SUSTAINABILITY ACCOUNTING STANDARD
SERVICES SECTOR

EDUCATION
Sustainability Accounting Standard

Sustainable Industry Classification System™ (SICS™) #SV0101
Prepared by the
Sustainability Accounting Standards Board®

December 2014
Provisional Standard

EDUCATION

Sustainability Accounting Standard

About SASB

The Sustainability Accounting Standards Board (SASB) provides sustainability accounting standards for use by publicly listed corporations in the U.S. in disclosing material sustainability information for the benefit of investors and the public. SASB standards are designed for disclosure in mandatory filings to the Securities and Exchange Commission (SEC), such as the Form 10-K and 20-F. SASB is an independent 501(c)3 non-profit organization. Through 2016, SASB is developing standards for more than 80 industries in 10 sectors.

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INTRODUCTION

Purpose & Structure

This document contains the SASB Sustainability Accounting Standard (SASB Standard) for Education.

SASB Standards are comprised of **(1) disclosure guidance and (2) accounting standards on sustainability topics** for use by U.S. and foreign public companies in their annual filings (Form 10-K or 20-F) with the U.S. Securities and Exchange Commission (SEC). To the extent relevant, SASB Standards may also be applicable to other periodic mandatory filings with the SEC, such as the Form 10-Q, Form S-1, and Form 8-K.

SASB's disclosure guidance identifies sustainability topics at an industry level, which may be material— depending on a company's specific operating context— to a company within that industry.

Each company is ultimately responsible for determining which information is material and is therefore required to be included in its Form 10-K or 20-F and other periodic SEC filings.

SASB's accounting standards provide companies with standardized accounting metrics to account for performance on industry-level sustainability topics. When making disclosure on sustainability topics, companies adopting SASB's accounting standards will help to ensure that disclosure is standardized and therefore useful, relevant, comparable, and auditable.

Industry Description

The Education industry includes education institutions that are publicly held, profit-seeking, and generate revenue from student fees. At the primary and secondary levels, this includes mostly Education Management Organizations (EMOs) and some businesses. Services are delivered on a full-time, part-time, distance-learning, and occasional basis across establishments such as junior colleges, business and secretarial schools, colleges, universities, and professional schools including medical, pharmaceutical, and veterinary programs. In contrast to traditional non-profit education, an increasing amount of students in for-profit universities take courses online.

Guidance for Disclosure of Material Sustainability Topics in SEC Filings

1 . Industry-Level Sustainability Disclosure Topics

For the Education industry, SASB has identified the following sustainability disclosure topics:

- Quality of Education & Gainful Employment
- Marketing & Recruiting Practices

2 . Company-Level Determination and Disclosure of Material Sustainability Topics

Sustainability disclosures are governed by the same laws and regulations that govern disclosures by securities issuers generally. According to the U.S. Supreme Court, a fact is material if, in the event such fact is omitted from a particular disclosure, there is "a substantial likelihood that the disclosure of the omitted fact would have been viewed by the reasonable investor as having significantly altered the 'total mix' of the information made available."[1,2]

SASB has attempted to identify those sustainability topics that it believes may be material for all companies within each SICS industry. SASB recognizes, however, that each company is ultimately responsible for determining what is material to it.

Regulation S-K, which sets forth certain disclosure requirements associated with Form 10-K and other SEC filings, requires companies, among other things, to describe in the Management's Discussion and Analysis of Financial Condition and Results of Operations (MD&A) section of Form 10-K "any known trends or uncertainties that have had or that the registrant reasonably expects will have a material favorable or unfavorable impact on net sales or revenues or income from continuing operations. If the registrant knows of events that will cause a material change in the relationship between costs and revenues (such as known future increases in costs of labor or materials or price increases or inventory adjustments), the change in the relationship shall be disclosed."[2]

Furthermore, Instructions to Item 303 state that the MD&A "shall focus specifically on material events and uncertainties known to management that would cause reported financial information not to be necessarily indicative of future operating results or of future financial condition."[2]

In determining whether a trend or uncertainty should be disclosed, the SEC has stated that management should use a two-part assessment based on probability and magnitude:

- First, a company is not required to make disclosure about a known trend or uncertainty if its management determines that such trend or uncertainty is not reasonably likely to occur.
- Second, if a company's management cannot make a reasonable determination of the likelihood of an event or uncertainty, then disclosure is required unless management determines that a material effect on the registrant's financial condition or results of operation is not reasonably likely to occur.

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[1] TSC Industries v. Northway, Inc., 426 U.S. 438 (1976).

[2] C.F.R. 229.303(Item 303)(a)(3)(ii).

3. Sustainability Accounting Standard Disclosures in Form 10-K

a. Management's Discussion and Analysis

Companies should consider making disclosure on sustainability topics as a complete set in the MD&A, in a sub-section titled **"Sustainability Accounting Standards Disclosures."**[3]

b. Other Relevant Sections of Form 10-K

In addition to the MD&A section, companies should consider disclosing sustainability information in other sections of Form 10-K, as relevant, including:

- **Description of business**—Item 101 of Regulation S-K requires a company to provide a description of its business and its subsidiaries. Item 101(c)(1)(xii) expressly requires disclosure regarding certain costs of complying with environmental laws:

  Appropriate disclosure also shall be made as to the material effects that compliance with Federal, State and local provisions which have been enacted or adopted regulating the discharge of materials into the environment, or otherwise relating to the protection of the environment, may have upon the capital expenditures, earnings and competitive position of the registrant and its subsidiaries.

- **Legal proceedings**—Item 103 of Regulation S-K requires companies to describe briefly any material pending or contemplated legal proceedings. Instructions to Item 103 provide specific disclosure requirements for administrative or judicial proceedings arising from laws and regulations that target discharge of materials into the environment or that are primarily for the purpose of protecting the environment.

- **Risk factors**—Item 503(c) of Regulation S-K requires filing companies to provide a discussion of the most significant factors that make an investment in the registrant speculative or risky, clearly stating the risk and specifying how a particular risk affects the particular filing company.

c. Rule 12b-20

Securities Act Rule 408 and Exchange Act Rule 12b-20 require a registrant to disclose, in addition to the information expressly required by law or regulation, "such further material information, if any, as may be necessary to make the required statements, in light of the circumstances under which they are made, not misleading."

More detailed guidance on disclosure of material sustainability topics can be found in the **SASB Conceptual Framework**, available for download via http://www.sasb.org/approach/conceptual-framework/.

[3] SEC [Release Nos. 33-8056; 34-45321; FR-61] Commission Statement about Management's Discussion and Analysis of Financial Condition and Results of Operations: "We also want to remind registrants that disclosure must be both useful and understandable. That is, management should provide the most relevant information and provide it using language and formats that investors can be expected to understand. Registrants should be aware also that investors will often find information relating to a particular matter more meaningful if it is disclosed in a single location, rather than presented in a fragmented manner throughout the filing."

Guidance on Accounting of Material Sustainability Topics

For sustainability disclosure topics in the Education industry, SASB identifies accounting metrics.

SASB recommends that each company consider using these sustainability accounting metrics when disclosing its performance with respect to each of the sustainability topics it has identified as material.

As appropriate—and consistent with Rule 12b-20[4]—for each sustainability topic, companies should consider including a narrative description of any material factors necessary to ensure completeness, accuracy, and comparability of the data reported. Where not addressed by the specific accounting metrics, but relevant, the registrant should discuss the following, related to the topic:

- The registrant's **strategic approach** to managing performance on material sustainability issues;
- The registrant's competitive positioning;
- The **degree of control** the registrant has;
- Any measures the registrant has undertaken or plans to undertake to improve performance; and
- Data for the registrant's **last three completed fiscal years** (when available).

SASB recommends that registrants use SASB Standards specific to their primary industry as identified in the Sustainable Industry Classification System (SICS™). If a registrant generates significant revenue from multiple industries, SASB recommends that it consider the materiality of the sustainability issues that SASB has identified for those industries and disclose the associated SASB accounting metrics.

Users of the SASB Standards

The SASB Standards are intended for companies that engage in public offerings of securities registered under the Securities Act of 1933 (the Securities Act) and those that issue securities registered under the Securities Exchange Act of 1934 (the Exchange Act),5 for use in SEC filings, including, without limitation, annual reports on Form10-K (Form 20-F for foreign issuers), quarterly reports on Form 10-Q, current reports on Form 8-K, and registration statements on Forms S-1 and S-3. Nevertheless, disclosure with respect to the SASB Standards is not required or endorsed by the SEC or other entities governing financial reporting, such as FASB, GASB, or IASB.

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[4] SEC Rule 12b-20: "In addition to the information expressly required to be included in a statement or report, there shall be added such further material information, if any, as may be necessary to make the required statements, in the light of the circumstances under which they are made, not misleading."

[5] Registration under the Securities Exchange Act of 1934 is required (1) for securities to be listed on a national securities exchange such as the New York Stock Exchange, the NYSE Amex, and the NASDAQ Stock Market or (2) if (A) the securities are equity securities and are held by more than 2,000 persons (or 500 persons who are not accredited investors) and (B) the company has more than $10 million in assets.

Scope of Disclosure

Unless otherwise specified, SASB recommends:

- That a registrant disclose on sustainability issues and metrics for itself and for entities in which the registrant has a controlling interest and therefore are consolidated for financial reporting purposes (controlling interest is generally defined as ownership of 50% or more of voting shares);[6]

- That for consolidated entities, disclosures be made, and accounting metrics calculated, for the whole entity, regardless of the size of the minority interest; and

- That information from unconsolidated entities not be included in the computation of SASB accounting metrics. A registrant should disclose, however, information about unconsolidated entities to the extent that the registrant considers the information necessary for investors to understand its performance with respect to sustainability issues (typically, this disclosure would be limited to risks and opportunities associated with these entities).

Reporting Format

Activity Metrics and Normalization

SASB recognizes that normalizing accounting metrics is important for the analysis of SASB disclosures.

SASB recommends that a registrant disclose any basic business data that may assist in the accurate evaluation and comparability of disclosure, to the extent that they are not already disclosed in the Form 10-K (e.g., revenue, EBITDA, etc.).

Such data—termed "activity metrics"—may include high-level business data such as total number of employees, quantity of products produced or services provided, number of facilities, or number of customers. It may also include industry-specific data such as plant capacity utilization (e.g., for specialty chemical companies), number of transactions (e.g., for Internet media and services companies), hospital bed days (e.g., for health care delivery companies), or proven and probable reserves (e.g., for oil and gas exploration and production companies).

Activity metrics disclosed should:

- Convey contextual information that would not otherwise be apparent from SASB accounting metrics.

- Be deemed generally useful for users of SASB accounting metrics (e.g., investors) in performing their own calculations and creating their own ratios.

- Be explained and consistently disclosed from period to period to the extent they continue to be relevant. However, a decision to make a voluntary disclosure in one period does not obligate a continuation of that disclosure if it is no longer relevant or if a better metric becomes available.

[6] See US GAAP consolidation rules (Section 810).

Where relevant, SASB recommends specific activity metrics that—at a minimum—should accompany SASB accounting metric disclosures.

ACTIVITY METRIC	CATEGORY	UNIT OF MEASURE	CODE
Number of students enrolled[7]	Quantitative	Number	SV0101-A
Number of applications received for enrollment	Quantitative	Number	SV0101-B
Average registered credits per student, percentage on-line	Quantitative	Number, Percentage (%)	SV0101-C
Number of (1) teaching staff[8] and (2) all other staff	Quantitative	Number	SV0101-D

Units of Measure

Unless specified, disclosures should be reported in International System of Units (SI units).

Uncertainty

SASB recognizes that there may be inherent uncertainty when disclosing certain sustainability data and information. This may be related to variables such as the imperfectness of third-party reporting systems or the unpredictable nature of climate events. Where uncertainty around a particular disclosure exists, SASB recommends that the registrant should consider discussing its nature and likelihood.

Estimates

SASB recognizes that scientifically-based estimates, such as the reliance on certain conversion factors or the exclusion of *de minimis* values, may be necessary for certain quantitative disclosures. Where appropriate, SASB does not discourage the use of such estimates. When using an estimate for a particular disclosure, SASB expects that the registrant discuss its nature and substantiate its basis.

Timing

Unless otherwise specified, disclosure shall be for the registrant's fiscal year.

Limitations

There is no guarantee that SASB Standards address all sustainability impacts or opportunities associated with a sector, industry, or company, and therefore, a company must determine for itself the topics—sustainability-related or otherwise—that warrant discussion in its SEC filings.

Disclosure under SASB Standards is voluntary. It is not intended to replace any legal or regulatory requirements that may be applicable to user operations. Where such laws or regulations address legal or regulatory topics, disclosure

[7] Note to **SV0101-A** - Students enrolled is defined as those students who have matriculated into a program for which a degree, diploma, certificate, or other formal award is expected to be conferred
[8] Note to **SV0101-D** - Teaching staff include any faculty, adjunct and visiting faculty, instructors, and other educators directly involved in teaching roles.

under SASB Standards is not meant to supersede those requirements. Disclosure according to SASB Standards shall not be construed as demonstration of compliance with any law, regulation, or other requirement.

SASB Standards are intended to be aligned with the principles of materiality enforced by the SEC. However, SASB is not affiliated with or endorsed by the SEC or other entities governing financial reporting, such as FASB, GASB, or IASB.

Forward-looking Statements

Disclosures on sustainability topics can involve discussion of future trends and uncertainties related to the registrant's operations and financial condition, including those influenced by external variables (e.g., environmental, social, regulatory, and political). Companies making such disclosures should familiarize themselves with the safe harbor provisions of Section 27A of the Securities Act and Section 21E of the Exchange Act, which preclude civil liability for material misstatements or omissions in such statements if the registrant takes certain steps, including, among other things, identifying the disclosure as "forward-looking" and accompanying such disclosure with "meaningful cautionary statements identifying important factors that could cause actual results to differ materially from those in the forward-looking statements."

Assurance

In disclosing to SASB Standards, it is expected that registrants disclose with the same level of rigor, accuracy, and responsibility as they apply to all other information contained in their SEC filings.

SASB encourages registrants to use independent assurance (attestation); for example, an Examination Engagement to AT Section 101.

The following sections contain the disclosure guidance associated with each accounting metric such as guidance on definitions, scope, accounting, compilation, and presentation.

The term "shall" is used throughout this document to indicate those elements that reflect requirements of the Standard. The terms "should" and "may" are used to indicate guidance, which, although not required, provides a recommended means of disclosure.

Table 1. Sustainability Disclosure Topics & Accounting Metrics

TOPIC	ACCOUNTING METRIC	CATEGORY	UNIT OF MEASURE	CODE
Quality of Education & Gainful Employment	Graduation rate	Quantitative	Percentage (%)	SV0101-01
	On-time completion rate	Quantitative	Percentage (%)	SV0101-02
	Job placement rate	Quantitative	Percentage (%)	SV0101-03
	(1) Debt-to-annual earnings rate and (2) debt-to-discretionary earnings rate	Quantitative	Percentage (%)	SV0101-04
	Program cohort default rate	Quantitative	Percentage (%)	SV0101-05
Marketing & Recruiting Practices	Description of policies to assure disclosure of key performance statistics to prospective students in advance of collecting any fees and discussion of outcomes	Discussion and Analysis	n/a	SV0101-06
	Amount of legal and regulatory fines and settlements associated with advertising, marketing, and mandatory disclosures	Quantitative	U.S. Dollars ($)	SV0101-07
	(1) Instruction and student services expenses and (2) marketing and recruiting expenses	Quantitative	U.S. Dollars ($)	SV0101-08
	Revenue from: (1) Title IV funding, (2) GI Bill funding, and (3) private student loans [9]	Quantitative	U.S. Dollars ($)	SV0101-09

[9] Note to **SV0101-09 -** Disclosure shall include a discussion of risks and opportunities associated with these and other funding sources.

Quality of Education & Gainful Employment

Description

Increasing undergraduate and graduate tuitions are pushing more students to take on federal and private loans to finance their education. Rapid growth in student debt in the U.S. creates significant economic and social externalities if student loans go into default. Most of the programs at for-profit colleges prepare students for gainful employment in recognized occupations. Therefore, colleges need to provide high-quality education and ensure completion of programs in order to increase the chances of graduates obtaining employment and paying off their loans. In the absence of sufficient educational quality, graduates may end up with debt and few employable skills. With recent amendments to the Gainful Employment (GE) Rule, there is increased recognition of the importance of managing and disclosing factors such as graduation rates, default rates, and job placement rates as indicators of the quality of education of an institution. Performing poorly on accountability metrics may jeopardize eligibility for funding under Title IV of the Higher Education Act, and therefore, many institutions' main source of revenue. At the same time, transparent disclosure of performance metrics to prospective students is directly related to the institutions' ability to attract and retain students.

Accounting Metrics

SV0101-01. Graduation rate

.01 The registrant shall calculate the graduation rate, consistent with methodology outlined in the Student Right-to-Know Act, as the percentage of completers in the revised adjusted cohort who are conferred a formal award within 150% of normal time to completion, where:

- Completers are defined as students who are conferred a degree, diploma, certificate, or other formal award.
- Normal time to completion is defined by the Integrated Postsecondary Education Data System (IPEDS) as the amount of time necessary for a student to complete all requirements for a degree or certificate according to the institution's catalog. This is typically four years (eight semesters or trimesters, or 12 quarters, excluding summer terms) for a bachelor's degree in a standard term-based institution; two years (four semesters or trimesters, or six quarters, excluding summer terms) for an associate's degree in a standard term-based institution; and the various scheduled times for certificate programs.
- For the purposes of this disclosure, the registrant shall define "cohort" consistent with its reporting under the Student Right-to-Know Act. If the registrant does not report under the Student-Right-to-Know-Act, then it shall define cohort as the collective group of students entering a particular program at the same time.
- Revised Cohort is defined as the initial cohort after revisions are made. Cohorts may be revised if an institution discovers that incorrect data were reported in an earlier year.
- Adjusted Cohort is defined as the result of removing any allowable exclusions from a cohort (or subcohort) in accordance with the definitions for the Graduation Rate component under the Student Right-to-Know Act, where:

- "Exclusions are defined as those students who may be removed (deleted) from a cohort (or subcohort). For the Graduation Rates reporting, students may be removed from a cohort if they left the institution for one of the following reasons: death or total and permanent disability; service in the armed forces (including those called to active duty); service with a foreign aid service of the federal government, such as the Peace Corps; or service on official church missions."

.02 This disclosure is consistent with the Graduation Rate as reported in IPEDS database.

- The scope of disclosure includes those cohorts for which 150% of normal time to completion occurred during the fiscal year.

.03 The graduation rate is calculated as the total number of completers within a cohort who are conferred a formal award within 150% of normal time to completion, divided by the revised adjusted cohort.

SV0101-02. On-time completion rate

.04 The registrant shall calculate the on-time completion rate as the percentage of completers that are conferred a formal award within 100% of normal time to completion, where:

- Completers are defined as students who are conferred a degree, diploma, certificate, or other formal award.

- Normal time to completion is defined by IPEDS as the amount of time necessary for a student to complete all requirements for a degree or certificate according to the institution's catalog. This is typically four years (eight semesters or trimesters, or 12 quarters, excluding summer terms) for a bachelor's degree in a standard term-based institution; two years (four semesters or trimesters, or six quarters, excluding summer terms) for an associate's degree in a standard term-based institution; and the various scheduled times for certificate programs.

- For the purposes of this disclosure, the registrant shall define "cohort" consistent with its reporting under the Student Right-to-Know Act. If the registrant does not report under the Student-Right-to-Know-Act, then it shall define cohort as the collective group of students entering a particular program at the same time.

- Revised Cohort is defined as the initial cohort after revisions are made. Cohorts may be revised if an institution discovers that incorrect data were reported in an earlier year.

- Adjusted Cohort is defined as the result of removing any allowable exclusions from a cohort (or subcohort) in accordance with the definitions for the Graduation Rate component under the Student Right-to-Know Act, where:

  - "Exclusions are defined as those students who may be removed (deleted) from a cohort (or subcohort). For the Graduation Rates reporting, students may be removed from a cohort if they left the institution for one of the following reasons: death or total and permanent disability; service in the armed forces (including those called to active duty); service with a foreign aid service of the federal government, such as the Peace Corps; or service on official church missions."

- The scope of disclosure includes those cohorts for which 100% of normal time to completion occurred during the fiscal year.

.05 The on-time completion rate is calculated as the total number of completers within a cohort who are conferred a formal award within 100% of normal time to completion, divided by the revised adjusted cohort.

SV0101-03. Job placement rate

.06 The registrant shall disclose the job placement rate for completers, consistent with the methodology required for short-term undergraduate programs (34 CFR § 668.8(g)), where:

- Completers are defined as students who are conferred a degree, diploma, certificate, or other formal award.

- The job placement rate is calculated as the number of completers who, within 180 days of the day they received their degree, certificate, or other recognized educational credential, obtained gainful employment in the recognized occupation for which they were trained or in a related, comparable, recognized occupation and are employed, or have been employed, for at least 13 weeks following receipt of the credential from the institution; divided by the total number of completers.

- The measurement period for calculating the job placement rate covers the completers who are conferred a formal award at least 271 days before the end of the registrant's fiscal year, to allow for the job placement and retention timeframes outlined above. Completers who are conferred an award with fewer than 271 days remaining before the end of the registrant's fiscal year are counted in the job placement rate for the next fiscal year.

- For a registrant whose fiscal year is aligned with the calendar year, it will include in its current year disclosure the completers that are conferred a formal award on or before April 4 of the current year; completers conferred a formal award after April 4 will be included in the disclosure for the next fiscal year. In general, for registrants whose fiscal year is aligned with the calendar year, spring and winter graduates will be included in the job placement rate for the fiscal year following program completion.

SV0101-04. (1) Debt-to-annual earnings rate and (2) debt-to-discretionary income rate

.07 The registrant shall calculate the debt-to-earnings and debt-to-discretionary income rates in accordance with the methodology outlined in the Gainful Employment Rule § 668.404, 79 Fed. Reg. 64889 (October 31, 2014), where:

- Debt-to-annual earnings rate is the percentage of a Gainful Employment (GE) program's annual loan payment compared to the annual earnings of the students who completed the program, as calculated under §668.404.

- Debt-to-discretionary income rate is the percentage of a GE program's annual loan payment compared to the discretionary income of the students who completed the program, as calculated under §668.404.

- The scope of this disclosure applies to the registrant's educational programs that are classified as GE programs.

SV0101-05. Program cohort default rate

.08 The registrant shall disclose the program cohort default rate (pCDR) for all educational programs classified as GE programs, in accordance with the methodology outlined in Subpart R of the Proposed Gainful Employment Rule § 668.407, 79 Fed. Reg. 16426 (March 25, 2014), where:

- pCDR is the percentage of borrowers in a cohort who defaulted on their loans.
- Borrowers in a cohort for a fiscal year include all of an institution's current and former students who, during that fiscal year, entered repayment on any Federal Stafford Loan, Federal SLS Loan, Direct Subsidized Loan, or Direct Unsubsidized Loan that they received to enroll in the GE program, or on the portion of a loan made under the Federal Consolidation Loan Program or the Federal Direct Consolidation Loan Program that is used to repay those loans.
- Borrowers in a cohort who are in default include any borrowers who, before the end of the second fiscal year following the fiscal year the borrower entered repayment, default on any FFELP loan that was used to include the borrower in the cohort or on any Federal Consolidation Loan Program loan that repaid a loan that was used to include the borrower in the cohort.
- The measurement period for calculating the pCDR covers the borrowers who entered repayment three fiscal years prior to the year in which pCDR is calculated, and the percentage is based on those who defaulted by end of the subsequent two fiscal years. For example, the 2016 pCDR calculation would be based on the borrowers who entered repayment in fiscal year 2013, and the percentage would be those who defaulted by end of fiscal year 2015.

.09 The pCDR percentage is calculated by dividing the number of borrowers in the cohort who are in default by the number of borrowers in the cohort.

Notes

The Gainful Employment Rule establishes these requirements for GE programs, defined as programs that are required "to lead to gainful employment in a recognized occupation," in order for them to be eligible for Title IV federal financial aid.

For the Graduation Rate in IPEDS, data are collected on the number of students entering the institution as full-time, first-time, degree/certificate-seeking undergraduate students in a particular year (cohort), by race/ethnicity and gender; the number completing their program within 150 percent of normal time to completion; and the number that transfer to other institutions if transfer is part of the institution's mission.

Additional References

"Student Right-to-Know and Campus Security Act" (P.L. 101-542) was passed by Congress November 9, 1990. Title I, Section 103 of the Act requires institutions eligible for Title IV funding to calculate completion or graduation rates of certificate- or degree-seeking full-time students entering that institution, and to disclose these rates to all students and prospective students.

"Calculating Job Placement Rates Under Gainful Employment Regulations," Prepared for IPEDS Technical Review Panel, March 1-2, 2011 Washington, DC, February 2011, available online here.

Marketing & Recruiting Practices

Description

The quantity of students admitted to programs at for-profit education providers directly relates to the amount of revenue generated. Therefore, companies may turn to aggressive recruitment strategies, often spending significant amounts of money on marketing, which can take away resources from instruction and student services. Some companies may even use deceptive or false performance metrics to attract prospective students. Aggressive and unethical recruiting practices, such as targeting of veterans or incentive-compensation of recruiters, have placed for-profit education companies under scrutiny. The transparency framework of the new GE Rule aims to formalize the disclosure of relevant performance metrics to students to help them make informed decisions. False or misleading advertising may result in significant fines and ultimately, under the proposed regulations, could lead to a loss of Title IV eligibility. Additionally, even for schools that maintain Title IV eligibility, there are limits on the amounts of federal funding that schools can receive, such as those limits outlined in the 90/10 Rule and the VA Rule. These limits on Federal funding sources may incentivize schools to mislead students into taking on private loans that they may not be able to repay, presenting a significant reputational risk to companies in the industry.

Accounting Metrics

SV0101-06. Description of policies to assure disclosure of key performance statistics to prospective students in advance of collecting any fees and discussion of outcomes

.10 The registrant shall describe the scope, format, and mechanisms for disclosing key performance statistics to prospective students in advance of collecting any fees, where:

- A prospective student is defined as someone who is considering attending a school, but is not yet enrolled.

.11 Key performance statistics are defined as performance metrics that are legally required to be disclosed to prospective students, such as may be required under the GE Rule, the Student Right to Know Before You Go Act of 2013 (H.R. 1937), and the Campus Security Act (P.L. 101-542)

.12 Examples of relevant policies and practices include, but are not limited to, those relating to:

- Where information is made publicly available and how it is broadly disseminated, such as through inclusion of the key performance statistics on the registrant's website or in promotional materials.
- How information is communicated, such as by requiring disclosure in certain direct interactions with prospective students (e.g. requirements that recruiters and admissions staff disclose key performance statistics during student interviews).
- Assuring the sufficiency of disclosures, such as through signed acknowledgement by prospective students indicating receipt and understanding of the key performance statistics).

.13 The registrant shall discuss outcomes and impacts of these disclosure policies and practices, such as direct impacts on enrollment and Title IV eligibility and indirect impacts on tuition prices and offerings.

SV0101-07. Amount of legal and regulatory fines and settlements associated with advertising, marketing, and mandatory disclosures

.14 The registrant shall disclose the amount (excluding legal fees) of all fines or settlements associated with violations of disclosure requirements, including, but not limited to, the GE Rule, the Student Right to Know Before You Go Act, and the Student Right-to-Know and Campus Security Act.

.15 Disclosure shall include civil actions (e.g., civil judgment, settlements, or regulatory penalties) and criminal actions (e.g., criminal judgment, penalties, or restitutions) taken by any entity (government, businesses, or individuals).

Note to **SV0101-07**

.16 The registrant shall briefly describe the nature (e.g., guilty plea, deferred agreement, or non-prosecution agreement) and context (e.g., omission of disclosure, misleading disclosure, etc.) of fines and settlements.

.17 The registrant shall describe any corrective actions it has implemented as a result of each incident. This may include, but is not limited to, specific changes in operations, management, processes, products, business partners, training, or technology.

SV0101-08. (1) Instruction and student services expenses and (2) marketing and recruiting expenses

.18 The registrant shall disclose its instruction and other student services expenses, where:

- "Instruction and student services expenses" refers to all expenses that directly support educational quality or provide related services to current students, including:
    - Faculty compensation, including for teaching staff, academic administrators, and academic support personnel
    - Costs related to the development and enhancement of educational programs
    - Educational/course materials, equipment, and supplies, such as costs of textbooks, laptop computers, and laboratory supplies
    - Student advisory and education-related support activities, such as career services
    - Owned and leased facility costs for classrooms and other educational properties and student accommodation, including rent and utilities
    - Depreciation and amortization of properties and equipment used in the provision of educational and career enhancement services and accommodation facilities.

.19 The registrant shall disclose its marketing and recruiting expenses, where:

- Marketing and recruiting expenses include recruiting (e.g., recruiter salaries), marketing and advertising expenses (e.g., advertising expenses, compensation for marketing personnel, production of marketing materials, activities for brand promotion purposes, etc.).

SV0101-09. Revenue from: (1) Title IV funding, (2) GI Bill funding, and (3) private student loans

.20 The registrant shall disclose its revenue obtained from (1) Title IV funding, (2) GI Bill funding, and (3) private student loans, where:

- Title IV funding is defined as money borrowed directly from the U.S. Department of Education to help cover the cost of higher education at a participating postsecondary institution under Title IV of the HEA.[10] Funds include loans, grants, and work-study programs that are provided by the federal government to eligible borrowers through participating schools.

- GI Bill funding is defined as any Department of Veterans Affairs education benefit earned by members of Active Duty, Selected Reserve and National Guard Armed Forces and their families.

- Private student loans (PSLs) are defined as any loans made for postsecondary education that are not Federal Student Loans, as defined above. These loans are made by such lenders as banks, credit unions, state agencies, or schools. PSLs exclude 12-month payment plans that do not charge interest on short-term balances due to schools.

Note to **SV0101-09**

.21 The registrant shall discuss the risks and opportunities associated with these and other funding sources.

.22 Examples of risks include loss of Title IV eligibility; sensitivity to limits on funding sources, such as Title IV funding limits under the 90/10 Rule or GI Bill funding limits under the VA Rule, as well as risk from default on private student loans, such as on self-originated loans or loan guarantees.

.23 Examples of opportunities associated with these funding sources include potential for growth in revenue from Title IV funds of GI Bill funding, if revenue from these sources is below funding limits.

Notes

The GI Bill includes several VA-administered education programs, including the Post-9/11 GI Bill, The Montgomery GI Bill, the Reserve Educational Assistance Program (REAP), and the Veterans Educational Assistance Program (VEAP). Information available here.

Additional References

The Student Right to Know Before You Go Act of 2013 (H.R. 1937), Amends Title IV (Student Assistance) of the Higher Education Act of 1965 (HEA) to require institutions of higher education (IHEs) to submit to the Secretary of Education data that the Secretary determines to be sufficient to complete all student components of reporting required for IPEDS. This bill was introduced in the House on May 9, 2013. H.R. 1937 would require the Secretary of Education to calculate, within two years of this Act's enactment, the above noted metrics at the institutional and program-specific levels.

Information on Federal Student loans and Private Student loans available here.

[10] Programs authorized under Title IV of the Higher Education Act

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