

**DISCUSSION/ACTION**  
**February 18, 2005**

**HIGHER EDUCATIONAL AIDS BOARD**

**BOARD REPORT #05-15**

**FINANCIAL AID FOR PROPRIETARY SCHOOLS**

**HIGHER EDUCATIONAL AIDS BOARD  
BOARD REPORT #05-15**

**Information for Discussion of Financial Aid for Proprietary Schools**

**CURRENT STATUTES**

Included are the statutes which reference “accredited” institutions.

**SUBCHAPTER III  
HIGHER EDUCATIONAL AIDS BOARD**

**39.30 Grants.**

**39.30(1)** Definitions. In this section:

**39.30(1)(d)** An "accredited" institution is an institution accredited by a nationally recognized accrediting agency or by the Board of Nursing pursuant to s. 441.01 (4), or, if not so accredited, is a nonprofit institution of higher education whose credits are accepted on transfer by not less than 3 institutions which are so accredited, on the same basis as if transferred from an institution so accredited.

**39.435 Wisconsin Higher Education Grants and Talent Incentive Grants.**

**39.435(1)** There is established, to be administered by the board, a Higher Education Grant Program for postsecondary resident students enrolled at least half-time and registered as freshmen, sophomores, juniors or seniors in accredited institutions of higher education or in tribally controlled colleges in this state. Except as authorized under sub. (5), such grants shall be made only to students enrolled in nonprofit public institutions or tribally controlled colleges in this state.

**39.45 Independent Student Grants.**

**39.45(1)** In this section:

**39.45(1)(a)** "Institution of higher education" means a public or private nonprofit educational institution meeting the requirements of [s. 39.30](#) or [39.435](#) for the purpose of awarding grants under those sections.

## **CURRENT RULES**

Included are the rules which reference “accredited” institutions.

### **CHAPTER HEA 2 DEFINITIONS**

**Note:** Chapter HEA 2 as it existed on March 31, 1978 was repealed and a new chapter HEA 2 was created effective April 1, 1978.

**HEA 2.01 Definitions.** In chs. HEA 1 to 12:

6. "Nonprofit" means a governmental agency, subdivision of government, school district, technical college district or similar body and any agency, organization or institution owned and operated by one or more nonprofit corporations or associations, no part of the net earnings of which inures, or may lawfully inure, to the benefit of any private shareholder or individual.

### **CHAPTER HEA 4 TUITION GRANTS**

**HEA 4.05 Institutional Responsibilities.**

1. The student's eligibility for a tuition grant shall be certified by the institution of higher education in which the student is enrolled.
2. The institution shall provide the board with information necessary for the proper administration of the tuition grant program. Such information may include but is not limited to:
  - a. Proof of accreditation through a federal accepted accrediting agency is required;
  - b. Proof of state and federal non-profit status;
  - c. Tuition costs, instruction related fees, and all other student educational costs;
  - d. The number and dates of the institution's academic semesters or terms; and
  - e. The number of credits which must be carried by full-time students.

## **HEAB POLICIES AND PROCEDURES MANUAL**

### **CHAPTER 3**

#### **School Eligibility**

##### **General Eligibility Provisions**

HEAB has eligibility requirements for schools that wish to participate in the programs it administers. A school must meet these requirements in order for its students to be able to receive grants, scholarships or loans administered by HEAB.

The requirements are:

- the school must have proof of state and federal non-profit tax status;
- the school must be accredited through a federally accepted accrediting agency (HEAB recognizes the Higher Learning Commission of the Northcentral Association of Colleges and Schools);
- the school must be a degree-granting institution;
- the school must be Wisconsin based;
- the school must have an approved Satisfactory Academic Progress (SAP) Policy in place;
- the school must be eligible to participate in federal financial aid programs; and
- the school must agree to follow all statutes, rules, policies and procedures outlined for HEAB programs.
- 

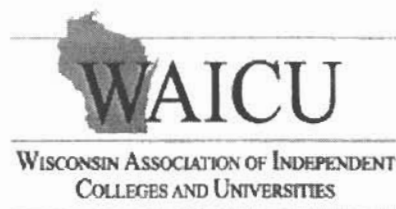
##### **Distance Learning / Alternative Approaches**

Distance Learning is a new and sometimes confusing aspect of financial aid. HEAB's rules regarding distance learning and eligibility for state funded financial aid are relatively simple:

The student must:

- be enrolled in a course of study that is at least one year in length and leads to a recognized certificate or the course is part of a program leading to a degree; and
- be enrolled in a participating Wisconsin school; and
- meet all of the eligibility requirements for the individual aid program, including full or part-time enrollment based on a 9 month academic year.
- The school must:
  - be a participating Wisconsin school; and
  - have at least 50% of its programs leading to a degree or certificate; and
  - have telecommunications courses account for less than 50% of the courses offered at the school.

As the use of distance learning increases in the future, HEAB will continue to monitor its policies and procedures to ensure that they remain consistent with other parts of the financial aid process.



## MEMORANDUM

Date: September 15, 2004

To: Marc Marotta, Secretary  
Department of Administration

From: Dan Clancy, Interim President, Wisconsin Technical College System  
Kevin Reilly, President, University of Wisconsin System  
Rolf Wegenke, President, Wisconsin Association of Independent Colleges and Universities

Subject: **STUDENT FINANCIAL AID: FOR-PROFIT SCHOOLS**

---

We understand from the news media, legislators, and state agencies that proprietary (for-profit) schools are organizing a campaign to qualify for state-funded student financial aid, and that DOA will be asked to include this initiative in Governor Doyle's budget request. For example, the state Educational Approval Board's (EAB) strategic plan states that one of its objectives is to secure funding through the Higher Educational Aids Board for the schools it regulates. It is our understanding that the Executive Director of the EAB has already contacted administration officials and legislators on this topic.

Given the state's financial situation and our resulting inability to meet the needs of students currently enrolled in our three sectors, we do not believe that this is an opportune time to consider creating and funding an entirely new program.

### OUR POSITION

Leaving aside the question of whether or not it is appropriate for a regulatory agency to be lobbying on behalf of those it regulates, we object to proprietary (for-profit) institutions receiving state aid. Our opposition is based on several issues:

1. **Mission:** While proprietary schools are offering educational options for Wisconsin citizens, excess revenues are channeled into profits for shareholders. Contrast this with WAICU members, for example, whose "excess revenue" is channeled to students, and with the UW and technical colleges, which have no "excess revenue." Wisconsin's private colleges and universities raised and distributed over \$200 million in privately-raised financial aid to students last year. This is an \$8

match for every \$1 received by their Wisconsin students from the Wisconsin Tuition Grant. U.S. Department of Education statistics document that proprietary schools provide no significant financial aid from their own resources. Given our respective backgrounds, we think you realize that we are not opposed to capitalism, but we think the government should be transparent on whether or not it is subsidizing profits or education. In other states (e.g., Iowa) where proprietary schools have been made eligible for state aid, a match requirement has been imposed. Not one school has so far provided a match. This is not surprising or even unethical; they are organized for a private purpose (profit), not a public purpose (education).

2. **The Size of the Pie:** The State of Wisconsin student aid programs rank dead last in the Midwest in the size of the appropriation, the percentage of the appropriation as compared to all postsecondary appropriations, the grant maximum, and the average grant. To make additional schools eligible when **the current programs are underfunded** only takes funding away from the thousands of Wisconsin students who now qualify and are turned away because of inadequate funding.
3. **Competition:** For-profit schools allege that public and private, nonprofit universities are opposed to competition. This is not true. Public and private, nonprofit universities compete all the time. But Wisconsin statutes and the IRS code prohibit us from engaging in profit-making activities. While we do garner “surplus” revenues to underwrite education, we cannot and do not generate profits for shareholders or owners. In return for this concession from the IRS, the public supports us through direct subsidies and tax exemptions. The for-profit institutions are trying to have it both ways—at the ultimate expense of the taxpayers and the students.
4. **Consumer Protection:** As can be seen from the attached articles, some, but by no means all, for-profit schools’ offerings have been of questionable quality. Some such schools are organized for the sole purpose of capturing student-aid dollars. For this reason, the federal government has had to limit the percentage of their revenues that come from student aid.

We would welcome the opportunity to discuss this issue in more detail if you wish. We feel strongly that this would not be a wise investment of Wisconsin taxpayer resources and that they might be better used serving the students we now enroll.

#### Attachments

c: Ms. Connie Hutchison  
Mr. R. J. Binau