for program completers and those who withdraw, as calculated by the secretary.

Section 668.412(e)(2) requires that before a student enrolls or registers at an institution that they must provide a written confirmation to the institution of having received the disclosures. This requirement needs to be modified. First, students often enroll in an institution without selecting their course of study or program. The rule should reflect this. In addition, other means of confirmation that the disclosure has been provided to the student should be permitted. This could include an e-mail message, telephone call, or other documentation by the institution that the student has received the template.

Changes to template and guidance

The final regulation should not require institutions to go to unreasonable lengths to retroactively gather data on individuals who previously enrolled in GE programs. This NPRM requires an initial retroactive reporting period of seven years for most programs, which many institutions will not be able to provide given migrations to new data systems in the rapidly changing landscape of student information systems. Therefore, AACC and ACCT propose that institutions are required to report data only as far back as are currently available in electronic format. Furthermore, to reduce the administrative burden associated with compliance with the reporting and disclosure requirements ACCC and ACCT propose the following minor changes to the template and corresponding guidance:

• Within the reporting template, institutions that do not have any students in GE programs who have borrowed federal loans (because the institution does not participate in the Direct Loan program) should not have to report on individual student items related to loans or debt. In other words, the reporting mechanism should have ‘skip logic’ with respect to the debt-related items.
• Because CIP codes can apply to all credentials—from certificates to doctorate degrees—instructions should make clear that only information for students enrolled in GE programs for a given CIP code be reported and not for students enrolled in other non-GE credential level programs for the same CIP code (i.e., if a community college offers a certificate and an associate degree in a particular field, only the certificate information should be entered).
• For students who initially enroll in a GE program but transfer to another program, either to another GE or non-GE program, instructions should be clear on how to track enrollment, withdrawal and completion, including dates of each. This was elaborated upon above.

• The current sub-regulatory guidance prevents disclosure of certain sensitive information for GE programs with 10 or less completers. This threshold, reflected above in our recommendations, should be promulgated as part of the formal GE regulations.

Conclusion

Community colleges proudly offer access to GE programs to millions of students each year at an affordable cost. Our institutions and programs judiciously allocate limited resources for the benefit of our students who are working to improve their lives through these programs.

AACC, ACCT, and the undersigned organizations envision a strong GE framework that holds institutions accountable for providing high-quality career education and training to students without unmanageable debt and provides meaningful information to help students make effective decisions about which GE programs to choose. We believe that our proposed changes to the GE regulations will strengthen the final rule and we appreciate your attention to these comments.

Sincerely,

Walter G. Bumphus
AACC President and CEO

J. Noah Brown
ACCT President and CEO

Cosigned:

Alabama Community College System
Arkansas Association of Two-Year Colleges
California Community Colleges Chancellor’s Office
Community College League of California
Colorado Community College System
Connecticut Community Colleges
Delaware Technical Community College
Association of Florida Colleges
Technical College System of Georgia
Hawaii Community Colleges
Illinois Community College Board
Illinois Community College Trustees Association
Iowa Association of Community College Trustees
Kansas Association of Community College Trustees
Kansas Board of Regents
Louisiana Community and Technical College System
Maryland Association of Community Colleges
Michigan Community College Association
Mississippi Community College Board
Missouri Community College Association
Nebraska Community College Association
New Jersey Council of County Colleges
New Mexico Association of Community Colleges
New York State Association of Community College Trustees
State University of New York Community Colleges
North Carolina Association of Community College Trustees
Ohio Association of Community Colleges
Oklahoma State Regents for Higher Education
Oregon Community College Association
Tennessee Community Colleges
Texas Association of Community Colleges
Virginia Community College System
Washington State Board for Community and Technical Colleges
Washington Trustees Association of Community and Technical Colleges
Wisconsin Technical College District Boards Association
Wisconsin Technical College System
Wyoming Community College Commission