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September 13, 2016

Mr. James Runcie  
Chief Operating Officer  
The Office of Federal Student Aid  
400 Maryland Ave, SW  
Washington, D.C. 20202

Dear Mr. Runcie:

On September 6, 2016, ITT Educational Services, Inc. (ITT) announced the permanent discontinuation of academic services at all of its ITT Technical Institutes (ITT Tech).<sup>1</sup> This decision has far-reaching consequences, as 40,000 students have seen their current educational pursuits upended, more than 8,000 jobs have been terminated, and taxpayers could be left with a \$485 million burden in closed-school discharges.<sup>2</sup> The announcement also comes on the heels of a two-year period when the Department of Education's (the Department) Office of Federal Student Aid (FSA) rapidly increased its scrutiny of ITT Tech. In fact, ITT claims the actions stemming from this increased scrutiny are what ultimately led to their decision to close, stating "the actions of and sanctions from the U.S. Department of Education have forced us to cease operations of the ITT Technical Institutes...."<sup>3</sup>

In a letter dated August 25, 2016,<sup>4</sup> citing a show-cause directive from its accreditor and ongoing civil litigation efforts led by state and federal law enforcement agencies, FSA issued a new round of restrictive conditions on ITT Tech despite the lack of a formal adjudication on any of the actions cited.<sup>5</sup> These conditions taken together, several of which alone would spell future

<sup>1</sup> <http://www.ittesi.com/2016-09-06-ITT-Educational-Services-Inc-to-Cease-Operations-at-all-ITT-Technical-Institutes-Following-Federal-Actions>

<sup>2</sup> <https://www.politicopro.com/education/whiteboard/2016/09/itt-tech-shuts-down-blaming-obama-administration-actions-076619>

<sup>3</sup> *Id.*

<sup>4</sup> <http://www2.ed.gov/documents/press-releases/itt-letter-08252016.pdf>

<sup>5</sup> The first condition imposed a 30-day deadline to post an additional \$152,938,654 on their existing Letter of Credit of \$94,353,980 bringing the total expected surety to \$247,292,364. The second involved placing ITT Tech on Heightened Cash Monitoring 2 requiring the school to use institutional funds to cover the financial aid needs of students before being reimbursed. The third required ITT Tech to provide notification to the Department within 10 days after certain oversight or financial events occurred. The fourth continued additional reporting requirements on

operational uncertainty for any institution of higher education, caused an insurmountable situation for ITT Tech. In an effort to ease adverse consequences on students and taxpayers, ITT Tech approached the Department about the potential sale of campuses; however, these discussions were rebuffed when Ted Mitchell noted a policy decision had been made that it is not the role of the federal government to help broker a sale for an institution.<sup>6</sup> This position is surprising given that it is in stark contrast to the Department's actions to facilitate the sale of several campuses owned by Corinthian Colleges Inc. in 2015.<sup>7</sup>

Given the conditions imposed by the Department, ITT's decision to discontinue academic services, and the number of students impacted by this decision, we seek more information on the processes followed by the Department. Please respond to the following questions and requests by September 30, 2016:

1. Please provide a detailed timeline of the events taken place that led to the Department's final actions from August 2014 to the present. The timeline should include all alleged infractions committed by ITT Tech and the corrective actions taken by the Department during that time.
2. In what other instances has the Department levied such conditions against an institution upon an accreditor issuing a show-cause or similar directive?
3. In what other instances has the Department cited ongoing litigation to take such actions against an institution?
4. Did the Department weigh any alternative actions that would have lessened the impact on students enrolled at ITT Tech? If not, why not? If so, please explain.
5. Have the Department and the Accrediting Council for Independent Colleges and Schools (ACICS) been in communication regarding ITT Tech at any point since the for-profit chain was placed on provisional status? If so, what have those communications entailed? If not, why not? Was the Department aware of ACICS's initial show cause directive in April 2016 prior to ITT Tech being informed?
6. Did FSA receive any input from other offices within the Department on the final conditions placed on ITT Tech in their August 25, 2016 letter? If so, what offices? What other instances has FSA received such input before placing sanctions on institutions?
7. How is the Department communicating to students affected by ITT's decision to cease academic services? What options are being communicated to students?

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matters of finances, operations, and future plans. The fifth created new operation requirements, including a ban on ITT Tech accepting any new students who receive Title IV program funds under the *Higher Education Act*.

<sup>6</sup> <https://www.insidehighered.com/news/2016/09/07/itt-tech-shuts-down-all-campuses>

<sup>7</sup> <http://www.ed.gov/news/press-releases/more-50-corinthian-campuses-transition-nonprofit-status-under-zenith-education-group>

8. Please describe all of the available post-closure options to the students who attended ITT Tech. Will each student be eligible for a closed-school discharge? If not, what would be the conditions preventing their eligibility? What happens if a student chooses not to submit a closed school claim or reenroll into another program?
9. How many, if any, closed-school discharges is the Department anticipating and how much will taxpayers have to cover?
10. In 2015, the Department announced that Zenith Education Group had finalized its acquisition of more than 50 Everest and WyoTech campuses from Corinthian Colleges Inc. The purchase of these schools were not only praised by the Department, but the Department ordered Corinthian to sell and prepare to wind down all of its program. According to ITT, the for-profit chain offered similar alternatives to better serve students, employees, and taxpayers, however, those alternatives were rejected. ITT also mentions that they were not provided with a hearing or an appeal.
  - Please describe the process for allowing schools to appeal decisions made by the Department. Does the Department consider every alternative before placing sanctions that are highly unlikely to be met by an institution in an effort to have school closure and student displacement be the last resort?
  - Why did the Department allow for the sell and wind down of Corinthian Colleges Inc., but did not do the same with ITT?
  - Since the Department has indicated that it is not the role of the federal government to help an institution broker a sale, will this new standard be applied to all future institutions?

If you have any questions regarding this letter, please contact Emmanuel Guillory ([emmanuel.guillory@mail.house.gov](mailto:emmanuel.guillory@mail.house.gov)) or Clint Raine ([clint.raine@mail.house.gov](mailto:clint.raine@mail.house.gov)) with the Education and the Workforce Committee at 202-225-6558.

Sincerely,



TODD ROKIA  
Chairman  
Subcommittee on Early Childhood,  
Elementary and Secondary Education



VIRGINIA FOXX  
Chairwoman  
Subcommittee on Higher Education  
and Workforce Protections