

Attachment 2 Technical Description of 90/10 Estimates

Schools calculate 90/10 percentages on a student-by-student basis, yet report in aggregate on their annual financial statement submissions to Federal Student Aid (FSA). There is no requirement for schools to report such data on a student-by-student basis. FSA divided each school's reported revenue from Title IV by its reported total revenues to derive the actual 90/10 percentage for each school.

VA and DOD have tabulations that reflect dollars paid to each school on behalf of VA and DOD funded students. VA drew from its financial data bases to sum the actual monthly payments disbursed to schools for tuition and fees for each unique Veteran trainee for each month covered by the fiscal year period each school reported in its financial statement. VA has very high confidence in the accuracy of the data provided from its audited financial system. DOD provided actual financial disbursements to schools at the fiscal year level. For the small number of schools where DOD could be identified as providing more than 1% of total dollars disbursed to a school under Title IV, VA, and DOD, a percentage distribution of the appropriate fiscal years was made to align with the specific months each institution reported as its particular fiscal year. For the remaining schools that received lesser amounts of DOD funding, the FY2012 fiscal year payments to the school were used to represent the approximate actual dollars DOD paid. Thus, this study provides a reasonable view of the impact of adding DOD and VA funds to the 90/10 calculation.

By adding the DOD and VA funding data to FSA data, we are able to estimate the additional number of proprietary schools that could have exceeded the 90% threshold if Title IV, DOD, and VA funds were all used in the 90/10 calculation. For the period of time covered by the estimate, 32 proprietary institutions failed 90/10 calculated with only Title IV funds. An additional 133 schools could have failed the 90/10 revenue test.¹ These schools would have over 90% of their total revenue from all sources coming from Title IV, DOD, and VA for school fiscal years ending between 7/1/2011 and 6/30/2012.

¹ For school fiscal years ending between 7/1/2011 and 6/30/2012, there were 491 proprietary institutions that received between 85.00 and 89.99% of their total revenues from a combination of Title IV, VA, and DoD funds. Within this group, 199 proprietary institutions received only funds from Title IV; and an additional 292 proprietary institutions received funds from a combination of Title IV, VA, and DoD.

FSA included all DOD and VA funds that were paid directly to an institution in the institution's 90/10 estimate. The estimates of the number of additional schools failing 90/10 may be overstated or understated. Overstated, because the 90/10 calculation provides that Title IV HEA program funds are deemed to pay a student's tuition, fees, or institutional charges, regardless of whether the institution credits the funds to the student's account or pays the funds directly to the student. On the other hand, the number of schools failing may be understated, since the amounts paid directly to students by VA were not used in the calculation and potentially some of these funds could have been used to offset additional institutional charges. However, it is likely that these additional VA funds paid directly to students were used almost entirely for living expenses rather than additional institutional charges. Thus, we did not include these funds in the 90/10 estimate.