

Veterans and Higher Education

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The post-September 11, 2001, GI Bill provides education benefits to veterans who serve at least 90 days on active duty. It covers up to 36 months of costs for even the most expensive public colleges in the country — such as the Universities of Pittsburgh, Vermont and New Hampshire — where tuition, books and living allowances average more than \$17,500 a year. Eligible institutions include technical schools, traditional or community colleges, and flight schools.



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The process to receive education benefits begins with an online or telephone application. After a veteran enrolls and registers for courses, university employees forward the student's documents to the Veterans Benefits Administration, which scrutinizes the information for eligibility prior to disbursing education benefits.

Unfortunately, the Veterans Administration (VA) does not provide veterans with adequate information about the benefits available and the application process. Furthermore, the way benefits for living expenses are structured creates obstacles for veterans attending traditional colleges, provides incentives for commercial (for-profit) schools to recruit veterans, and reduces the number of vets who successfully complete degree requirements. Finally, under the post-9/11 GI Bill, the VA education program is failing to meet performance benchmarks.²

Veterans Administration Call Centers. More than one-fourth of veterans who utilize VA-administered Education Call Centers are unable to gain benefit information. According to a 2012 Government Accountability Office (GAO) report:³

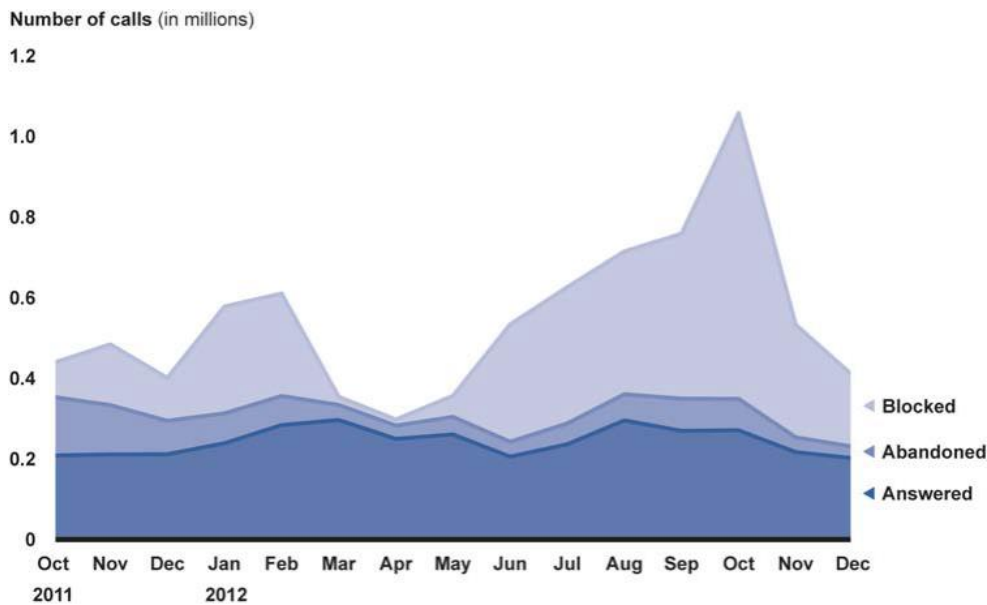
- Some 38 percent of veterans calling for information received a busy signal (blocked).
- Veterans abandoned 22 percent of their attempted calls.
- Of the telephone calls that were completed, 60 percent ended with a telephone appointment scheduled anywhere from 20 minutes to two weeks after the call.

Some 2.5 million post-9/11 veterans are eligible for education benefits. In 2012, the VA provided education benefits to 945,000 students; however, according to the VA Performance and Accountability Report, the VA's automated claims processing system failed to meet its own standards:⁴

- The average number of days for the VA to complete initial claims increased 34 percent, from 23 days to 31 days.
- Processing time for subsequent claims increased 42 percent, from 12 days to 17 days.
- Yet, during the same time period, there was only a 7 percent increase in the number of veterans and dependents filing claims — which means that the

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Figure I
VA Education Call Center Performance



many eligible veterans are not taking advantage of benefits due to a lack of information. (Note: This finding is consistent with a December 2012 NCPA report on the VA disability system.⁵)

More importantly, because veterans do not receive benefits until they actually begin courses, many find themselves without the monthly income required to qualify to rent an apartment or dorm room prior to the start of the semester. The GAO argues that income insecurity generated by benefit processing delays and the lack of information causes many veterans to face eviction, leaves them unable to pay bills, and reduces their educational performance due to stress.

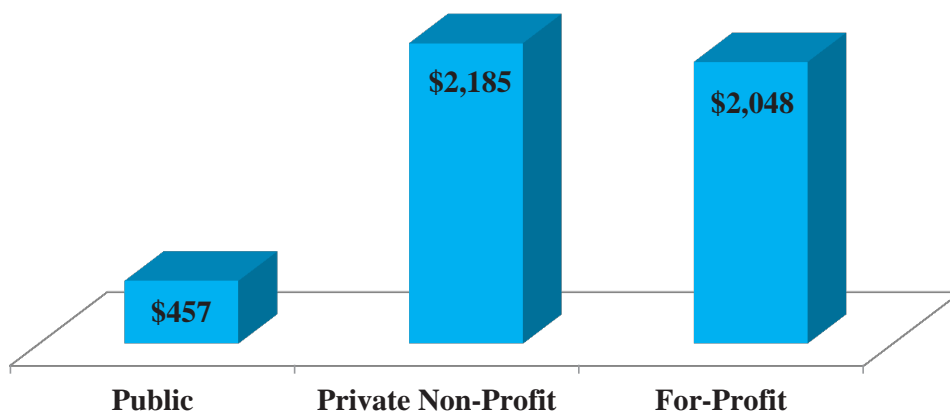
The 2010 National Survey of Veterans reports that GI Bill benefits were exceptionally

important to 73 percent of veterans in meeting their educational goals and their financial obligations. Yet, on average, veterans are receiving less compensation than at any time since Vietnam.⁶

efficiency of application processing fell 5 percent for every 1 percent increase in volume.

Calls to the Education Call Center increased by 140 percent over the same 2011-2012 period, suggesting that

Figure II
Spending per Student on Marketing



Source: Author's calculations based on "For Profit Higher Education," Senate HELP committee July 30, 2012; and "2011 Cost of Recruiting an Undergraduate Student Report," Noel Levitz, Higher Education Consultants. Available at <https://www.noellevitz.com/papers-research-higher-education/2011/2011-report-cost-of-recruiting-undergraduate-student>.

The Role of For-Profit Institutions. Unable to access information through VA call centers, many unsuspecting veterans register on websites that sell their information to for-profit institutions. While these tactics are not technically illegal, the U.S. Department of Justice has expressed concern that these websites exploit the vulnerabilities of ill-informed or wounded veteran populations. Some of these institutions use unscrupulous recruiting tactics. According to the GAO, recruiters from multicampus commercial schools often approach wounded vets at VA hospitals.

Why are for-profit institutions so interested in veterans? The U.S. Department of Education’s “90/10 rule” says that no more than 90 percent of the revenue of for-profit colleges can come from federal student aid. But GI education benefits do not count toward federal aid caps, which creates an incentive for for-profit colleges to focus on recruiting veterans. Thus:

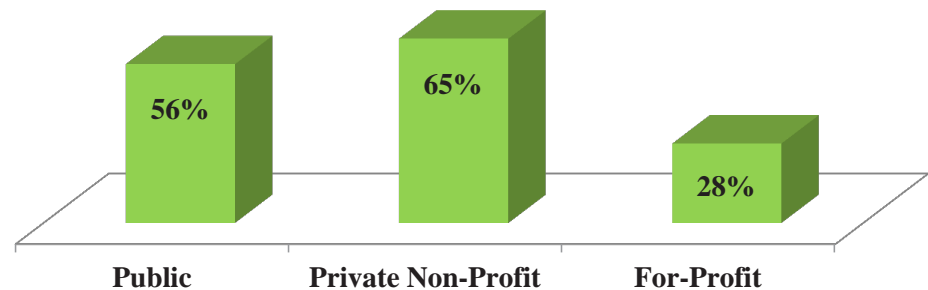
- For-profit colleges spend about \$2,048 per student on marketing.
- This number is slightly less than the \$2,158 spent by private non-profit colleges, but more than four times the amount spent by public universities.

Moreover, GIs receive far smaller living allowances for taking online courses than on-campus courses. Thus, renting out relatively cheap spaces and labeling them as alternative campuses allows commercial schools to capitalize on the financial incentive of veterans to maximize their benefits.

Eight of the top 10 recipients of GI Bill benefits are for-profit colleges, charging 78 percent more than ineligible online or community colleges. For-profit colleges are also more expensive: A bachelor’s degree costs an average of 20 percent more, and an associate’s degree costs an astonishing 400 percent more than the equivalent programs offered by traditional public universities. There is evidence that these programs are not worth what veterans pay. According to an analysis of Department of Education data, “At 8 of the 10 for-profits that take in the most GI Bill cash, more than half of students drop out within a year of matriculation. Many students find that prospective employers and graduate schools won’t take their coursework seriously since most for-profits lack accreditation from legitimate academic bodies.”⁷⁷

For-Profit, Private Non-Profit and Public Educational Attainment. In general, neither the VA nor the U.S. Department of Defense keeps track of educational attainment rates for the population of veterans, making it nearly impossible to calculate the cost to taxpayers of support questionable for-profit institutions. However, the U.S. Department of Education does track completion (graduation) rates [see Figure II]:

Figure III
Bachelor's Degree Completion Rates



Source: "Postsecondary Graduation Rates," National Center for Education Statistics. Available at http://nces.ed.gov/programs/coe/indicator_pgr.asp.

- Of all the degrees received by veterans under the GI Bill, those who enroll in for-profit institutions receive about 18 percent of the associate’s degrees and 5 percent of the bachelor’s degrees.
- Overall, degree completion rates at public universities are 50 percent higher than for-profit institutions.

Average Tuition for All Students. Public universities charge just half as much tuition as for-profit colleges. Even private non-profit universities are cheaper per year than the for-profits. According to an analysis of Education Department data, “Meanwhile, the average cost for an undergraduate student at a for-profit college was nearly \$31,000, after factoring in grants received. The average cost for private non-profit colleges was \$26,600, while students at public universities paid on average \$15,600.”⁷⁸

Instructional Costs for All Students. The tuition charged by these educational institutions, minus direct instructional costs, is very profitable for private for-profit schools. Private non-profit universities make a healthy profit as well, though not as much as the for-profits. Public colleges tend to break even in the difference between tuition and instructional costs. According to one analysis, “On average, for-profit schools spent \$2,659 per student on instructional costs during the 2008-09 school year, compared with \$9,418 per student at public universities and \$15,289 per student at private non-profit colleges.”⁷⁹

Graduation Rates for All Students. Less than one-third of all students at for-profit schools graduate with a degree, compared to twice as many who graduate from both private non-profits and public colleges. According to

the U.S. Department of Education, “Completion rates for bachelor’s degree-seeking students who enrolled at a 4-year institution in fall 2004 varied by institutional control... For example, the 6-year graduation rate at private non-profit institutions was 65 percent, compared with 56 percent at public institutions and 28 percent at private for-profit institutions.”¹⁰

A Policy Solution for Students. An easy, cost-neutral solution to the housing problem for degree-seeking veterans is to commence their monthly stipend two months prior to the start of the academic school year. For example, a student living in Dallas, Texas, receives a monthly allowance of \$1,563. Adjusting the stipend for two additional months of payout would reduce the total monthly allowance to \$1,481, paid out over 38 months. Mechanisms already exist to prevent or reclaim benefits fraudulently received. The VA would simply need to verify school acceptance and registration in order to disburse funds early enough for veterans to obtain housing.

Conclusion. Billions in federal tax dollars are going to profit-motivated educational institutions, which are 80 percent less likely to result in a degree than a non-profit, and on average cost up to 400 percent more. These institutions are allowed to exceed their federal aid limitations by enrolling veterans — creating a situation in which transitioning service members are actively recruited, but have fewer prospects for obtaining a meaningful degree. Considering the excessive tuition costs of the for-profits, and even the non-profits, veterans will find that they have a better chance at graduating from public universities, and that those choices are much more cost effective.

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Endnotes

- ¹ U.S. Department of Education, National Center for Education Statistics, Integrated Postsecondary Education Data System (IPEDS), Fall 2011, Institutional Characteristics component, and Spring 2012, Student Financial Aid component. Available at <http://collegecost.ed.gov/cac/#>.
- ² United States Government Accountability Office, “VA Education Benefits: VA Needs to Improve Program Management and Provide More Timely Information to Students,” May 2013. Available at <http://www.gao.gov/assets/660/654790.pdf>.
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- ⁵ Pamela Villarreal and Kyle Buckley, “The Veterans Disability System: Problems and Solutions,” National Center for Policy Analysis, Policy Backgrounder No. 166, December 2012. Available at <http://www.ncpa.org/pdfs/bg166.pdf>.
- ⁶ Timothy Edward Lolatte, *Veterans in Transition: The Implications to Higher Education*, Montana State University, dissertation, April 2010. Available at <http://scholarworks.montana.edu/xmlui/bitstream/handle/1/1746/LolatteT0510.pdf?sequence=1>.
- ⁷ Adam Weinstein, “How Pricey For-Profit Colleges Target Vets’ GI Bill Money,” *Mother Jones*, September/October 2011. Available at <http://www.motherjones.com/politics/2011/09/gi-bill-for-profit-colleges>.
- ⁸ Chris Kirkham, “For-Profit Colleges Spend Much Less On Educating Students Than Public Universities,” *Huffington Post*, May 25, 2011. Available at http://www.huffingtonpost.com/2011/05/26/for-profit-colleges-spend_n_867175.html.
- ⁹ Ibid.
- ¹⁰ U.S. Department of Education, National Center for Education Statistics, “The Condition of Education 2011,” 2012. Available at <http://nces.ed.gov/fastfacts/display.asp?id=40>.

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