

Conference Report Overview of 90-10

Program Participation Agreement

The bill moves the 90-10 rule from an institutional eligibility requirement to the Program Participation Agreement section for proprietary institutions.

The bill requires that a proprietary institution must not receive less than 10% of its revenue from sources other than Title IV funds.

90-10 Calculation

The bill specifies what proprietary schools may count as revenue in the 10% part of the 90-10 calculation.

1. Use the cash basis of accounting, except in the case of institutional loans as described below.

Count as revenue:

1. Tuition, fees and other institutional charges for students enrolled in programs eligible for assistance under this title.
2. Funds generated by activities conducted by the institution that are necessary for the education and training of the institution's students, provided that the activities are conducted on campus or at a facility under the control of the institution, performed under the supervision of a member of the institution's faculty, and required to be performed by all students in a specific educational program.
3. Funds paid by students for an education or training program from non-title IV programs if the program is approved or licensed by the appropriate State agency, is accredited by an accrediting agency recognized by the Secretary, or provides an industry-recognized credential or certification.

Presumption: Presumes that any Title IV funds disbursed to a student will be used to pay for the student's tuition, fees or other institutional charges, **except to the extent** that the student's tuition, fees, etc. are satisfied by:

1. Grant funds provided by non-federal public agencies or private sources independent of the institution;
2. Funds provided under a contractual arrangement with a Federal, State, or local government agency for the purpose of providing job training to low-income individuals who are in need of that training;

3. Funds used by a student from savings plans for educational expenses established by or on behalf of the student which qualify for special tax treatment under the IRS code;

4. Scholarships and Tuition discounts as described below:

Institutional Aid – Loans and Scholarships as Revenue

1. Institutional loans made by an institution on or after July 1, 2008 and prior to July 1, 2012: the net present value of such loans made by the institution during the applicable institutional fiscal year may count towards the 10%. Such loans will be accounted for on an accrual basis and estimated in accordance with generally accepted accounting principles, and

- a.) must be bona fide as evidenced by enforceable promissory notes;
- b.) must be issued at intervals related to the institution's enrollment periods and
- c.) are subject to regular loan repayments and collection.

2. Institutional loans made after July 1, 2012 – only include the amount of loan repayments received during the applicable institutional fiscal year, excluding repayments received and accounted for as specified in 1 above.

3. Scholarships and institutional discounts when provided by the institution will count as revenue only when made from an established and restricted account and only to the extent that funds in that account represent designated funds from an outside source or from income earned on those funds.

New \$2,000 Unsubsidized Stafford Loans as Revenue

Each student who receives a loan on or after July 1, 2008 and prior to July 1, 2011, that is the new \$2,000 Unsubsidized Stafford Loan, the institution shall treat as revenue from non-title IV funds, the amount by which the disbursement of such loan received by the institution exceeds the limit on such loan in effect prior to May 7, 2008, the day before the enactment of the Ensuring Continued Access to Student Loans Act of 2008.

Exclude from Revenue

1. Funds received by an institution under the Federal Work-Study program, unless the institution uses those funds to pay a student's institutional charges.

2. Funds received by an institution under the Leveraging Education Assistance Partnership (LEAP) program.

3. Funds used by an institution to match title IV program funds.

4. Title IV program funds that must be refunded or returned.

5. Amounts charged by an institution for books, supplies and equipment unless the institution includes that amount as tuition, fees or other institutional charges.

Sanctions for Failing to Meet the 90-10 Requirement

1. An institution that fails the 90-10 rule for two consecutive years becomes ineligible to participate in the Title IV programs for a minimum of two institutional fiscal years.

To regain eligibility to participate in Title IV programs, the institution must demonstrate compliance with all eligibility requirements for at least two institutional fiscal years after the institutional fiscal years in which the institution failed to comply with the 90-10 rule.

2. If an institution fails to meet the requirement for any institutional fiscal year, then the institution's eligibility to participate in Title IV becomes provisional for the next two institutional fiscal years.

Publication of Information

1. College Navigator Website – The Secretary shall publicly disclose on the College Navigator website

a.) The identity of any proprietary institution of higher education that fails to meet a requirements of 90-10; and

b.) The extent to which the institution failed to meet such requirements.

2. Report to Congress: Not later than July 1, 2009, and July 1 of each year thereafter, the Secretary shall submit to the authorizing committees a report that contains, for each proprietary institution of higher education that receives Title IV funding, as provided in the audited financial statements submitted to the Secretary

a.) The amount and percentage of the institution's revenues received from sources under this title; and

b.) the amount and percentage of such institution's revenues received from other sources.

Links:

Bill: http://help.senate.gov/Hearings/2008_07_29_E/KOS08400_xml.pdf

Explanation:

http://help.senate.gov/Hearings/2008_07_29_E/Statement_of_Managers.pdf