Trump and DeVos deepen the assault on public higher education

By Nancy Hanover
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An estimated 20 million US college students begin school this month. Most will face higher tuition and larger classes taught by greater numbers of low-paid, part-time adjunct faculty. The overwhelming majority of students will be in debt for years, if not decades, to cover their costs. Those who will be the worst off, if recent years are any guide, will be those in for-profit career and technical schools.

A report from the Center for Budget and Policy Priorities (CBPP) issued last month highlights the primary reason for the ongoing price hikes and deterioration of public higher education. It points to a "lost decade" of deep cuts to the nation's public colleges, showing the systematic de-funding of public higher education on a state-by-state basis.

After adjusting for inflation, state funding for higher education is nearly $9 billion below its 2008 level, the report found. This is a staggering reduction of aid under conditions where higher education is more necessary than ever to attain a livable income.

The CBPP showed that 44 states spent less per student in the 2017 school year than in 2008 before the onset of the Great Recession. Eight states—Alabama, Arizona, Illinois, Louisiana, New Mexico, Oklahoma, Pennsylvania, and South Carolina—saw a devastating per-student funding drop of more than 30 percent over this period.

The net result has been a huge transfer of the costs of education from government onto students. Presently, seven out of 10 graduating students are in debt, at an average of $40,000 each, amounting to the record-breaking sum of $1.4 billion nationally. The average monthly student loan payment is now $351. This crisis worsened throughout the Obama presidency, as the states were hit by massive budget cuts while the federal government poured trillions of dollars into Wall Street and the military.

Predictably, the Trump administration response has been to capitalize on this crisis by pushing for further privatization of education and boosting the scandal-ridden student loan and for-profit college industries.

America's corporate and financial oligarchy, for which the administration speaks, aims to milk the mass education "marketplace" for profit, while maintaining a few islands of high quality education for the sons and daughters of the wealthy elites. Earlier in the year, for example, the billionaire secretary of education spoke before an audience of venture capitalists, calling for scrapping the Higher Education Act of 1965 that opened the doors to higher education for middle- and working-class youth for the first time in US history.

In this vein, Trump has demanded over $9 billion in budget cuts to education in the proposed 2018FY budget. Proposed cuts aimed at higher education include cutting the federal subsidy for student loans, depleting the Pell Grant (grants earmarked for the neediest students) reserve funds, and the elimination of the Child Care Access Means Parents in School program, which helps working parents pay for child care on campus.

Last week DeVos' Department of Education (DOE) took two separate actions to block federal oversight of predatory for-profit schools and student loan collection agencies (also for-profit). These actions will have the inevitable effect of raising edu-business profits and making college less affordable for thousands of students.

First, Julian Schmoke, a former administrator of the for-profit DeVry University, was named to oversee the Department of Education's student-aid enforcement unit. DeVry (now Adtalem) was a publicly traded company, which included Keller Graduate School of Management, Ross University School of Medicine, Ross University School of Veterinary Medicine, American University of the Caribbean, Carrington College, Chamberlain College of Nursing, Becker Professional Review, and DeVry Brasil.

The student aid enforcement agency is a late Obama-era regulatory group with the power to withhold federal funds from college programs that fail to meet minimal educational goals. According to the "gainful employment" regulations, any program whose graduates have annual loan payments that exceed 12 percent of their total earnings or 30 percent of their discretionary income are considered "failing." If a program fails in two of three consecutive years, students cannot receive federally subsidized financial aid to attend those programs. At the end of 2016, the bureau had identified 800 failing programs, 9 percent of which were at for-profit schools.

In his new position, Schmoke will now oversee the dispensation of claims by student borrowers defrauded by the for-profit schools, with their false guarantees of good-paying jobs. *Politico* reported in an August 30 article that DeVry alone had 1,872 students applying for such "borrower defense to repayment" claims pending before the department.

Schmoke worked at DeVry during the period it was under federal and state investigation for a series of violations, including deceptive recruitment tactics, lying on "gainful employment" statistics and fraud. The for-profit college settled with the Federal

Trade Commission in December 2016 for $100 million and has rebranded itself as Adtalem Global Education. In other words, Schmoke's appointment is in keeping with the Trump administration's established policy of "hiring the fox to guard the chicken coop."

"You have someone who was in the middle of the fraud era of DeVry now in charge of enforcing a rule that was designed to do precisely what has just been done to DeVry: to better regulate them and monitor them," Tressie McMillan Cottom, an assistant professor of sociology at Virginia Commonwealth University, told the *Atlantic*. He added that this action went beyond "signaling" administration support to for-profits. They are "being explicit in saying that an era of regulation is over; this is a new approach that welcomes privatization."

DeVry's scandal followed the ignominious collapse of the for-profit chains Corinthian College and ITT amid dozens of similar state and federal lawsuits for fraud. Of course, Trump himself was directly in on the game. Widely ridiculed for his profitable real-estate seminar series dubbed "Trump University," he opted to settle a myriad of fraud claims for $25 million within days of his election.

Stocks for the major players in private for-profits, including DeVry, unsurprisingly leapt up in the aftermath of the Trump victory. According to the *N ew York Times*, DeVry stock increased more than 40 percent, Strayer's 35 percent, and Grand Canyon Education more than 28 percent.

Indicative of the sums of money at play is the fact that Strayer's former CEO, Robert S. Silberman, netted a total compensation package of $41.5 million in 2009. He was named by the *Washingto n Post* as the highest paid CEO in the Washington, DC area in 2010. While Silberman may have been the most well-paid for-profit executive at a time when the industry was flying high, the multibillion dollar industry is notorious for both its lavish compensation to executives and stripped-down, largely on-line, educational experiences.

Trump was hardly the only corporate executive seeking to cash in on the for-profit market opportunities. In 2011, Strayer acquired the Jack Welch Management Institute, founded by General Electric's infamous hatchet-man, best known for eliminating 100,000 jobs at GE.

Despite federal conflict of interest regulations, US Secretary of Education Betsy DeVos is also invested in this lucrative sector. According to the liberal think tank American Progress, DeVos holds stock in both student loan collection services (Performant Recovery, previously known as Diversified Collection Services Inc.) and for-profit Laureate Education, owner of Walden University, and Apollo Investment Corp, a subsidiary of Apollo Global Management, owner of the mega for-profit University of Phoenix. She also has investments in New Zealand's largest private education provider and Grupo Ser, a Brazilian private for-profit college, according to the report.

DeVos' holdings in student loan collections corporations are particularly noteworthy not only for their reactionary and predatory nature, but also because of the disproportionate borrowing of students at these notoriously high-priced for-profit schools. For-profit colleges educate eight percent of the US student base, but account for 15 percent of outstanding student loans. In other words, the clientele of the for-profits—generally poorer and often the first in their family to attend college—are the most in debt.

According to a 2011 Brookings study, "The University of Phoenix, one of the nation's largest institutions, had the most outstanding federal student loan debt, with 1.1 million borrowers collectively owing $35.5 billion in 2014. Among a 2009 cohort of University of Phoenix borrowers, the researchers estimated, about 47 percent had defaulted within five years."

In a second significant Department of Education decision last week, the agency announced it will stop sharing student loan data with the Consumer Financial Protection Bureau (CFPB). This measure serves to block the CFPB's attempts to regulate the student loan market. The administration sent a letter Friday accusing the CFPB of "overreaching" and interfering in student loans.

In January, the bureau had announced it would sue Navient, the largest provider of Department of Education student loans, with $300 billion in loans to 12 million borrowers. The CFPB, which was joined by two state's attorneys in similar suits, alleged "that Navient repeatedly creates obstacles to repayment by misallocating or misapplying payments. The company all too often fails to correct its errors unless a consumer stays vigilant, discovers the problem and contacts the company to insist that it be fixed."

So the largest student loan processor in the US routinely fails to properly apply students' hard-earned monthly payments—and tells the students they need to investigate Navient's accounting! If that weren't enough, the consumer bureau also charged that Navient obscured information sent to borrowers who needed to meet critical deadlines in order to remain enrolled in income-driven repayment plans. It added that Navient misreported to credit-reporting companies the loan discharges of borrowers who suffered severe or permanent disability, claiming they had defaulted on their loans when they had not.

Navient is a publicly traded for-profit corporation, spun off from a "government-sponsored entity" created by Congress to support student loans, formerly known as Sallie Mae. A separate entity, a consumer "bank" now the largest private student loan lender, retained the name Sallie Mae. Shares of Sallie Mae saw an immediate bump of 54 percent in the aftermath of the Trump election.