



July 2013

# VA EDUCATION BENEFITS

## Student Characteristics and Outcomes Vary across Schools

# GAO Highlights

Highlights of [GAO-13-567](#), a report to congressional requesters

## Why GAO Did This Study

In fiscal year 2012, various VA education programs provided nearly \$11 billion in education payments to almost 1 million veterans. The 2008 Post-9/11 GI Bill significantly increased education benefits for veterans and provided for separate payments for tuition and fees, for housing expenses, and for books. In fiscal year 2012, VA made about \$8.5 billion in tuition, housing, and other payments under the Post-9/11 GI Bill. GAO was asked to review data on VA's education programs. Specifically, GAO examined: (1) the distribution of VA education payments among schools; (2) how student characteristics and outcomes at highly VA-funded schools compare to those of other VA-funded schools; and (3) how student characteristics and outcomes compare at highly VA-funded public, nonprofit, and for-profit schools.

To address these topics, GAO collected fiscal year 2010 and 2011 data from VA (the most recent data available at the time of our study) and school year 2010-2011 and 2011-2012 data from the Department of Education. GAO used these data to compare VA payment amounts, as well as student characteristics and outcomes, at highly VA-funded schools and other schools. Veterans typically comprise a small proportion of a school's total enrollment. GAO also conducted regression analysis to compare student outcomes at public, nonprofit and for-profit schools after controlling for other factors, such as school enrollment and tuition.

## What GAO Recommends

GAO makes no recommendations in this report.

View [GAO-13-567](#). For more information, contact Melissa Emrey-Arras at (617) 788-0534 or [EmreyArrasM@gao.gov](mailto:EmreyArrasM@gao.gov).

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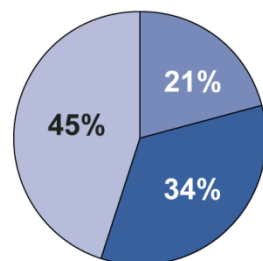
### Student Characteristics and Outcomes Vary across Schools

## What GAO Found

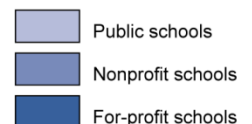
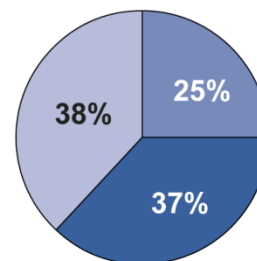
The majority of the Department of Veterans Affairs (VA) education payments were made to a small percentage of schools receiving VA funding in fiscal year 2011, primarily through the Post-9/11 GI Bill. About 5 percent of schools (654 schools) received more than \$3.8 billion in aggregate VA education payments used for tuition and fees in fiscal year 2011, over 60 percent of such funding. These 654 "highly VA-funded schools" each received at least \$2 million (and as much as \$113 million) in Post-9/11 GI Bill tuition and fee payments from fiscal year 2010 through fiscal year 2011 and enrolled more total students on average than other schools. Almost half of tuition and fee payments for all VA education programs were used at public schools. However, the breakdown of Post-9/11 GI Bill payments differed somewhat, with for-profit and public schools receiving about the same proportion of Post-9/11 GI Bill tuition and fee payments.

Fiscal Year 2011 Tuition and Fee Payments by Sector for All VA Education Programs and for the Post-9/11 GI Bill

All VA Education Programs, including Post-9/11 GI Bill



Post-9/11 GI Bill



Source: GAO analysis of VA data.

Note: For VA education programs that pay veterans a fixed monthly amount, payments include the total payments made to veterans because it was not possible to determine what portion was used for tuition payments to schools.

Highly VA-funded schools generally had more positive outcomes than other VA-funded schools. Compared to other schools, highly VA-funded schools generally had higher retention rates (percentage of students returning to the same school from 1 year to the next) and graduation rates. Because data on student veterans are limited, the student characteristics and outcomes in GAO's analyses are for school populations as a whole. Student outcomes were generally similar when GAO tested more narrow definitions of highly VA-funded schools (at least \$5 million and \$10 million in Post-9/11 GI Bill funding).

Among highly VA-funded schools, student characteristics and outcomes differed at public, nonprofit, and for-profit schools. For instance, highly VA-funded for-profit schools enrolled a higher percentage of low-income and minority students than public or nonprofit schools. After controlling for differences in school and student characteristics, for-profit schools had lower retention rates compared to public and nonprofit schools. However, for-profit schools had graduation rates that were higher than public schools and similar to nonprofit schools.

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### Abbreviations

Education	U.S. Department of Education
IPEDS	Integrated Postsecondary Education Data System
NSLDS	National Student Loan Data System
OPEID-6	Office of Postsecondary Education Identification
Post-9/11 GI Bill	Post-9/11 Veterans Educational Assistance Act of 2008
VA	U.S. Department of Veterans Affairs
VR&E	Vocational Rehabilitation and Employment
Yellow Ribbon	Yellow Ribbon GI Education Enhancement Program

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July 25, 2013

The Honorable Patty Murray  
Chairman  
Committee on the Budget  
United States Senate

The Honorable Bernie Sanders  
Chairman  
Committee on Veterans' Affairs  
United States Senate

The Honorable Jay Rockefeller  
United States Senate

The Department of Veterans Affairs (VA) provided nearly \$11 billion in postsecondary education benefits through multiple programs to almost 1 million veterans and their beneficiaries in fiscal year 2012, up from about \$3 billion in 2008. Education benefits for veterans significantly increased with the passage of the Post-9/11 Veterans Educational Assistance Act of 2008 (Post-9/11 GI Bill).<sup>1</sup> Other veterans are still receiving benefits for prior service through older programs like the Montgomery GI Bill.<sup>2</sup> Participation in the Post-9/11 GI Bill program is expected to increase by over 10 percent from 2011 to 2013 in part due to veterans returning from service in Iraq and Afghanistan. Given the growth of the Post-9/11 GI Bill program, VA education programs and schools that receive significant VA payments have been subject to increased scrutiny. At the same time, little systemic information is available on veterans' education outcomes.<sup>3</sup> In light of these trends, you asked us to review data on VA's education programs. For this report, we examined:

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<sup>1</sup> Pub. L. No. 110-252, tit. V, 122 Stat. 2323, 2357-86.

<sup>2</sup> 38 U.S.C. §§ 3001-3036.

<sup>3</sup> VA has initiated several recent efforts to collect new outcome information on student veterans, which should eventually shed light on the extent to which veterans are achieving successful postsecondary outcomes. See GAO, *VA Education Benefits: Efforts Needed to Improve Program Management and Provide More Information to Student Veterans*, [GAO-13-338](#) (Washington, D.C.; May 22, 2013).

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1. What is the distribution of VA education payments among schools?
  2. How do student characteristics and outcomes at highly VA-funded schools compare to those of other VA-funded schools?
  3. How do student characteristics and outcomes compare at public, nonprofit, and for-profit schools that are highly VA-funded?

To address these questions, we reviewed relevant federal laws and regulations and interviewed VA and Department of Education (Education) officials. For question one, we analyzed the most recent data available from VA at the time of our study—fiscal years 2010 and 2011 data on enrollment and payment amounts by school for all students receiving VA education benefits. Specifically, we compared payment amounts across all VA education programs and types of schools. We also identified “highly VA-funded schools,” specifically, those schools that received at least \$2 million in payments from the Post-9/11 GI Bill program from fiscal year 2010 through fiscal year 2011.<sup>4</sup>

To compare student characteristics and outcomes for questions two and three, we conducted descriptive statistical analyses using Post-9/11 GI Bill payment data and school years 2010-2011 and 2011-2012 data on school characteristics reported by schools through Education’s Integrated Postsecondary Education Data System (IPEDS). Because data on student veterans are limited, the student characteristics and outcomes in our analyses are for school populations as a whole.<sup>5</sup> We compared highly VA-funded schools with other VA-funded schools and, within the group of highly VA-funded schools, we compared schools across the public, nonprofit, and for-profit sectors. We also conducted sensitivity analyses to test differences in student characteristics and outcomes using narrower definitions of highly VA-funded schools (\$5 million, \$10 million, and \$15 million in total Post-9/11 GI Bill payments from fiscal years 2010 through 2011). In addition, for question three, we conducted multivariate

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<sup>4</sup> We used the Post-9/11 GI Bill program for the designation of “highly VA-funded school” because it provides for tuition and fee payments to be made directly to schools, whereas most other VA education programs do not make tuition and fee payments separately. The Post-9/11 GI Bill program is also the largest and fastest-growing VA education program.

<sup>5</sup> Veterans typically comprise a small proportion of a school’s total enrollment, so veterans would generally have little impact on those characteristics and outcomes for the school population as a whole.

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regression analysis at the \$2 million level to compare student outcomes in different sectors while statistically controlling for differences in student characteristics that could affect those outcomes.<sup>6</sup> With this analysis, for example, we could determine whether schools in one sector were significantly more likely to have higher graduation rates than schools in another sector, after controlling for other factors. We assessed the reliability of the VA and Education data by interviewing relevant officials about how these data were compiled and reviewing documentation about the specific data systems. As a result of this assessment, we concluded that the VA and Education data were sufficiently reliable for our reporting purposes.

The student outcome measures we used have certain limitations. For instance, the IPEDS graduation rates include only full-time, first-time students and exclude students who attend part-time or transfer to another school. For schools with a bachelor's degree as the highest undergraduate degree offered, the IPEDS retention rates—the percentage of students returning to the same school from one fall to the next—include only first-time, full-time students seeking a bachelor's degree. See appendix I for a more detailed discussion of our scope and methodologies.

We conducted this performance audit from February 2012 through July 2013 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

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## Background

VA has been providing veterans educational assistance benefits since 1944.<sup>7</sup> These benefits have been put in place over time in order to

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<sup>6</sup> We could not conduct regression analyses for question two to compare highly VA-funded schools and other VA-funded schools because some other VA-funded schools were not included in Education's IPEDS data and therefore data on their characteristics were not available. For question three, we also conducted regression analyses at the \$5 million level to identify any significant differences compared to the \$2 million regression results. Regression analyses were not possible at the \$10 million or \$15 million level because of the limited number of schools in some sectors.

<sup>7</sup> Servicemen's Readjustment Act of 1944, Pub. L. No. 78-346, 58 Stat. 284.



compensate for compulsory service, encourage voluntary service, avoid unemployment, provide equitable benefits to all who served, or promote military retention. Table 1 lists the current major benefit programs available to eligible individuals who pursue education or training. Eligibility requirements vary among programs and are based on several factors, including when and for how long a veteran served in the military. In some cases, a veteran can be eligible for multiple education programs and may have to choose which program to use.

**Table 1: VA Education Programs Available to Eligible Veterans**

Program	Description	Participants (FY 2012)	Payments (FY 2012)
Post-9/11 Veterans Educational Assistance Program (Post-9/11 GI Bill) 38 U.S.C. §§ 3301-3334.	Provides benefits to veterans who served on active duty for at least 90 days after September 10, 2001. The program provides individuals who served on active duty for 36 months with the full cost of attendance at a public school and up to a maximum amount at nonprofit and for-profit schools (\$18,077 in academic year 2012-13). Some veterans may also receive additional payments for housing expenses and books. Under certain circumstances, veterans can transfer their Post-9/11 GI Bill benefits to spouses and children.	646,302	\$8,453 million (includes both tuition and housing)
Montgomery GI Bill-Active Duty 38 U.S.C. §§ 3001-3036.	Provides a fixed monthly allowance primarily to veterans who enter active duty after June 30, 1985. In fiscal year 2013, the benefit is \$1,564 per month for full-time study.	118,549	\$932 million
Montgomery GI Bill-Selected Reserve 10 U.S.C. §§ 16131-16137.	Provides a monthly benefit payment for reservists, including the National Guard, who agree to serve for 6 years. In fiscal year 2013, the benefit is \$356 per month for full-time study.	60,393	\$157 million
Survivors' and Dependents' Educational Assistance Program 38 U.S.C. §§ 3500-3566.	Provides education and training opportunities to eligible dependents of certain veterans who were disabled or died during active duty service. In fiscal year 2013, beneficiaries could receive up to \$987 per month based on their enrollment status.	87,707	\$455 million
Reserve Educational Assistance Program 10 U.S.C. §§ 16131-16166.	Provides benefits to reservists with at least 90 days consecutive active-duty service after September 10, 2001. In fiscal 2013, the benefit is \$1,251 per month for full-time study, with at least 2 years of consecutive active-duty service.	19,774	\$77 million
Vocational Rehabilitation and Employment Program (VR&E) 38 U.S.C. §§ 3100-3121.	Provides services to veterans with service-connected disabilities. These services help servicemembers and veterans achieve their employment goals and can include education benefits and counseling.	61,755	\$791 million (including subsistence payments)
<b>Total</b>		<b>994,480<sup>a</sup></b>	<b>\$10.9 billion</b>

Source: GAO analysis of interim data provided by VA for publication in an updated version of its FY 2012 Annual Benefits Report, which was not available when GAO issued its report, and other data provided by VA.

Notes: Data for the VR&E program are for those veterans who received retraining as part of their rehabilitation services. VR&E provides for veterans' tuition, fees, books, and supplies. Veterans enrolled in training services are eligible to receive a subsistence allowance to assist them with living expenses.

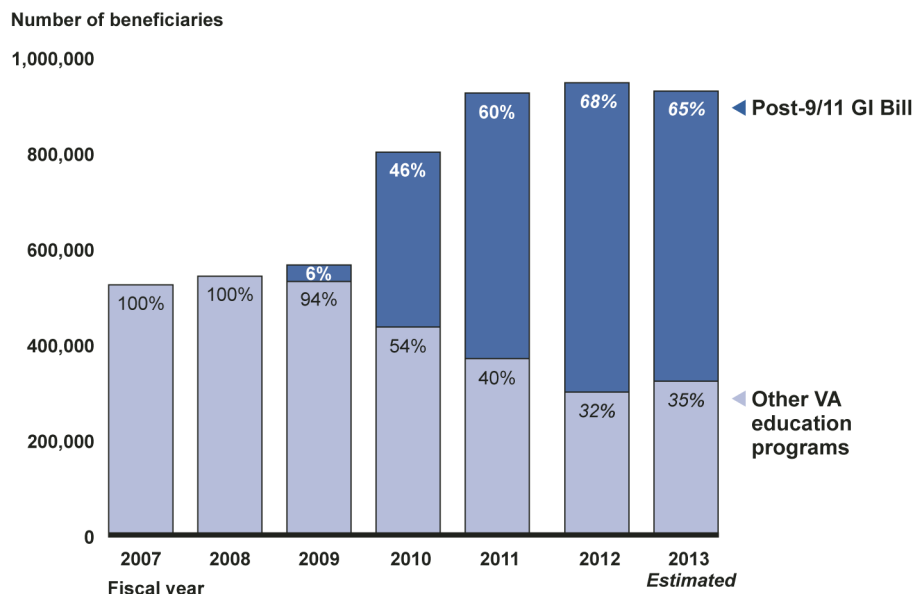
The Veterans Retraining Assistance Program is a new VA education program that began providing benefits in July 2012. This program offers 12 months of training assistance to veterans age 35 to 60 who are not eligible for any other VA education benefit program. From July 1, 2012 through September 30, 2012, 12,251 beneficiaries received about \$6 million in payments through the program. The Veterans Retraining Assistance Program was authorized by the Vow to Hire Heroes Act of 2011, Pub. L. No. 112-56, tit. II, § 211, 125 Stat. 712, 713.

<sup>a</sup>Participants would be counted twice in this total if they received benefits under more than one program.

FY = fiscal year.

The education benefits available to veterans and their dependents were significantly expanded with the enactment of the Post-9/11 GI Bill. Since the Post-9/11 GI Bill became effective August 1, 2009, the number of veterans and other beneficiaries receiving VA education benefits has increased by almost two-thirds (see fig. 1). Participation in VA education benefit programs is expected to increase as the number of post-9/11 veterans grows to over 5 million by 2020.

**Figure 1: Beneficiaries of Selected VA Education Benefit Programs, Fiscal Years 2007-2013**



Source: GAO analysis of VA's fiscal year 2011 Annual Benefits Report; interim data provided by VA for publication in an updated version of its fiscal year 2012 Annual Benefits Report (which was not available when GAO issued its report); and fiscal year 2013 Congressional Budget Submission.

Note: Other VA education programs include the Montgomery GI Bill-Active Duty, the Montgomery GI Bill-Selected Reserve, Survivors' and Dependents' Educational Assistance Program, and the Reserve Educational Assistance Program, but not the VR&E program.

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## Administration of the Post-9/11 GI Bill

The Post-9/11 GI Bill provides a new way to deliver VA education benefits. VA education programs established prior to the Post-9/11 GI Bill typically provided a fixed monthly payment to a veteran or other eligible beneficiary to be used for tuition, books, or living expenses while in school. The Post-9/11 GI Bill, however, provides for tuition and fee payments to be made directly to the school and authorizes a separate monthly housing allowance to the student, as well as a book allowance.<sup>8</sup>

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## Other Sources of Student Aid

To help cover the costs of their postsecondary education, veterans may also be eligible for grants and loans available from federal student aid programs administered by Education, such as Pell Grants and William D. Ford Federal Direct Loans.<sup>9</sup> Veterans may use student loans to pay for living expenses not covered by VA education payments. VA education payments are not considered when calculating eligibility for federal student aid and do not affect the amount of aid a veteran can receive from Education.<sup>10</sup> Student veterans may also be eligible for state and institutional aid (scholarships from state governments or schools, for example).

To maintain their eligibility for federal student aid programs administered by Education, for-profit schools must obtain at least 10 percent of their total revenues from sources other than federal student aid programs (those authorized by Title IV of the Higher Education Act of 1965)—this is known as the 90/10 rule.<sup>11</sup> Because VA education payments are not authorized by this law, they are counted as nonfederal student aid for this purpose and thus toward the 10 percent requirement; as a result,

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<sup>8</sup> VA's Vocational Rehabilitation and Employment program also makes tuition and fee payments directly to a school and pays a separate monthly housing allowance to students. This program offers a variety of services, including educational benefits, to help veterans with service-connected disabilities and employment barriers obtain stable and suitable employment.

<sup>9</sup> For the purposes of this report, we define federal student aid programs as financial aid programs authorized under Title IV of the Higher Education Act, 20 U.S.C. §§ 1070-1099d and 42 U.S.C. §§ 2751-2756b.

<sup>10</sup> 20 U.S.C. § 1087vv(j). See also GAO, *Higher Education: Veteran Students Received Similar Amounts of Title IV Aid As Nonveterans but More Total Aid with GI Benefits*, [GAO-08-741](#), (Washington, D.C.: June 20, 2008).

<sup>11</sup> 20 U.S.C. § 1094(a)(24).

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enrolling veterans helps for-profit schools meet the 90/10 rule. See appendix II for more information on the 90/10 rule.

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## Types of Schools Offering Postsecondary Education

A wide variety of schools offer different types of postsecondary education programs. Schools also have different campus structures, including a single campus, multiple campuses, or no physical campus if a school offers only online programs. Correspondingly, veterans may use VA education benefits at different types of schools to pursue a variety of programs:

- 4-year and above schools: Colleges and universities that typically offer bachelor's and higher level degrees in programs that cover 4 or more years. These schools may also offer associate's degree programs.
- 2-year schools: Community colleges and other schools that typically offer associate's degrees, but can also offer certificate programs.
- Less than 2-year schools: Vocational and technical schools that offer certificate programs, but typically not degrees, in programs lasting less than 2 years.

The following types of schools may offer programs of any length noted above:

- Public schools: operated and funded by state or local governments,
- Nonprofit schools: owned and operated by nonprofit organizations whose net earnings do not benefit any shareholder or individual, and
- For-profit schools: privately owned and net earnings can benefit a shareholder or individual.

While many colleges and universities are eligible to receive payments from both VA and Education, other types of entities, while not eligible for federal student aid, are eligible for VA education funding. For example, veterans may use VA education benefits for apprenticeship opportunities, on-the-job training programs, and entrepreneurship courses, which are not typically eligible for federal student aid administered by Education. However, there is significant overlap among the schools receiving funding from VA or Education.

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## A Small Percentage of Schools Received a Majority of VA Payments, Primarily through the Post-9/11 GI Bill

In fiscal year 2011, about 5 percent of VA-funded schools received over 60 percent of VA education payments devoted to tuition and fees.<sup>12</sup> That year, 654 “highly VA-funded schools” received more than \$3.8 billion in total VA education payments.<sup>13</sup> The highly VA-funded schools—which each received at least \$2 million (and as much as \$113 million) in total payments from the Post-9/11 GI Bill from fiscal years 2010 through 2011—consisted of 293 public, 147 nonprofit, and 214 for-profit schools. Other VA-funded schools received about \$2.4 billion in total VA education payments in fiscal year 2011.<sup>14</sup> Highly VA-funded schools enrolled a greater number of students on average compared to other schools. In school year 2010-11, for example, 34 percent of highly VA-funded schools had more than 20,000 students, while only 2 percent of other VA-funded schools did.

The majority of VA’s education payments were distributed through the Post-9/11 GI Bill program, while the Montgomery GI Bill-Active Duty program provided the second highest amount of payments (see fig. 2). Use of the Post-9/11 GI Bill program increased more than any other VA education program from fiscal years 2010 through 2011. In fiscal year 2011, Post-9/11 GI Bill payments and number of student veterans served increased by over 50 percent. In contrast, enrollments and total payments for the Montgomery GI Bill-Active Duty program decreased by 25 percent from fiscal years 2010 through 2011. VA officials said that veterans with a choice between the Post-9/11 GI Bill and other programs may be more apt to choose the Post-9/11 GI Bill because of its more generous benefits.

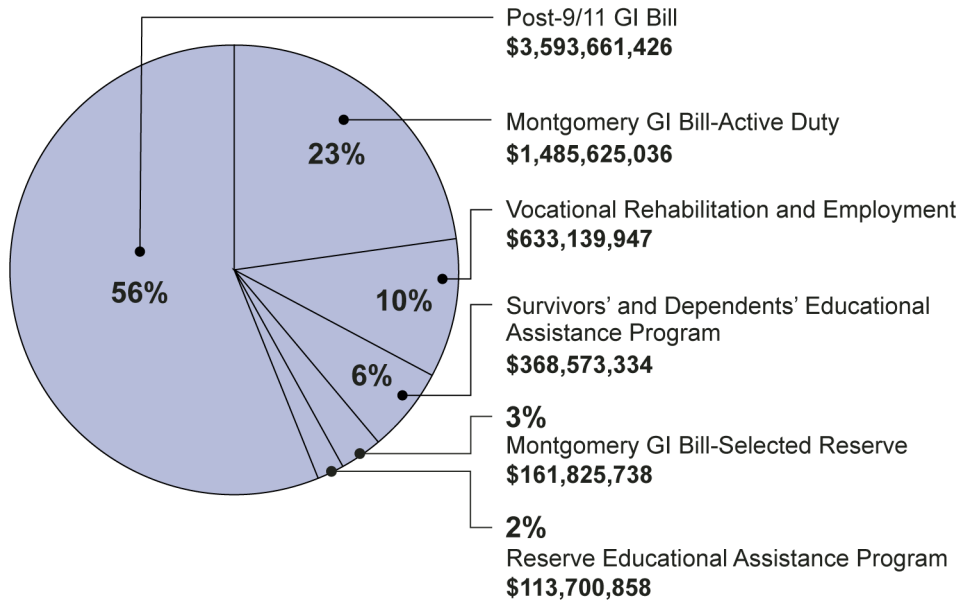
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<sup>12</sup> For this analysis, we used tuition and fee payments made directly to schools for the Post-9/11 GI Bill and the Vocational Rehabilitation and Employment program, but excluded payments made to student veterans for books and housing expenses, unless otherwise stated. For other VA education programs that pay a fixed monthly amount to veterans, we attributed to the school the total VA payments made to veterans, which may overestimate VA payments received by schools with tuition rates that are less than total VA payments.

<sup>13</sup> The schools in this highly VA-funded group each received at least \$2 million in total funding from fiscal years 2010 through 2011 from the Post-9/11 GI Bill.

<sup>14</sup> The Vocational Rehabilitation and Employment program includes a variety of postsecondary education providers, including computer training companies and law enforcement academies, which are included in total schools.

**Figure 2: Fiscal Year 2011 VA Education Payments by Program**

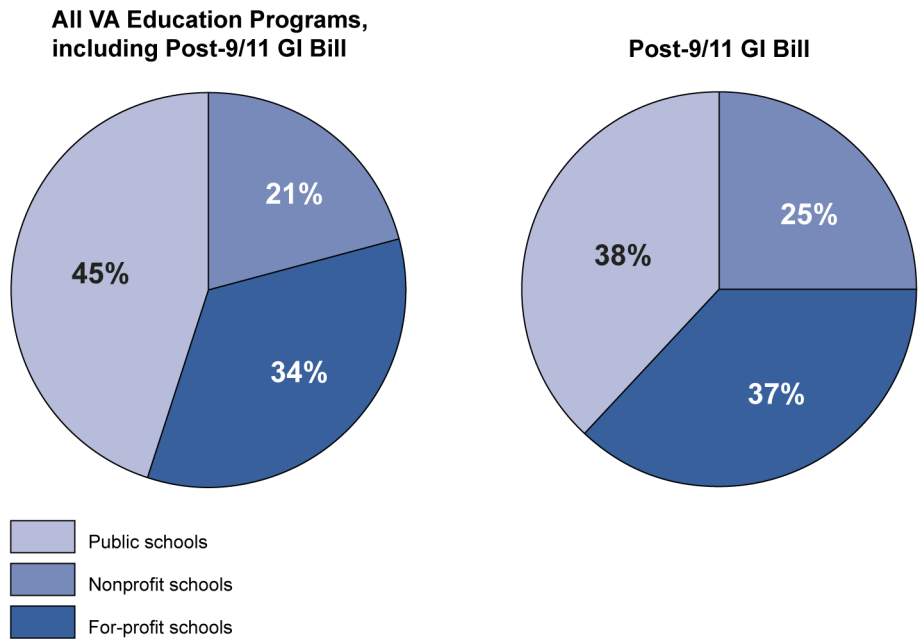


Source: GAO analysis of VA data.

Note: The Post-9/11 GI Bill and Vocational Rehabilitation and Employment payment amounts listed here include tuition and fee payments made to the school, but not additional housing allowance payments.

When we looked at all VA programs, we found that veterans used almost half of total nationwide VA education payments devoted to tuition and fees at public schools, about one-fifth at nonprofit schools, and about a third at for-profit schools in fiscal year 2011 (see fig. 3). However, the breakdown of Post-9/11 GI Bill funding was a little different—for-profit schools collectively received about the same percentage of tuition and fee payments from the Post-9/11 GI Bill program as public schools.

**Figure 3: Fiscal Year 2011 Tuition and Fee Payments by Sector for All VA Education Programs and for the Post-9/11 GI Bill**



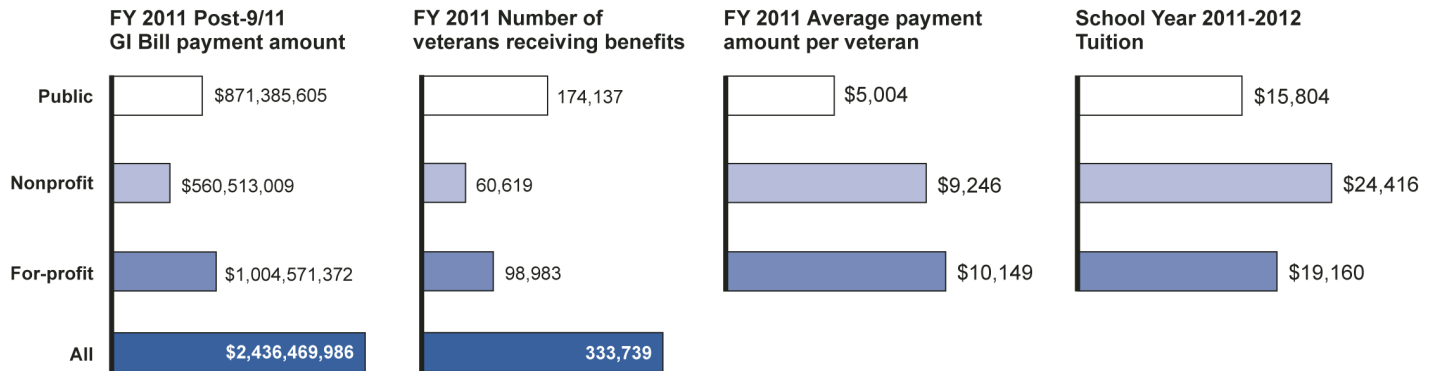
Source: GAO analysis of VA data.

Note: Payment amounts for the Post-9/11 GI Bill and the Vocational Rehabilitation and Employment programs include only tuition payments made directly to schools, but not additional housing allowance or other payments. For all other VA education programs, because it is not possible to determine what portion of payments was used for tuition payments to schools, payments include the total payments made to veterans, which may exceed actual tuition costs in some cases.

When looking specifically at highly VA-funded schools (those receiving \$2 million or more in Post-9/11 GI Bill funds from fiscal years 2010 through 2011), we found that for-profit schools received the most total Post-9/11 GI Bill payments for tuition and fees. Highly VA-funded for-profit schools also had the highest Post-9/11 GI Bill payments per veteran, while public schools enrolled the most veterans and had the lowest Post-9/11 GI Bill payments per veteran (see fig. 4).<sup>15</sup>

<sup>15</sup> The average VA payment amount per veteran is influenced by several factors, including tuition rates, program offerings, and use of the Yellow Ribbon GI Education Enhancement (Yellow Ribbon) Program. Under this program, participating private schools or public schools charging out-of-state tuition enter into a voluntary agreement with VA to pay a portion of the tuition and fees that exceed an individual's Post-9/11 GI Bill benefit and VA matches the school's contribution. 38 U.S.C. § 3317.

**Figure 4: Fiscal Year 2011 Post-9/11 GI Bill Payments, Numbers of Veterans, Payments per Veteran, and School Year 2011-12 Average Tuition, at Highly VA-Funded Schools, by Sector**



Source: GAO analysis of VA and IPEDS data on highly VA-funded schools.

Notes: Highly VA-funded schools are those that received at least \$2 million in total Post-9/11 GI Bill payments from FY 2010 through FY 2011.

When we tested narrower definitions of highly VA-funded schools, we saw similar results in the percentage of veterans at schools receiving at least \$5 million in Post-9/11 payments from FY 2010 through FY 2011. However, at the \$10 million payment level, for-profit schools did not enroll the highest proportion of student veterans, in contrast to the \$2 million level. Rather, nonprofit schools had the highest proportion of student veterans at the \$10 million level, while public schools had the lowest proportion. The number of schools in the \$15 million group was too small to conduct a reliable sector analysis.

FY = fiscal year.



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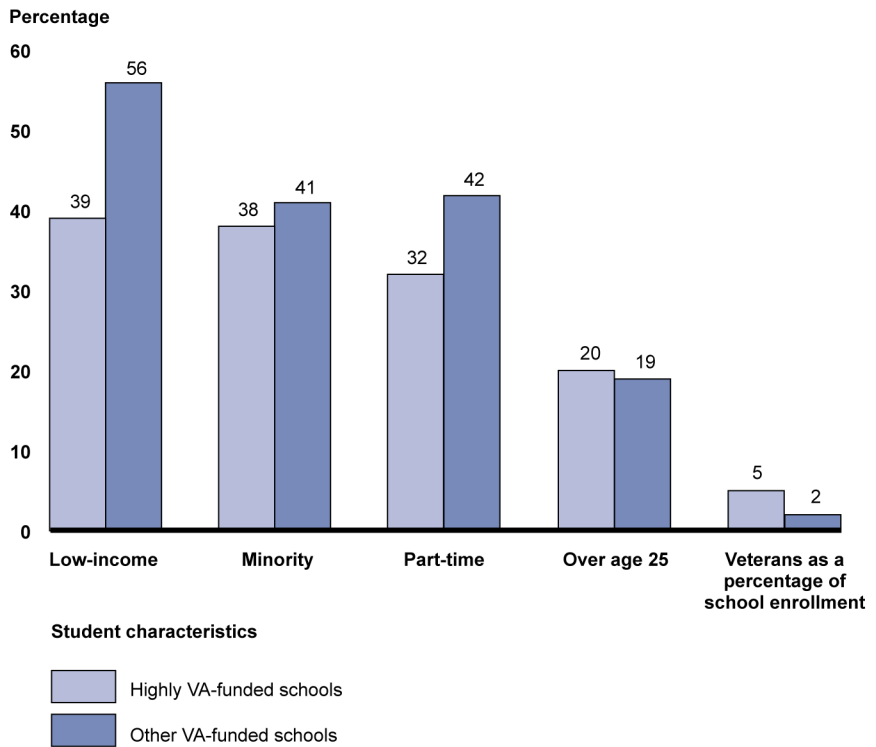
## Highly VA-Funded Schools Enrolled a Lower Percentage of Low-Income Students and Had More Positive Outcomes than Other Schools

Our analysis showed that the overall student population at highly VA-funded schools had some different characteristics and generally had higher retention and graduation rates compared to students enrolled at other VA-funded schools.<sup>16</sup> Highly VA-funded schools—those that received at least \$2 million in Post-9/11 GI Bill payments from fiscal years 2010 through 2011—generally enrolled a lower percentage of low-income students in school year 2011-2012 than other VA-funded schools (see fig. 5). They also enrolled proportionately fewer part-time students, a slightly lower percentage of minority students, and a higher proportion of veterans than other schools.

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<sup>16</sup> Our analyses of student and school characteristics are based on data for all students at a school and are not specific to student veterans. Our analyses are also limited to schools that reported data to the IPEDS system; some VA-funded schools are not required to report data to IPEDS. However, all highly VA-funded schools reported data to IPEDS and therefore were included in our analyses. Furthermore, the other VA-funded schools that did not report information to IPEDS represented a small percentage of the total cases—less than 1 percent of the total Post-9/11 GI Bill enrollees and tuition and fee payments. Retention rate is a measure of the rate at which students persist in their educational program at an institution, expressed as a percentage.

**Figure 5: Percentage of Low-Income, Minority, Part-Time, and Older Students at Highly VA-Funded and Other Schools, School Year 2011-12**



Source: GAO analysis of VA and IPEDS data.

Notes: We use the term “low-income” to describe students receiving federal Pell grants, a need-based federal student aid program for low-income students.

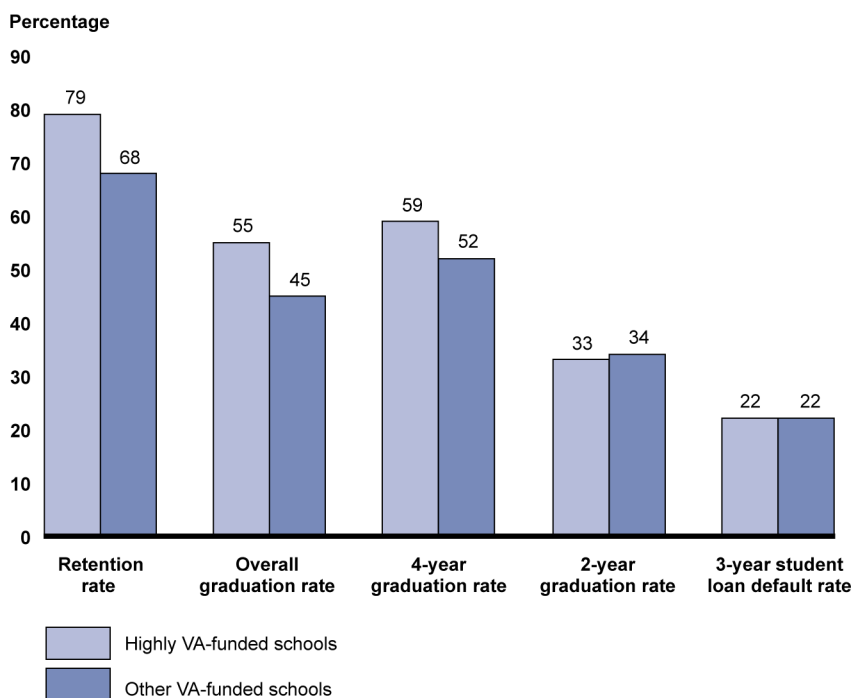
The information on veterans as a percentage of student enrollment is from school year 2010-2011.

Highly VA-funded schools are those that received at least \$2 million in total Post-9/11 GI Bill payments from fiscal year 2010 through fiscal year 2011.

Highly VA-funded schools generally had better retention and overall graduation rates, with similar student loan default rates as other VA-funded schools in school year 2011-2012 (see fig. 6). When we looked specifically at the graduation rates of 4-year schools, highly VA-funded schools generally had higher graduation rates. However, at 2-year

schools, highly VA-funded schools had slightly lower graduation rates than other schools.<sup>17</sup>

**Figure 6: School Year 2011-12 Retention, Overall Graduation, 4- and 2-Year Graduation, and 3-Year Student Loan Default Rates for Highly VA-Funded Schools and Other Schools**



Source: GAO analysis of VA and IPEDS data.

Notes: Highly VA-funded schools are those that received at least \$2 million in total Post-9/11 GI Bill payments from fiscal year 2010 through fiscal year 2011.

Overall graduation rates include rates for both 2-year and 4-year schools.

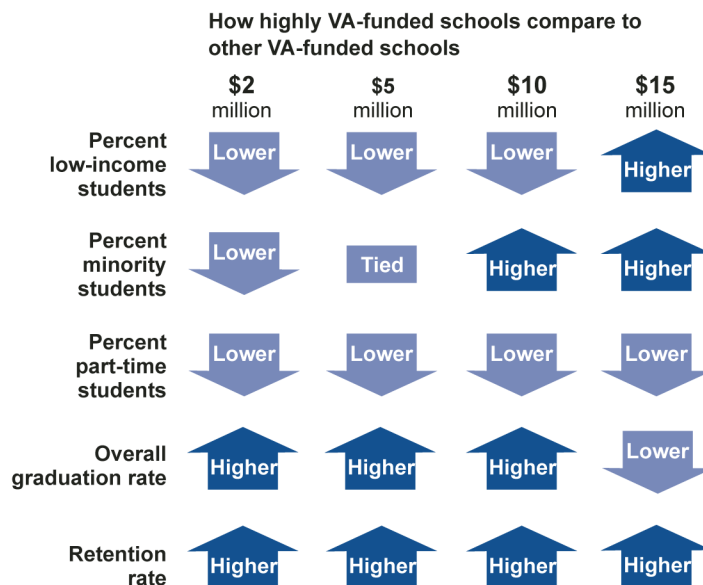
Education calculates student loan default rates to include defaults that occur within 3 years after a student borrower was required to begin repaying loans. In some cases, a school with several related campuses may report a single default rate for all of the campuses together. In these cases, we assigned that single rate to each campus.

IPEDS outcome data have certain limitations. For example, the graduation rate includes only first-time, full-time students, while part-time and transfer students are excluded from the calculation.

<sup>17</sup> See appendixes II and III for additional analyses of highly VA-funded and other VA-funded schools.

Our results were generally similar when we tested narrower definitions of highly VA-funded schools. Specifically, when we looked at schools receiving at least \$5 million and \$10 million (rather than \$2 million) in combined fiscal year 2010 and 2011 Post-9/11 GI Bill payments, student characteristics and outcomes were generally similar to the results at the \$2 million level (see fig. 7).<sup>18</sup> Student characteristics and outcomes differed somewhat for a small group of schools receiving at least \$15 million in Post-9/11 GI Bill payments. These 38 schools had a higher percentage of low-income students and lower overall graduation rates than other schools, in contrast to the results at the \$2 million level. However, the results for these 38 schools are sensitive to the inclusion or exclusion of specific schools. For example, the overall graduation rate is similar to the other levels when the largest school is excluded.

**Figure 7: Comparisons of Selected Student Characteristics and Outcomes for Different Definitions of Highly VA-Funded Schools**



Source: GAO analysis of FY 2010 and 2011 VA data and school year 2011-2012 IPEDS data.

Notes: The 2-year graduation rate differed at the \$15 million level as well. In contrast to the results at the \$2 million level, highly VA-funded schools at the \$15 million level had a higher 2-year graduation rate than other VA-funded schools. Likewise, the 4-year graduation rate differed at the \$15 million

<sup>18</sup> The \$5 million level created a highly VA-funded group of 239 schools and the \$10 million level created a group of 75 schools.

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level. In contrast to the results at the \$2 million level, highly VA-funded schools at the \$15 million level had a lower 4-year graduation rate than other VA-funded schools.

We use the term “low-income” to describe students who received federal Pell grants, a need-based federal student aid program for low-income students.

FY = fiscal year.

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## Among Highly VA-Funded Schools, Student Characteristics and Outcomes Varied at Public, Nonprofit, and For-Profit Schools

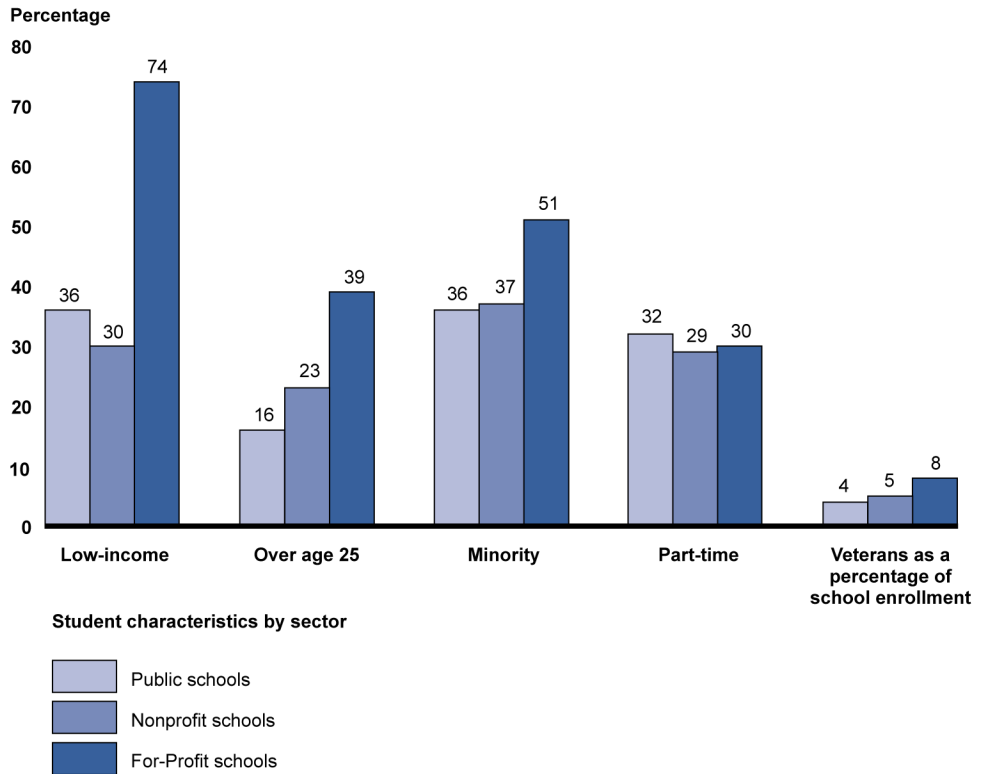
Within the highly VA-funded group of schools, for-profit schools had higher proportions of low-income and minority students, along with mixed outcomes in retention, graduation, and default rates, compared to public and nonprofit schools.<sup>19</sup> Nonprofit schools, meanwhile, had the lowest percentage of low-income students and public schools had the lowest percentage of minority students (see fig. 8).<sup>20</sup>

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<sup>19</sup> See appendix IV for additional analyses of highly VA-funded public, nonprofit, and for-profit schools.

<sup>20</sup> Previous GAO analysis found similar differences in student characteristics among public, nonprofit, and for-profit schools that participate in federal student aid programs. See GAO, *Postsecondary Education: Student Outcomes Vary at For-Profit, Nonprofit, and Public Schools*, [GAO-12-143](#) (Washington, D.C.: Dec. 7, 2011).

**Figure 8: Percentage of Different Student Populations at Highly VA-Funded Public, Nonprofit, and For-Profit Schools, School Year 2011-12**



Source: GAO analysis of VA and IPEDS data on highly VA-funded schools.

Notes: Highly VA-funded schools are those that received at least \$2 million in total Post-9/11 GI Bill payments from fiscal year 2010 through fiscal year 2011.

The information on veterans as a percentage of student enrollment is from school year 2010-2011.

We use the term “low-income” to describe students who received federal Pell grants, a need-based federal student aid program for low-income students.

After controlling for differences in school and student characteristics using multiple regression analysis, we found that student outcomes varied across schools in different sectors.<sup>21</sup>

<sup>21</sup> We controlled for a number of school and student characteristics, such as the size of the school, the proportion of low-income and minority students, and whether a school offered bachelor’s or graduate degrees. We conducted the multiple regression analysis using the \$2 million definition of highly VA-funded schools.

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- Retention Rates: Highly VA-funded for-profit schools had lower retention rates than public and nonprofit schools. The average for-profit school had retention rates about 6 points lower than similar public schools. Public and nonprofit schools had similar retention rates.<sup>22</sup>
  - Graduation Rates: Highly VA-funded for-profit and nonprofit schools had similar graduation rates, which were higher, on average, than graduation rates at public schools.<sup>23</sup> Graduation rates at for-profit schools were about 6 percentage points higher than those of public schools.<sup>24</sup>
  - Default Rates: Highly VA-funded for-profit schools had higher student loan default rates than public and nonprofit schools.<sup>25</sup> For-profit schools had default rates that were, on average, about 6.5 percentage

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<sup>22</sup> IPEDS retention and graduation rates are not directly related as they are calculated for different groups of students. IPEDS retention rates are calculated for first-time degree or certificate-seeking students from the previous fall who either re-enrolled or successfully completed their program by the current fall, except for 4-year schools, where they are calculated for first-time bachelor's degree-seeking undergraduates from the previous fall who are again enrolled in the current fall. By contrast, IPEDS graduation rates are calculated for students entering a school as full-time, first-time, degree/certificate-seeking undergraduate students in a particular year.

<sup>23</sup> In a previous report, we reviewed existing studies on students' outcomes that controlled for differences in student characteristics at public, nonprofit, and for-profit schools participating in federal student aid programs. We found that two studies showed that students at for-profit schools had higher graduation rates for certificate programs, similar graduation rates for associate's degree programs, and lower graduation rates for bachelor's degree programs than students at public and nonprofit schools. The studies we reviewed generally used a different data source for graduation rates than this report; they focused on individual student graduation rates, rather than aggregate school-level graduation rates reported in IPEDS. See [GAO-12-143](#). Our regression analysis of highly VA-funded schools controlled for schools offering programs of different lengths; however, methodological challenges with IPEDS graduation rates limited our ability to separately analyze graduation rates for different types of programs.

<sup>24</sup> Across sectors, schools with higher tuition tended to have higher retention and graduation rates than their lower-priced counterparts. Our model also showed that, as tuition increased, the percentage of the student body who were veterans decreased at highly VA-funded public and nonprofit schools. However, at highly VA-funded for-profit schools, higher tuition rates were not associated with significant declines in the proportion of veterans attending a school, after controlling for differences in school and student characteristics.

<sup>25</sup> In some cases, the student loan default rate is reported at a central campus level, rather than individual campuses. Accordingly, we used a collapsed dataset to assess differences in default rates at the central campus level.

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points higher than public schools' default rates. Public schools' default rates were, on average, slightly higher than nonprofit schools' rates.<sup>26</sup>

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## Agency Comments and Our Evaluation

We provided a draft copy of this report to VA and Education for review and comment. VA generally agreed with GAO's findings and provided some technical comments, which we incorporated as appropriate (see app. V for VA's comments). Education did not provide formal comments on this report, but did provide some technical comments that we incorporated as appropriate.

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We are sending copies of this report to relevant congressional committees, the Secretaries of VA and Education, and other interested parties. In addition, this report will be available at no charge on GAO's Web site at <http://www.gao.gov>.

If you or your staff have any questions about this report, please contact me at (617) 788-0534 or [EmreyArrasM@gao.gov](mailto:EmreyArrasM@gao.gov). Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report. GAO staff who made key contributions to this report are listed in appendix VI.

*Melissa Emrey-Arras*

Melissa Emrey-Arras  
Director, Education, Workforce, and  
Income Security Issues

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<sup>26</sup> In a previous report, we reviewed existing studies on students' outcomes that controlled for differences in student characteristics at public, nonprofit, and for-profit schools participating in federal student aid programs. In that report, we reviewed the results from two studies that showed students at for-profit schools had higher default rates than those at 4-year public schools, but had mixed results compared to students at other schools—specifically, one study showed that students at for-profit schools had higher default rates than those at 4-year nonprofit schools and 2-year nonprofit and public schools, while the other study did not show any statistically significant differences. See [GAO-12-143](#).



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# Appendix I: Scope and Methodology

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To address our objectives, we reviewed relevant federal laws and regulations, interviewed VA and Education officials, and analyzed fiscal years 2010 and 2011 data from VA on enrollment and payment amounts by school for all students receiving benefits from one of VA's education programs. Specifically, we compared payment levels across VA education programs and types of schools and identified schools with high payment levels. We then conducted descriptive statistical analyses using VA payment data and school characteristics data reported by schools through Education's Integrated Postsecondary Education Data System (IPEDS) to compare the student outcomes and other characteristics of highly VA-funded schools with other schools receiving VA funding. In addition, we conducted multivariate statistical analysis to examine sector level differences in student outcomes at highly VA-funded schools.

We conducted our review between February 2012 and July 2013 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings based on our audit objectives.

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## Data Sources

We used the following data sources for our analyses.

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### VA Data

We obtained data from VA on enrollment and payment amounts by school for students receiving benefits from the following VA education programs in fiscal years 2010 or 2011:

- Post-9/11 Veterans Educational Assistance Program
- Montgomery GI Bill—Active Duty
- Montgomery GI Bill—Selected Reserve
- Survivors' and Dependents' Educational Assistance Program
- Reserve Educational Assistance Program
- Vocational Rehabilitation and Employment Program

We assessed the reliability of the VA payment and enrollment data by interviewing VA officials about how these data were compiled and reviewing documentation about VA's data systems. As a result of this assessment, we concluded that VA data were sufficiently reliable for our reporting purposes.

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## IPEDS

IPEDS is a system of interrelated surveys conducted annually to gather information from every college, university, and technical and vocational institution that participates in federal student financial aid programs. The Higher Education Act of 1965<sup>1</sup> requires institutions that participate in federal student aid programs to complete surveys conducted as part of IPEDS, which requires schools to report data on enrollments, program completions, graduation rates, finances, institutional prices, and student financial aid.<sup>2</sup> We used IPEDS data for the 2010-2011 and 2011-2012 school years to identify the characteristics of schools that received VA education payments, such as sector, enrollment, highest degree offering, student characteristics, graduation rate, and retention rate. We assessed the reliability of IPEDS data by discussing variables with IPEDS officials and reviewing past GAO uses of IPEDS data. As a result of this assessment, we concluded that IPEDS data were sufficiently reliable for our reporting purposes.

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## Student Loan Default Rates

We obtained data on student loan default rates from the National Student Loan Data System (NSLDS), which is Education's central database for federal student aid grants and loans. We used the official fiscal year 2009 3-year cohort default rate. This is calculated for all borrowers of federal student loans who were required to begin repaying these loans in fiscal year 2009 and is calculated by determining how many of these borrowers defaulted on their loans in fiscal years 2009, 2010, or 2011. We assessed the reliability of the default rate data by interviewing Education officials about how the NSLDS data are compiled and used. As a result of this assessment, we concluded that default rate data were sufficiently reliable for our reporting purposes.

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## 90/10 Rates at For-Profit Schools

To maintain their eligibility for federal student aid programs (those authorized by Title IV of the Higher Education Act of 1965<sup>3</sup>), for-profit schools must obtain at least 10 percent of their total revenues from sources other than federal student aid programs—this is known as the 90/10 rule.<sup>4</sup> The percentage of a for-profit school's total revenues

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<sup>1</sup> 20 U.S.C. §§ 1070-1099d and 42 U.S.C. §§ 2751-2756b.

<sup>2</sup> 20 U.S.C. § 1094(a)(17).

<sup>3</sup> 20 U.S.C. §§ 1070-1099d and 42 U.S.C. §§ 2751-2756b.

<sup>4</sup> 20 U.S.C. § 1094(a)(24).

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obtained from federal student aid programs is known as the “90/10 rate.” Our analysis of 90/10 rates is presented in appendix II.

We obtained data on 90/10 rates at for-profit schools from Education’s eZ-Audit data system, which collects information from the annual audited financial statements of all schools receiving federal student aid funds. We used 90/10 rates that were reported on schools’ audited financial statements for school fiscal years that ended between July 1, 2010 and June 30, 2011. We assessed the reliability of the 90/10 rates by reviewing past GAO uses of 90/10 data and discussing the current data system with Education officials. As a result of this assessment, we concluded that the eZ-Audit data were sufficiently reliable for our reporting purposes.

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## Data Analysis

**Objective 1:** We analyzed VA’s data to compare payment and enrollment levels across VA’s different education programs. Comparing payments received by schools across VA education programs is complicated by the different payment mechanisms used by VA education programs. Most VA education programs provide a fixed monthly payment to the student veteran who can use it to pay for tuition and other education expenses. For the analyses in this objective, we attributed total payments made to a veteran or other beneficiary under these programs to the school; however, to the extent that the total payments exceed a school’s tuition, this analysis may overestimate VA payment amounts received by schools with lower tuition. The Post-9/11 GI Bill and the Vocational Rehabilitation and Employment (VR&E) programs are different in that they make tuition and fee payments directly to the school a veteran or other beneficiary is attending. Our calculations for those programs include tuition and fee payments made to the school, but not additional housing allowance or other payments, unless otherwise stated. The total number of schools in our analysis was increased by including payments for education programs funded by the VR&E program. The VR&E program includes a variety of education providers, such as computer training companies, law enforcement academies, and private tutoring services. We also analyzed VA’s data to compare payment and enrollment levels at different types of schools (e.g., associate’s, bachelor’s, and non-college degree programs and public, nonprofit, and for-profit schools).

**Defining Highly VA-Funded Schools:** We also used the VA payment data to define highly VA-funded schools. We defined highly VA-funded schools using Post-9/11 GI Bill payments because it is the largest VA education program in terms of total student enrollment and tuition and fee payments and because tuition and fee payments made to the school can

be identified. Specifically, we defined highly VA-funded schools as those that received at least \$2 million in total tuition and fee payments from the Post-9/11 GI Bill for fiscal years 2010 through 2011. We used this cut-off because this group of schools represented the majority of Post-9/11 GI Bill funding (60 percent) and included sufficient numbers of schools in different sectors to allow us to compare sector results using a multiple regression analysis.

We conducted extensive sensitivity analyses to assess the consistency of our results for more narrow definitions of highly VA-funded schools. Specifically, we repeated our analyses using a cut-off of \$5 million, \$10 million, and \$15 million for highly VA-funded schools. Table 2 provides information on the number of schools included at each funding level, by sector.

**Table 2: Highly VA-Funded Schools at Different Post-9/11 Payment Levels**

	\$2 Million		\$5 Million		\$10 Million		\$15 Million	
	Number of schools	Percentage	Number of schools	Percentage	Number of schools	Percentage	Number of schools	Percentage
Public Schools	293	45%	101	42%	20	27%	8	21%
Nonprofit Schools	147	22%	57	24%	22	29%	8	21%
For-Profit Schools	214	33%	81	34%	33	44%	22	58%
<b>Total</b>	<b>654</b>	<b>100%</b>	<b>239</b>	<b>100%</b>	<b>75</b>	<b>100%</b>	<b>38</b>	<b>100%</b>

Source: GAO analysis of VA data.

Our findings at the \$5 million and \$10 million levels were generally consistent with our findings at the \$2 million level, although some differences were not statistically different. This may be due to the fact that analyses at the higher dollar thresholds were based on fewer observations. Some results differed at the \$15 million dollar level; however, this group consisted of a very small number of schools and statistical testing on such a small subset of schools may be less reliable and more subject to the influence of large outliers than at the \$2 million, \$5 million, or \$10 million levels. The results for these 38 schools are sensitive to the inclusion or exclusion of specific schools. For example, the overall graduation rate is similar to the other levels when the largest school is excluded. Therefore, the conclusions that can be drawn from statistical analyses at the \$15 million level are more limited than at the \$2 million level. Further, because of the limited number of schools at the \$10

million and \$15 million levels, we could not confirm whether sector differences we observe at these payment levels would persist after controlling for other factors with regression modeling.

**Objectives 2 and 3:** For these objectives, we first had to merge the VA payment and enrollment data with IPEDS data on student and school characteristics. We matched all of the highly VA-funded schools with the appropriate school in the IPEDS database. However, we could not match all of the other VA-funded schools for a variety of reasons. For example, some VA-funded schools do not participate in federal student aid programs and are therefore not included in IPEDS. In addition, the data for VA's Vocational Rehabilitation and Employment program included payments for tutoring and employment services provided by entities other than schools (and that were not relevant to our analyses). It is also possible that we were unable to match some schools because the school name in the VA data did not match closely enough to the school name listed in IPEDS. However, these non-matched schools represented a small percentage of the total cases—less than 1 percent of the total Post-9/11 enrollees and tuition payments.

We then calculated a variety of student and school characteristics, such as the percentage of students who are low-income,<sup>5</sup> minority, or over the age of 25; and graduation and retention rates.<sup>6</sup> Education's data do not identify student veterans, so these characteristics are for a school's total student population and are not veteran specific. We compared student and school characteristics at (1) highly VA-funded schools with other schools receiving VA education payments and (2) public, nonprofit, and for-profit schools in the highly VA-funded group. For our descriptive analysis of student-level characteristics (such as the percentage of low-income or minority students or graduation rates), we calculated percentages using the student population (rather than the number of schools) as the denominator.

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<sup>5</sup> We use the term "low-income" to describe students who received federal Pell grants, a need-based federal student aid program for low-income students.

<sup>6</sup> Retention rate is a measure of the rate at which students persist in their education program at an institution, expressed as a percentage. For 4-year institutions, this is the percentage of first-time bachelor's (or equivalent) degree-seeking undergraduates from the previous fall who are again enrolled in the current fall. For all other institutions this is the percentage of first-time degree/certificate-seeking students from the previous fall who either re-enrolled or successfully completed their program by the current fall.

**Descriptive Statistics:** We conducted various descriptive statistical analyses to determine whether highly VA-funded schools had different school and student characteristics and outcomes than other schools that received payments from VA education benefits. We conducted similar analyses to determine whether specific kinds of highly VA-funded schools had different school and student characteristics and outcomes than others. We examined t-tests of means and proportions for continuous and categorical variables, comparing both highly VA-funded schools to all other schools, and, among highly VA-funded schools, comparing schools in different sectors. We aggregated across schools within each sector to develop implicitly weighted means and proportions for these comparisons; accordingly, large outliers may have an influence on the results, particularly when looking at smaller subsets of schools. Additionally, these kinds of t-tests assume that there are a sufficient number of schools in each sector to reliably calculate a distribution around the statistic of interest. We did not conduct statistical testing across sectors among schools receiving \$15 million or more in VA payments—when there are as few as 8 schools per sector—because this assumption does not apply. All differences reported are significant at the 95 percent level unless otherwise noted. This indicates that there is less than a 5 percent probability that we would have gotten such a result by chance if there were really no difference in the mean or proportion between variables. These analyses examine differences prior to controlling for the effects of other variables.

**Multiple Regression Analysis:** To develop meaningful comparisons when comparing different types of schools, it is important to account for differences in student and institutional characteristics as much as possible. We used a school-level analysis for the regression analysis. We conducted additional analyses of our comparison of highly VA-funded schools in different sectors to control for differences in student and institutional characteristics. We were not able to conduct a similar analysis for our comparison of highly VA-funded schools with other VA-funded schools because some of the other VA-funded schools did not report IPEDS information; however, these schools represent a small percentage of total Post-9/11 GI Bill payments and enrollment.<sup>7</sup> Multiple regression analysis is a method for exploring how a dependent variable is related to a number of independent variables, while controlling for other

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<sup>7</sup> All of the highly VA-funded schools reported information to IPEDS.

factors that could have an impact on the value of the dependent variable. We used ordinary least squares regression modeling to assess whether observed differences in student outcomes at highly VA-funded schools in different sectors remained after controlling for differences in student characteristics.

We tested multiple model specifications to ensure that our estimates were stable across different models, as well as different functional forms for the dependent variables to ensure consistency of interpretation. While we report the results from our analysis of all highly VA-funded schools, we also estimated the models using the subset of schools that received \$5 million or more in VA payments. Except where noted below with respect to the retention rate analysis, the results were consistent across specifications and populations, in terms of the direction, relative magnitude, and significance of the coefficients. Results reported are significant at the 95 percent level.

For our regression analysis of the proportion of veterans for highly VA-funded schools, we used the log of the veteran-student ratio (veterans as a percent of all students) to mitigate high skew, the impact of outliers, and to ensure that the data better conformed with the statistical assumptions that underlie linear regression modeling. We controlled for a variety of characteristics in addition to sector, including school enrollment in five categories, whether a school offered bachelor's or graduate degrees, whether a school offered distance education, the school's specialty (information technology, health care, or business compared to other schools), tuition, and student characteristics.<sup>8</sup> Student characteristics included the percent of students on Pell Grants (as a proxy for the percent of low-income students), the percent of part-time students, and the percentages of students who were minority, female, or over the age of 25. Our model showed that after controlling for other factors there was no significant difference in the log of the veteran-student ratios across sectors. As tuition increased, the percentage of the student body who were veterans generally decreased. When we examined an interaction term for sector and tuition, we found that the veteran-student ratios

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<sup>8</sup> Enrollment was broken into five categories, based roughly on the 10<sup>th</sup> percentile, the 25<sup>th</sup> percentile, the 75<sup>th</sup> percentile and the 90<sup>th</sup> percentile. Depending on the model, tuition was broken into five categories based roughly on the 10<sup>th</sup>, 25<sup>th</sup>, 75<sup>th</sup> and 90<sup>th</sup> percentiles, or into three categories as part of an interaction term with sector based loosely on the 10<sup>th</sup> and 90<sup>th</sup> percentile cutoffs.

decreased significantly as tuition increased for public and nonprofit schools, but that the veteran-student ratio at for-profit schools did not appear to fall as tuition increased. That is, as tuition increased, the percentage of the student body who were veterans at highly VA-funded public and nonprofit schools decreased after controlling for school and student characteristics, whereas at highly VA-funded for-profit schools, higher tuition rates were not associated with significant declines in the proportion of veterans attending a school. Our final model with separate terms for sector and tuition included 646 schools with complete data on veteran-student ratio and all independent variables, and had an  $R^2$  of .66, meaning that variation in the independent variables predicted approximately two-thirds of the variation in the log of the veteran-student ratio.

When analyzing graduation and retention rates, we adapted our set of independent variables to accommodate potential confounds resulting from the fact that schools serve students who are pursuing different levels of degrees.<sup>9</sup> Instead of controlling for the highest degree offered, our regression models control for the primary focus of the school by including intercepts for schools that primarily serve students seeking associate's degrees, schools that do not primarily serve students seeking bachelor's degrees, and for schools that offered greater than a bachelors' degree. We also included a control for the proportion of veterans in the school population, as well as the balance of the student and school controls used in our model of the proportion of veterans at a school. We excluded from the regression analyses of graduation and retention rates those few highly VA-funded schools that reported serving only graduate students or not offering degrees, and schools that had graduation rates more than 10 percentage points higher than their retention rates.<sup>10</sup> After excluding these records, records with missing or problematic graduation or retention rate data, and other records with missing data on independent variables, our regression analyses included 608 and 582 schools respectively for the analyses of graduation and retention rates.

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<sup>9</sup> Schools that have a 4-year component but that serve primarily associate's degree or other students may report only the 4-year graduation rate, even if 4-year students are a relatively small portion of the school's student body.

<sup>10</sup> Although in theory a school cannot graduate a larger proportion of students than it retains, in practice the use of different student cohorts in the denominator of graduation and retention rate calculations can result in minor misalignments across years.



We found that, on average, highly VA-funded nonprofit and for-profit schools had significantly higher graduation rates than public schools, after adjusting for other factors. Nonprofit schools' graduation rates were, on average, about 6.5 percentage points higher than those of public schools, and the graduation rate of for-profit schools was on average about 6.0 percentage points higher than those of public schools; the difference between nonprofit schools' rates and those of for-profit schools was not statistically significant. Across sectors, schools with higher tuition tended to have significantly higher graduation rates than their lower-priced counterparts, controlling for school and student characteristics. Our final model with separate terms for sector and tuition had an  $R^2$  of .74, which suggests that the variation in the independent variables predicted approximately three-quarters of the variation in the graduation rate. Our regression analysis of retention rates showed that controlling for other factors, public and nonprofit schools had similar retention rates, while on average, for-profit schools had significantly lower retention rates than public and nonprofit schools. After controlling for school and student characteristics, for-profit schools had retention rates that were on average approximately 6 points lower than that of public schools with similar characteristics. Additionally, although schools with higher tuitions tended to have higher retention rates than their lower-priced counterparts, an interaction term to explore this relationship showed that it did not hold for for-profit schools. In other words, although higher-priced public and nonprofit schools had higher retention rates than low-priced public schools, there was no statistically significant difference between low-priced public school's retention rates and those of higher-priced for-profit schools. Our final model with separate terms for sector and tuition had an  $R^2$  of .60, meaning that the variation in our independent variables predicted approximately 60 percent of the variation in the retention rate.

The student loan default rate is reported at the Office of Postsecondary Education Identification (OPEID-6) level that may link to a central campus or school, rather than individual campuses; consequently we used a collapsed dataset to assess differences in default rate at the central campus or school level.<sup>11</sup> The dataset collapsed together highly VA-funded schools based on the OPEID-6 identifier, which left approximately

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<sup>11</sup> The OPEID-6 is the identification number used by Education's Office of Postsecondary Education to identify schools that have program participation agreements so that its students are eligible to participate in federal student financial assistance programs under Title IV regulations.

560 schools and chains for analysis; due to missing data on independent variables, our models of default rate include 546 cases. Although the majority of our control variables overlap with those used in other models, we did not include in our default rate analysis variables that were unique to a site or campus, such as whether a school offered distance education. For student characteristic variables, each individual variable reflects the number of students in the category across all sites or campuses over the total number of students across sites or campuses. Our tuition measure is a weighted average across campuses, weighted by total enrollment. The size variable is based on the total enrollment at all campuses. Our regression analysis shows that among schools and chains, highly VA-funded for-profit schools and chains had significantly higher student loan default rates than nonprofit and public schools. The default rate of nonprofit schools was slightly but significantly below that of public schools, controlling for other factors. Overall, highly VA-funded for-profit schools and chains had default rates that were, on average, about 6.5 percentage points higher than their public counterparts, whereas the default rate at nonprofit schools was approximately 1 percentage point lower than that for public schools, after adjusting for tuition, size, and student characteristics. When we limited our analysis to schools receiving \$5 million or more in VA payments, we found that while for-profit schools and chains still appeared to have higher default rates than public schools, the default rate of nonprofit schools was not significantly different from that of public schools. Our final model of the default rate at all highly VA-funded central campuses and institutions had an  $R^2$  of about .70, which suggests that variation in the independent variables in the model predicted approximately 70 percent of the variation in the default rate.

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## Limitations of the Analysis

The student characteristics and outcomes included in our analyses are for all students enrolled at a school and are not specific to student veterans. While veterans typically represent a small percentage of a school's overall student population, we analyzed the characteristics and outcomes of the overall student populations because veteran-specific data do not exist.

The student outcomes measures used in our analyses have certain limitations. For example, the IPEDS graduation rates include only full-time, first-time students and thus exclude a significant number of other students (e.g., those who attend part-time or transfer to another school). For schools with a bachelor's degree as the highest degree offered, the IPEDS retention rates include only students seeking a bachelor's degree, even if most students at the school receive associate's degrees. Finally,

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Education tracks only student loan default rates for a 3-year period after a borrower is scheduled to begin repaying the student loan. Defaults that occur after this 3-year period are not counted in a school's default rate.

Lastly, schools do not always report their IPEDS graduation and retention rate data using the same unit of analysis as their default and 90/10 rates. Education allows a school to report data on related campuses in several ways. For example, a school with five related campuses may report a separate graduation rate for each campus, but a single 90/10 rate or a single default rate for the five campuses together. In these cases, we assigned the single 90/10 rate or default rate to each related campus for our descriptive analysis. For our regression modeling of default rates, we collapsed data to the central campus or institution level.

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# Appendix II: For-Profit Schools and the 90/10 Requirement

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To maintain their eligibility for federal student aid programs (those authorized by Title IV of the Higher Education Act of 1965, as amended, such as Pell Grants and William D. Ford Federal Direct Loans), for-profit schools must obtain at least 10 percent of their total revenues from sources other than federal student aid programs—this is known as the 90/10 rule.<sup>1</sup> Because VA education payments are not authorized by this legislation, it is counted as non-federal student aid for this purpose and thus toward the 10 percent requirement; as a result, enrolling veterans helps for-profit schools meet the 90/10 rule. The percentage of a for-profit school's total revenues obtained from federal student aid programs is known as the "90/10 rate." If a for-profit school does not comply with the 90/10 rule for 1 fiscal year, the school's eligibility to participate in the federal student aid program becomes provisional for the next 2 years.<sup>2</sup> If noncompliance occurs for 2 consecutive fiscal years, the school becomes ineligible to participate in the federal student aid program for at least 2 fiscal years.

Schools with high levels of revenue from sources other than federal student aid (such as Post-9/11 GI Bill payments) could be expected to have a lower proportion of overall revenue from federal student aid programs and therefore lower 90/10 rates. This is what we found when we compared 90/10 rates at highly VA-funded and other VA-funded for-profit schools. Specifically, a somewhat higher percentage of highly VA-funded schools had 90/10 rates at 85 percent or below, compared to other for-profit schools (see fig. 9). In other words, highly VA-funded for-profit schools had lower 90/10 rates in the aggregate than other for-profit schools, meaning that they received proportionally less federal student aid than other for-profit schools.<sup>3</sup>

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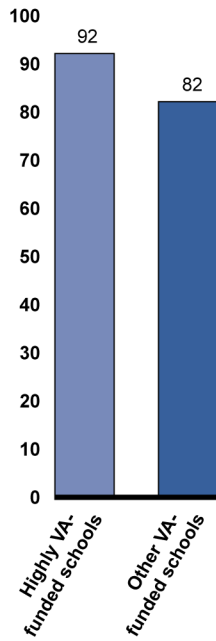
<sup>1</sup> 20 U.S.C. § 1094(a)(24).

<sup>2</sup> 20 U.S.C. § 1094(d)(2).

<sup>3</sup> For more information on 90/10 rates, see GAO, *For-Profit Schools: Large Schools and Schools that Specialize in Healthcare Are More Likely to Rely Heavily on Federal Student Aid*, [GAO-11-4](#) (Washington, D.C.: Oct. 4, 2010).

**Figure 9: 90/10 Rates of Highly VA-Funded and Other VA-Funded Schools, School Year 2011-12**

Percentage of schools at 90/10 rate 85 percent or below



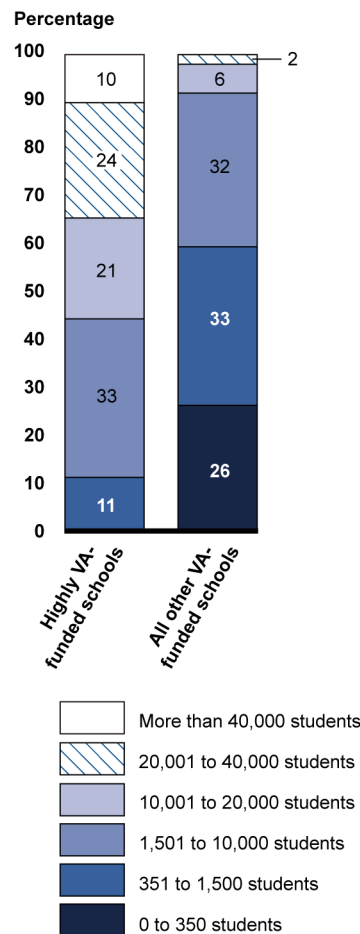
Source: GAO analysis of VA and IPEDS data.

Note: Highly VA-funded schools are those that received at least \$2 million in total Post-9/11 GI Bill payments from fiscal year 2010 through fiscal year 2011.

# Appendix III: School Characteristics at Highly VA-Funded Schools Compared to Other VA-Funded Schools

This appendix presents additional data comparing school characteristics at highly VA-funded schools and other VA-funded schools.

**Figure 10: Number of Students at Highly VA-Funded and Other VA-Funded Schools, School Year 2010-11**



Source: GAO analysis of VA and IPEDS data.

Note: Highly VA-funded schools are those that received at least \$2 million in total Post-9/11 GI Bill payments from fiscal year 2010 through fiscal year 2011.

**Appendix III: School Characteristics at Highly VA-Funded Schools Compared to Other VA-Funded Schools**

**Table 3: Fiscal Year 2011 Post-9/11 GI Bill Funding, Numbers of Veterans, and Funding per Veteran**

	<b>FY 2011 Post-9/11 GI Bill Funding</b>	<b>FY 2011 Post-9/11 GI Bill Student Veterans</b>	<b>FY 2011 Funding Per Veteran</b>	<b>School Year 2011-2012 Average Tuition</b>
Highly VA-Funded Schools	\$2,436,469,986	333,739	\$7,300.53	\$18,829
Other VA-Funded Schools	\$1,139,785,636	222,549	\$5,121.50	\$16,689

Source: GAO analysis of VA and IPEDS data.

Notes: Highly VA-funded schools are those that received at least \$2 million in total Post-9/11 GI Bill payments from FY 2010 through FY 2011.

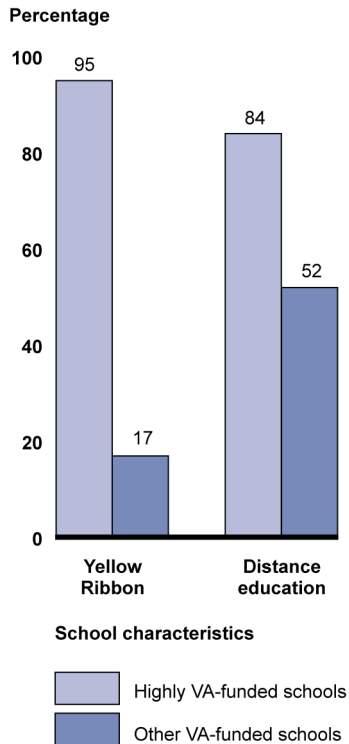
Post-9/11 GI Bill funding per veteran is influenced by several factors, including tuition rates, program offerings, and use of the Yellow Ribbon program.

Tuition may be higher at the highly VA-funded schools because they all offer at least an associate's degree, while some other VA-funded schools offer only non-degree programs; tuition tends to increase for more advanced degrees.

FY = fiscal year.

**Appendix III: School Characteristics at Highly VA-Funded Schools Compared to Other VA-Funded Schools**

**Figure 11: Comparison of Yellow Ribbon Program Participation and Distance Education at Highly VA-Funded and Other VA-Funded Schools, School Year 2011-12**



Source: GAO analysis of VA and IPEDS data.

Notes: Highly VA-funded schools are those that received at least \$2 million in total Post-9/11 GI Bill payments from fiscal year 2010 through fiscal year 2011.

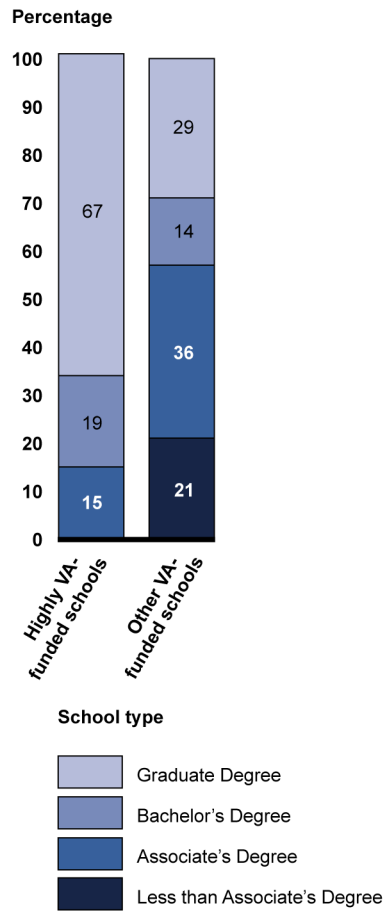
Veterans attending nonprofit or for-profit schools (or public schools as out-of-state students) may receive additional benefits to cover tuition costs that exceed their Post-9/11 GI Bill benefit through VA's Yellow Ribbon Program. Under this program, participating schools enter into a voluntary agreement with VA to pay a portion of the tuition and fees that exceed an individual's Post-9/11 GI Bill benefit and VA matches the school's contribution.

Distance education refers to schools that offer any courses via the internet, video, or other forms outside the classroom.



**Appendix III: School Characteristics at Highly VA-Funded Schools Compared to Other VA-Funded Schools**

**Figure 12: School Year 2011-12 Highest Degree Offering at Highly VA-Funded and Other VA-Funded Schools**



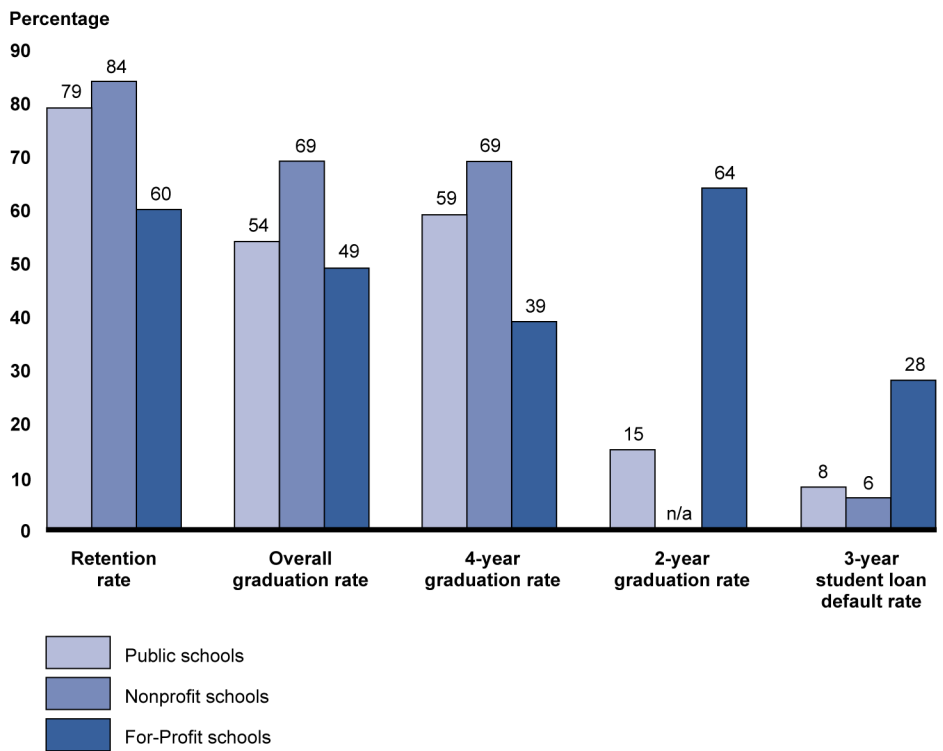
Source: GAO analysis of VA and IPEDS data.

Note: Highly VA-funded schools are those that received at least \$2 million in total Post-9/11 GI Bill payments from fiscal year 2010 through fiscal year 2011.

# Appendix IV: Comparisons of School Characteristics across Public, Nonprofit, and For-Profit Schools

This appendix presents additional data comparing student outcomes and school characteristics at highly VA-funded public, nonprofit, and for-profit schools.

**Figure 13: Retention, Overall Graduation, 4- and 2-Year Graduation, and 3-Year Student Loan Default Rates across Highly VA-Funded Schools, by Sector, School Year 2011-12, before Controlling for Differences in Student and School Characteristics**

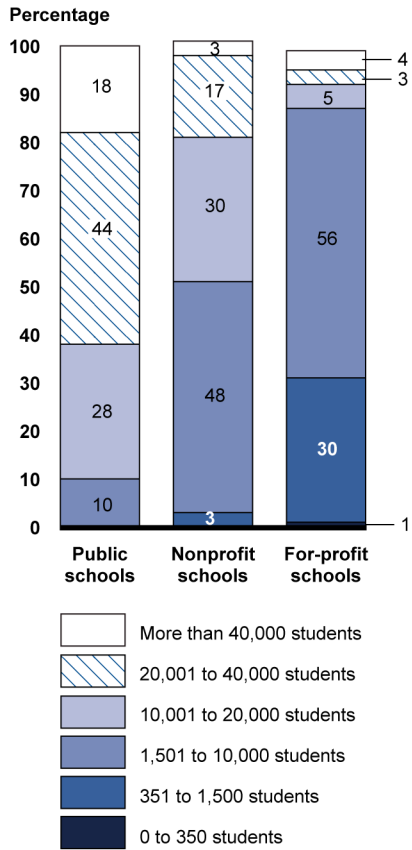


Source: GAO analysis of VA and IPEDS data on highly VA-funded schools.

Note: Highly VA-funded schools are those that received at least \$2 million in total Post-9/11 GI Bill payments from fiscal year 2010 through fiscal year 2011.

**Appendix IV: Comparisons of School Characteristics across Public, Nonprofit, and For-Profit Schools**

**Figure 14: School Year 2010-11 Enrollment Levels at Highly VA-Funded Schools, by Sector**

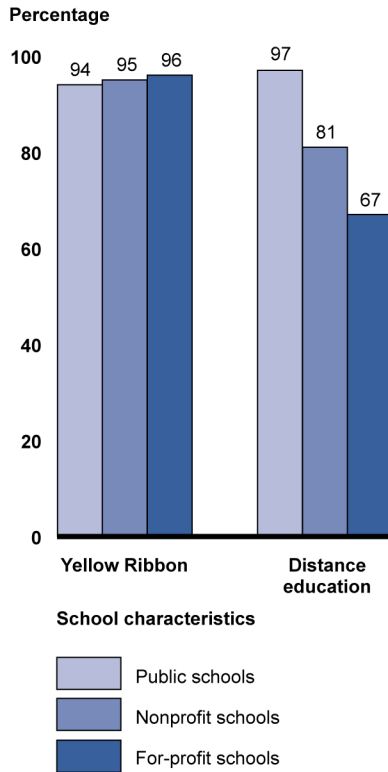


Source: GAO analysis of VA and IPEDS data on highly VA-funded schools.

Note: Highly VA-funded schools are those that received at least \$2 million in total Post-9/11 GI Bill payments from fiscal year 2010 through fiscal year 2011.

**Appendix IV: Comparisons of School Characteristics across Public, Nonprofit, and For-Profit Schools**

**Figure 15: School Year 2011-12 Comparison of Yellow Ribbon Program Participation and Distance Education at Highly VA-Funded Schools, by Sector**



Source: GAO analysis of VA and IPEDS data on highly VA-funded schools.

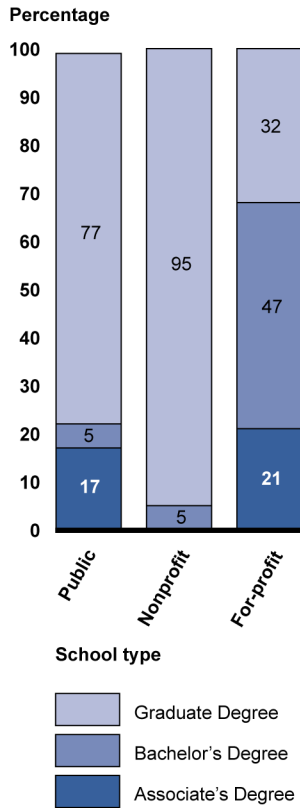
Notes: Highly VA-funded schools are those that received at least \$2 million in total Post-9/11 GI Bill payments from fiscal year 2010 through fiscal year 2011.

Veterans attending nonprofit or for-profit schools (or public schools as out-of-state students) may receive additional benefits to cover tuition costs that exceed their Post-9/11 GI Bill benefit through VA's Yellow Ribbon Program. Under this program, participating schools enter into a voluntary agreement with VA to pay a portion of the tuition and fees that exceed an individual's Post-9/11 GI Bill benefit and VA matches the school's contribution.

Distance education refers to schools that offer any courses via the internet, video, or other forms outside the classroom.

**Appendix IV: Comparisons of School Characteristics across Public, Nonprofit, and For-Profit Schools**

**Figure 16: School Year 2011-12 Highest Degree Offering at Highly VA-Funded Schools, by Sector**



Source: GAO analysis of VA and IPEDS data on highly VA-funded schools.

Note: Highly VA-funded schools are those that received at least \$2 million in total Post-9/11 GI Bill payments from fiscal year 2010 through fiscal year 2011.

# Appendix V: Comments from the Department of Veterans Affairs



DEPARTMENT OF VETERANS AFFAIRS  
Washington DC 20420

July 12, 2013


Ms. Melissa Emrey-Arras  
Director  
Education, Workforce, and  
Income Security Issues  
U.S. Government Accountability Office  
441 G Street, NW  
Washington, DC 20548

Dear Ms. Emrey-Arras:

The Department of Veterans Affairs (VA) has reviewed the Government Accountability Office's (GAO) draft report, "**VA EDUCATION BENEFITS: Student Characteristics and Outcomes Vary across Schools**" (GAO-13-567). VA generally agrees with GAO's findings.

The enclosure contains technical comments related to the draft report. VA appreciates the opportunity to comment on your draft report.

Sincerely,

  
Jose D. Riojas  
Interim Chief of Staff

Enclosure

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# Appendix VI: GAO Contact and Staff Acknowledgments

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## GAO Contact

Melissa Emrey-Arras, (617) 788-0534 or [emreyarrasm@gao.gov](mailto:emreyarrasm@gao.gov)

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## Staff Acknowledgments

In addition to the contact named above, individuals making key contributions to this report were Michelle St. Pierre, Assistant Director; Mariana Calderon, Nathan Gottfried, Jennifer Gregory, Andrew Nelson, and Tranchau Nguyen. In addition, key support was provided by Deborah Bland, Will Colvin, Kirsten Lauber, Theresa Lo, John Mingus, Mimi Nguyen, Anna Maria Ortiz, Michelle A. Sager, George Scott, Kate van Gelder, Mark Ward, and Craig Winslow.

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