

Students Not Profits Act of 2019
Introduced by Rep. Pramila Jayapal & Sen. Sherrod Brown
Section-by-Section Summary

Sec. 1. Short title. Section 1 sets forth the short title of the bill as the “Students Not Profits Act of 2019.”

Sec. 2. Definition of Institution of Higher Education. Section 2 amends Part A of Subchapter I, Chapter 28 of Title 20, United States Code to remove for-profit institutions of higher education as part of the definition that makes them eligible to receive Title IV Federal student aid, thereby ending taxpayer subsidies to for-profit colleges.

This section maintains all existing access to Federal student aid for non-profit and public institutions of higher education, including postsecondary vocational institutions that prepare students for gainful employment in a recognized occupation and have been in existence for at least two years. It also preserves existing access to Federal student aid for institutions outside the United States and maintains existing statutory requirements for such institutions.

This section maintains current law requirements for non-profit and public institutions that are intended to limit waste, fraud, and abuse. Under such requirements, institutions must:

- Limit enrollment of students in distance education courses to not more than 50 percent of all enrolled students, except for certain career and technical education institutions;
- Limit enrollment of students who are incarcerated to no more than 25 percent of all students enrolled in the institution;
- Limit enrollment of students without a secondary school diploma or a recognized equivalent (for students who have demonstrated an “ability to benefit” from higher education) to 50 percent of all students enrolled in the institution; and
- Ensure career training programs prepare students for gainful employment in a recognized occupation.

This section also states that an institution does not meet the definition of eligibility for Title IV Federal student aid if:

- The institution or its affiliate with management power over the institution through contract or ownership interest has filed for bankruptcy;
- The institution, its owner, or any of its executive officers have been convicted of, or pled nolo contendere or guilty to, a crime involving Title IV Federal student aid;
- The institution, its owner, or any of its executive officers have been determined to have committed fraud, substantial misrepresentation or false certification involving Title IV Federal student aid; or
- The institution, its owner, or any of its executive officers have been previously employed at an institution receiving Title IV Federal student aid funds that closed.

Sec. 3. Repeal of Existing References to For-Profit Institutions. Section 3 removes references to for-profit institutions of higher education throughout the *Higher Education Act of 1965*.

Sec. 4. Conforming Amendments. Section 4 makes conforming amendments.

Sec. 5. Integrity of Nonprofit Institutions of Higher Education. Section 5 amends Part B of Subchapter I, Chapter 28 of Title 20, United States Code to establish a transparent process for approving the conversion of a for-profit school to a nonprofit school.

Specifically, to be eligible to convert to a nonprofit institution of higher education for purposes of eligibility for Title IV Federal student aid, an institution must certify to the Secretary of Education that:

- The institution is a nonprofit, and maintains 501(c)(3) status with the IRS;
- Assets and services acquired from previous owners of the institution were not acquired for more than their fair value, demonstrated by a third-party appraisal, independent financing of the acquisition or full and open competition in the acquisition process;
- No member of the board or person with the power to appoint board members receives any economic benefit from the institution; and
- None of the core functions of the institution are controlled by a for-profit entity.

Before approving a conversion, the Secretary must publish the institution's application in the Federal Register for comment. Institutions approved for conversion to non-profit status remain subject to rules and regulations for for-profit institutions for a period of five years.

Additionally, existing institutions engaged in potential indicators of private inurement remain subject to review by the Secretary of Education.