H. R. _____

To close the GI Bill loophole and update the 80/20 rule for proprietary institutions of higher education

IN THE HOUSE OF REPRESENTATIVES

Ms. Shalala introduced the following bill; which was referred to the Committee on

A BILL

To close the GI Bill loophole and update the 80/20 rule for proprietary institutions of higher education

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE.

This Act may be cited as the “Defending All Veterans in Education Act” or the “DAVIE Act”.

(Original Signature of Member)
SEC. 2. CLOSING THE GI BILL LOOPHOLE AND UPDATING THE 80/20 RULE FOR PROPRIETARY INSTITUTIONS OF HIGHER EDUCATION.

(a) IN GENERAL.—Section 102(b) of the Higher Education Act of 1965 (20 U.S.C. 1002(b)), is further amended—

(1) in paragraph (1)—

(A) in subparagraph (D), by striking “and” after the semicolon;

(B) in subparagraph (E), by striking the period at the end and inserting “; and”; and

(C) by adding at the end the following:

“(F) meets the requirements of paragraph (2).”;

(2) by redesignating paragraph (2) as paragraph (3); and

(3) by inserting after paragraph (1) the following:

“(2) REVENUE SOURCES.—

“(A) IN GENERAL.—In order to qualify as a proprietary institution of higher education under this subsection, an institution shall derive not less than 20 percent of the institution’s revenues from sources other than Federal funds, as calculated in accordance with subparagraphs (B) and (C).
“(B) Federal funds.—In this paragraph, the term ‘Federal funds’ means any Federal funds provided, under this Act or any other Federal law, through a grant, contract, subsidy, loan, guarantee, insurance, or other means to a proprietary institution, including Federal funds disbursed or delivered to an institution or on behalf of a student or to a student to be used to attend the institution, except that such term shall not include any monthly housing stipend provided under the Post-9/11 Educational Assistance Program under chapter 33 of title 38, United States Code.

“(C) Implementation of non-federal revenue requirement.—In making calculations under subparagraph (A), an institution of higher education shall—

“(i) use the cash basis of accounting;

“(ii) consider as revenue only those funds generated by the institution from—

“(I) tuition, fees, and other institutional charges for students enrolled in programs eligible for assistance under title IV;
“(II) activities conducted by the institution that are necessary for the education and training of the institution’s students, if such activities are—

“(aa) conducted on campus or at a facility under the control of the institution;

“(bb) performed under the supervision of a member of the institution’s faculty; and

“(cc) required to be performed by all students in a specific educational program at the institution; and

“(III) a contractual arrangement with a Federal agency for the purpose of providing job training to low-income individuals who are in need of such training;

“(iii) presume that any Federal education assistance funds that are disbursed or delivered to an institution on behalf of a student or directly to a student will be used to pay the student’s tuition, fees, or other institutional charges, regardless of
whether the institution credits such funds to the student’s account or pays such funds directly to the student, except to the extent that the student’s tuition, fees, or other institutional charges are satisfied by—

“(I) grant funds provided by an outside source that—

“(aa) has no affiliation with the institution; and

“(bb) shares no employees, executives, or board members with the institution;

“(II) 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; or

“(III) institutional scholarships described in clause (v);

“(iv) include no loans made by an institution of higher education as revenue to the school, except for payments made by students on such loans;
“(v) include a scholarship provided by the institution—

“(I) only if the scholarship is in the form of monetary aid based upon the academic achievements or financial need of students, disbursed to qualified student recipients during each fiscal year from an established restricted account; and

“(II) only to the extent that funds in that account represent designated funds, or income earned on such funds, from an outside source that—

“(aa) has no affiliation with the institution; and

“(bb) shares no employees, executives, or board members with the institution; and

“(vi) exclude from revenues—

“(I) the amount of funds the institution received under part C of title IV, unless the institution used those funds to pay a student’s institutional charges;
“(II) the amount of funds the institution received under subpart 4 of part A of title IV;

“(III) the amount of funds provided by the institution as matching funds for any Federal program;

“(IV) the amount of Federal education assistance funds provided to the institution to pay institutional charges for a student that were refunded or returned; and

“(V) the amount charged for books, supplies, and equipment, unless the institution includes that amount as tuition, fees, or other institutional charges.

“(D) REPORT TO CONGRESS.—Not later than July 1, 2020, and by July 1 of each succeeding year, the Secretary shall submit to the authorizing committees a report that contains, for each proprietary institution of higher education that receives assistance under title IV and as provided in the audited financial statements submitted to the Secretary by each insti-
tution pursuant to the requirements of section
487(c)—
“(i) the amount and percentage of
such institution’s revenues received from
Federal education assistance funds; and
“(ii) the amount and percentage of
such institution’s revenues received from
other sources.”.

(b) REPEAL OF EXISTING REQUIREMENTS.—Section
1094) is amended—

(1) in subsection (a)—

(A) by striking paragraph (24);

(B) by redesignating paragraphs (25)
through (29) as paragraphs (24) through (28),
respectively;

(C) in paragraph (24)(A)(ii) (as redesig-
nated by subparagraph (B)), by striking “sub-
section (e)” and inserting “subsection (d)”;
and

(D) in paragraph (26) (as redesignated by
subparagraph (B)), by striking “subsection (h)”
and inserting “subsection (g)”;

(2) by striking subsection (d);

(3) by redesignating subsections (e) through (j)
as subsections (d) through (i), respectively;
(4) in subsection (d) (as redesignated by paragraph (3)), by striking “(a)(25)” and inserting “(a)(24)”;

(5) in subsection (f)(1) (as redesignated by paragraph (3)), by striking “subsection (e)(2)” and inserting “subsection (d)(2)”;

(6) in subsection (g)(1) (as redesignated by paragraph (3)), by striking “subsection (a)(27)” in the matter preceding subparagraph (A) and inserting “subsection (a)(26)”.

(c) CONFORMING AMENDMENTS.—The Higher Education Act of 1965 (20 U.S.C. 1001 et seq.) is amended—

(1) in section 152 (20 U.S.C. 1019a)—

(A) in subsection (a)(1)(A), by striking “subsections (a)(27) and (h) of section 487” and inserting “subsections (a)(26) and (g) of section 487”; and

(B) in subsection (b)(1)(B)(i)(I), by striking “section 487(e)” and inserting “section 487(d)”;

(2) in section 153(c)(3) (20 U.S.C. 1019b(c)(3)), by striking “section 487(a)(25)” each place the term appears and inserting “section 487(a)(24)”;
1 (3) in section 496(c)(3)(A) (20 U.S.C. 1099b(c)(3)(A)), by striking “section 487(f)” and inserting “section 487(e)”; and
2
3 (4) in section 498(k)(1) (20 U.S.C. 1099c(k)(1)), by striking “section 487(f)” and inserting “section 487(e)”.
4
5 SEC. 3. EFFECTIVE DATE.
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7 The amendments made by section 2 shall take effect
8 one year after the date of the enactment of this Act.