



COMMONWEALTH OF KENTUCKY  
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March 13, 2013

Honorable Bernie Sanders, Chairman  
Senate Committee on Veterans' Affairs  
332 Dirksen Senate Office Building  
Washington, DC 20510

Honorable Jeff Miller, Chairman  
House Committee on Veterans' Affairs  
2416 Rayburn House Office Building  
Washington, DC 20515

Honorable Richard Burr, Ranking Member  
Senate Committee on Veterans' Affairs  
217 Russell Senate Office Building  
Washington, DC 20510

Honorable Michael Michaud, Ranking Member  
House Committee on Veterans' Affairs  
1724 Longhorn House Office Building  
Washington, DC 20515

Honorable Tom Harkin, Chairman  
Senate Committee on Health, Education,  
Labor & Pensions  
731 Hart Senate Office Building  
Washington, DC 20510

Honorable Lamar Alexander, Ranking Member  
Senate Committee on Health, Education  
Labor & Pensions  
455 Dirksen Senate Office Building  
Washington, DC 20510

Dear Chairman Sanders, Chairman Miller, Ranking Member Burr, Ranking Member Michaud,  
Chairman Harkin and Ranking Member Alexander:

We, the undersigned Attorneys General, write in support of the Protecting Financial Aid for Students and Taxpayers Act sponsored by Senators Kay R. Hagan of North Carolina and Tom Harkin of Iowa. This important legislation is a vital first step to curb abusive and deceptive recruiting and marketing practices by the for-profit education industry. By prohibiting the use of federal funds for student recruitment and marketing purposes, this bill will ensure that scarce federal education dollars will be used to serve and educate students rather than to finance advertising campaigns, recruitment operations and aggressive marketing.<sup>1</sup>

Currently thirty-two (32) state Attorneys General are participating in a multistate working group investigating the for-profit schools industry. Several of us have taken action against companies that

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This legislation is identical to S.2296 which was included in the fiscal year 2013 Labor, Health and Human services, Education and Related Agencies Appropriations bill, which was voted out of the Senate Committee on Appropriations but unfortunately never received consideration by the full Senate.

we allege have violated our state consumer protection laws. We continue to investigate these companies and anticipate additional actions to be filed in the future.

The Senate Health, Education, Labor and Pensions (HELP) Committee analyzed data submitted by the for-profit school industry and found that large for-profit colleges with troublingly high student withdrawal and loan default rates use an exorbitant amount of federal aid on advertising, marketing and recruitment.

According to the HELP Committee's July 2012 Report:

- 15 of the largest for-profit education companies received at least 86 percent of their revenues from federal student aid programs such as the G.I. Bill and Pell grant programs.
- In Fiscal Year 2009, these for-profit education companies spent \$3.7 billion dollars or 23 percent of their budgets, on advertising, marketing and recruitment which was often very aggressive and deceptive.
- Together, the 30 education companies examined by the HELP Committee spent \$4.2 billion on marketing in 2009 or 22.7 percent of all revenue, which equates to \$2,622 per student spent on marketing.
- According to one study, "in the corporate world, marketing budgets typically represent between 4-12 percent of sales, and in the for-profit education sector, "marketing budgets can approach a whopping 40 percent of tuition revenue." In contrast, nonprofit colleges and universities spend an average of one-half of one percent of their revenues on marketing.
- For the 30 educational companies examined by the HELP Committee, 54% of students who started in 2008-9 left without a degree by mid-2010. This translates to nearly 600,000 students leaving college without a degree.
- Students who attended a for profit college already account for 47 percent of all borrowers in default.

Attorneys General strongly support higher education as a way to improve the standard of living for Americans and help them reach their financial goals. However, federal taxpayers should not be asked to foot the bill for aggressive recruiting and deceptive sales tactics of colleges that have placed profits ahead of ensuring student success.

This legislation would apply to all institutions that receive federal student aid dollars, whether private, public or for-profit, and is a common sense measure to ensure that taxpayer money is being spent appropriately.

We respectfully request that you support this important legislation.

Sincerely,



Jack Conway  
Kentucky Attorney General



Dustin McDaniel  
Arkansas Attorney General



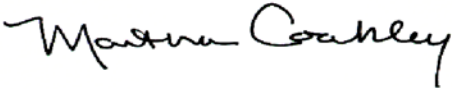
Lisa Madigan  
Illinois Attorney General



Tom Miller  
Iowa Attorney General



Douglas F. Gansler  
Maryland Attorney General



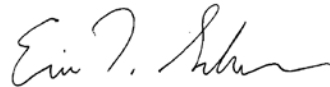
Martha Coakley  
Massachusetts Attorney General



Lori Swanson  
Minnesota Attorney General



Chris Koster  
Missouri Attorney General



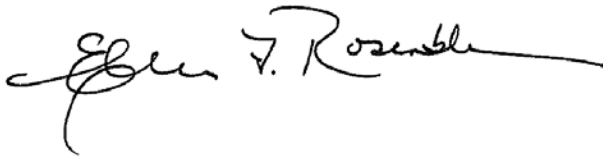
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