

CITY COUNCIL
CITY OF NEW YORK

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TRANSCRIPT OF THE MINUTES

of the

COMMITTEES ON IMMIGRATION &
CIVIL SERVICE & LABOR

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February 16, 2012

Start: 1:30 p.m.

Recess: 1:54 p.m.

HELD AT: Committee Room - 14th Floor
250 Broadway

B E F O R E:

DANIEL DROMM

JAMES SANDERS, JR.

Co-Chairpersons

COUNCIL MEMBERS:

Charles Barron

Mathieu Eugene

Michael C. Nelson

Larry B. Seabrook

Jumaane D. Williams

A P P E A R A N C E S

Nadia Stevens
Representative
CWA Local 1180

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2 CHAIRPERSON SANDERS, JR.: This
3 hearing will now come to order. Good afternoon,
4 good afternoon everyone, I am Council Member James
5 Sanders, Jr., and I thank you for coming. I am
6 the Chair of the Committee on Civil Service and
7 Labor, it would be a shame if I didn't know that.
8 Thank you, Council Member Dromm, my Chair on the
9 Committee on Immigration, for agreeing to hold
10 this hearing jointly. Today we are doing both an
11 oversight hearing regarding the practice of for-
12 profit educational and vocational institutions in
13 the city, and hearing a resolution regarding state
14 action that would regulate some such entities.
15 The purpose of these schools is to prepare people,
16 frequently low income and people of color, to
17 obtain the skills and knowledge to compete in
18 today's workforce. Unfortunately, a lot of the
19 students who attend such schools are saddled with
20 debt, and upon finishing these courses, often they
21 cannot find a well-paying job. And that is for
22 many of the people who graduate from such
23 institutions: 38% of those who attend such schools
24 do not graduate, but they keep going deeper into
25 debt they've incurred, putting them in a worse

1 position than they started from. Hopefully
2 though, some help is on the way. Last summer the
3 Obama administration issued new regulations
4 requiring for-profit institutions to better inform
5 their students about financial aid and student
6 loans, and prepare their students to enter the
7 workforce. If schools don't comply with these
8 regulations, the institutions will lose their
9 access to Federal student aid. These regulations
10 require disclosure of their total program cost,
11 loan repayment rates, and debt-to-earnings ratios,
12 etc. The Federal Department of Education
13 estimates that approximately 18% of all for-profit
14 institutions will be affected by this, and
15 therefore deemed ineligible to receive Federal
16 financial aid, which may force some of them to
17 close. This hopefully is a step in the right
18 direction. In addition, we are hopeful that we
19 will be getting help from this issue from the
20 state. Today we are hearing Resolution 1198,
21 which would call upon the State of New York
22 Department of Education to convene a task force to
23 review the outreach practices and graduate
24 outcomes at institutions with gainful-employment
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2 programs in New York State. I thank you for
3 coming. We have been joined by Council Member
4 Mathieu Eugene and to my far left Council Member
5 Charles Barron. I want to thank ... I can't get my
6 left and right together, I'm sorry. I want to
7 thank my Committee staff, Matthew Carlin, our
8 counsel, and Faith Corbett, our policy analyst.
9 Now we will turn it over to my esteemed co-Chair
10 who ... this is the first time we've shared
11 together.

12 CHAIRPERSON DROMM: Right.

13 CHAIRPERSON SANDERS, JR.: All
14 right.

15 CHAIRPERSON DROMM: Thank you very
16 much, Mr. Chair, and good afternoon, my name is
17 Daniel Dromm, and I am the Chair of the New York
18 City Council Committee on Immigration. Before
19 going any further, I would like to thank you,
20 Council Member James Sanders, as Chair of the
21 Committee on Civil Service and Labor, for co-
22 Chairing this hearing with me. This afternoon's
23 hearing will examine the impact for-profit
24 vocational and educational institutions have on
25 the city's immigrants' efforts to enter into the

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2 workforce. Additionally, we will hear Resolution
3 1198, a resolution calling on the New York State
4 Department of Education to convene a task force to
5 review the outreach practices and graduate
6 outcomes at institutions with gainful-employment
7 programs in New York State. President Obama
8 stated that continuing education in America is
9 imperative to better prepare our workforce for the
10 21st century economy. Continued education,
11 especially for-profit and vocational schools, play
12 an important role in achieving this goal.
13 Considering the current economic climate, many New
14 Yorkers are returning to school to acquire a new
15 trade or skill. For-profit institutions,
16 educational models, cater to non-traditional
17 student population by providing classes at night,
18 on the weekends and even online. Their programs
19 can be completed quickly, and are considered to be
20 more accessible than associates or baccalaureate
21 programs. Although these schools are supposed to
22 facilitate students' access to work and a self-
23 sufficient lifestyle, it's been reported that
24 these schools are actually burdening students with
25 excessive debt, questionable skills and no access

1 to jobs, and that this information on the
2 approximately 300 for-profit schools is what we
3 know about. There are also schools out there that
4 are illegal and are promising the same success.
5 These illegal schools are even harder to regulate
6 than those that are licensed. It's important that
7 the public is aware of potentially becoming a
8 victim of fraud and enrolling in a school with
9 reprehensible practices. Too many of my
10 constituents have fallen victim to these
11 institutions, and little information is known
12 about the full impact that these for-profit
13 institutions have on the city's immigrant
14 community. I look forward to hearing from the
15 witnesses here today on what the impact for-profit
16 schools have on our communities, what can be done
17 to further educate the public regarding fraud, and
18 what alternatives are available for immigrants
19 trying to enter the workforce. And with that I
20 thank you, and I will turn it over to our Chair.
21 Okay, we're doing very good, Mr. Chair, and our
22 first witness will be Ms. Nadia Stevens or Steens,
23 I'm sorry?

25 MS. STEVENS: Stevens.

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2 CHAIRPERSON DROMM: Stevens, from
3 CWA 1180, representing Arthur Cheliotes. And that
4 is our panelist.

5 MS. STEVENS: Hi, my name is Nadia
6 Stevens, I'm from CWA Local 1180, and I'm reading
7 the testimony of Arthur Cheliotes, the President.
8 "My name is Arthur Cheliotes, President of
9 Communications Workers of America Local 1180, I
10 represent 9,000 workers who live and work in New
11 York City. I also serve as the chairman of the
12 labor advisory board for the Joseph S. Murphy
13 Institute for Worker Education and Labor Studies
14 at the City University of New York. The Murphy
15 Institute provides educational opportunities to
16 union members and serves as an academic resource
17 on issues of concern to the labor movement. The
18 Murphy Institute is part of the City University of
19 New York, a valuable public asset serving working
20 adults who seek to improve their skills, develop
21 their qualifications and advance their careers and
22 expand their minds. Over 20 unions across New
23 York City coordinate with Murphy to provide
24 educational opportunities to their respective
25 members. Although our members live in New York

1 City, their genealogy extends far beyond these
2 five boroughs. Many of our members are the
3 children of immigrants, and the history of the
4 city is firmly tied to immigration. Waves upon
5 waves of immigrants came to our city in search of
6 a better life. Since the time of the progressive
7 movement at the end of the 19th century, our city
8 created a public education system and free
9 university that offered opportunities to the
10 children of immigrants, if not the immigrants
11 themselves. It was for the common good and
12 commonwealth that the children of illiterate
13 immigrants learned to read and write in our public
14 schools. Of those same immigrant students, the
15 best and brightest were admitted to a public
16 university system. Although they met the
17 qualifications to attend an Ivy League college,
18 they were not the favored race or religion to do
19 so. Whether they were fleeing famine in Ireland
20 or persecution in Europe, Jim Crow in the South or
21 oppression in Asia, immigrants came to New York
22 for a better life for themselves and for their
23 families. New York was where you could get a job
24 in a factory or on the docks, work in the kitchens
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2 or the laundries or mop the floors, so your
3 children could have a better life than you did.
4 Immigrant parents sacrificed so their children
5 could be educated, not necessarily to become
6 billionaire bankers or rich doctors, but to at
7 least get a good civil service job with a pension
8 and good benefits. They just had to be smart
9 enough to pass a test and score high enough to be
10 appointed, based on what they knew and not what
11 they looked like. Labor unions created additional
12 opportunities for public education for these
13 citizens. When Local 1180 first began its
14 relationship with CUNY, we worked with other
15 unions and the Queens College to start the Labor,
16 Education and Advancement program, which later
17 became the university-wide Murphy Institute. We
18 were looking for a university to collaborate with
19 to start a program that would expose our members
20 to educational opportunities so they could be able
21 to advance their careers and insure a better life
22 for their families. During our search, we
23 realized that the private and for-profit
24 institutions were far too expensive.
25 Unfortunately, that trend continues today. Public

1 institutions like the Murphy Institute allow
2 people to receive an education at a far lower
3 price than it would cost them if they attended a
4 for-profit institution. Research performed by the
5 United States Government Accountability Office
6 finds that 14 out of 15 times, the tuition at a
7 for-profit sample was more expensive than its
8 public counterpart, and 11 out of 15 times more
9 expensive than the private counterpart. Examples
10 of the disparity at full-tuition for-profit
11 programs include \$14,000 for a certificate at the
12 for-profit institution, when the same diploma
13 costs \$500 at a public college; \$38,000 for an
14 associate's degree at a for-profit institution,
15 when the comparable program at a public college
16 costs \$5,000; \$61,000 for a bachelor's at the for-
17 profit institution, compared to \$36,000 for the
18 same degree at the public college, and the price
19 gets higher and further apart as the level of
20 degree escalates. Even with the high price tags
21 at for-profit institutions, the amount they devote
22 to education is still less than what not-for-
23 profit institutions allocate. According to the
24 Huffington Post, for-profit colleges devote less
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2 than a third of what public universities spend on
3 educating their students, even though the for-
4 profit institutions charge nearly twice as much as
5 their public counterparts for tuition. Therefore,
6 at a for-profit institution the student will pay
7 more and receive a lower grade of education. This
8 is because for-profit schools spend a significant
9 portion of their tuition they receive on
10 marketing, in order to convince people that a
11 degree from this institution is a valuable
12 pursuit, instead of improving the actual quality
13 of the education they are providing. The cost of
14 those advertising campaigns is financed by lower
15 salaries for instructors and tricks and traps that
16 add to student fees as well. Students attending
17 bachelor's degree programs at for-profit schools
18 are also much less likely to graduate than
19 students who attend public universities or private
20 not-for-profit schools. One in five graduate from
21 for-profit bachelor's degree programs within six
22 years, compared to more than half of the students
23 at public universities. A very important economic
24 benefit for students at public institutions is
25 their course credits are cross-applicable. Many

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2 for-profit institutions of higher education have
3 national accreditation, rather than regional
4 accreditation. Regionally-accredited schools are
5 predominantly academically-oriented and not-for-
6 profit institutions. Nationally-accredited
7 schools are predominantly for-profit and offer
8 vocational, career or technical programs.
9 According to Education USA, a global network of
10 advising clients supported by the Bureau of
11 Educational and Cultural Affairs at the U.S.
12 Department of State, many regionally-accredited
13 schools will not accept transfer credits earned at
14 a nationally-accredited school, so a student who
15 attends a for-profit institution and then tries to
16 transfer to a different university is likely to be
17 denied credit for the courses they completed at
18 the previous institution, so the time and money
19 they spent will be in vain. Another area in which
20 public schools outdo for-profit schools is the
21 type of education they provide. Public
22 institutions have to provide a broad-based
23 education to comply with Federal and state
24 regulations. The students are required to study a
25 variety of different topics, and are exposed to a

1 wider range of information. This equips them with
2 a widespread knowledge and greater critical
3 thinking and problem-solving skills, which will
4 allow them to better compete in the workforce.
5 Wide-ranged education has a greater applicability
6 to real-life circumstances that is often missing
7 from the curriculum of private and for-profit
8 institutions. One way to gauge the efficacy of an
9 educational program is to compare how many of its
10 graduates receive gainful employment opportunities
11 upon completion of the program. This can be
12 measured by examining the repayment of student
13 loans of the graduates. New York Times reported
14 last year on student loan defaults at for-profit
15 colleges and universities versus those of not-for-
16 profit and public institutions. At for-profit
17 institutions, 15% of borrower defaulted within the
18 first two years of repayment. At public
19 institutions the rate was 7.2% and at not-for-
20 profit private institutions it was 4.6%. And
21 although for-profit colleges enroll only 10% of
22 our nation's graduates, their students make up
23 almost half of the defaults, which is 150,000.
24 Critics have called for-profit education sub-prime
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1 education, analogous of sub-prime mortgages that
2 caused the Great Recession. They prey on
3 uninformed borrowers and burden them with debt
4 they can't afford, and they securitize and pass
5 the loan on to third party investors. This is un-
6 American; in a civil society, education is an
7 essential service, democratic government is a
8 foundation upon which commerce, industry and a
9 civil society is built. Public and non-profit
10 educational institutions are a branch of our
11 democracy, these institutions are regulated by the
12 government to insure they provide an adequate
13 level of education to their students. They have a
14 vested interest in the welfare of their students,
15 unlike that of for-profit institutions that have a
16 vested interest in the welfare of their
17 shareholders. Students who graduate from for-
18 profit institutions are overburdened with debt,
19 they receive a sub-standard education, graduate
20 less frequently, are unable to get jobs or earn a
21 sufficient salary to repay their debt, when
22 compared to graduates from non-profit
23 institutions. It's clear that the benefits for
24 these for-profit institutions are scant. If an
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1 institution is for-profit, their main objective is
2 elucidated in the name itself. They aren't
3 interested in the education of their students,
4 they're driven by profit to the return on their
5 investment. Privatization of higher education
6 creates a profit center for Wall Street, and not
7 an educated productive workforce. It monetizes
8 education and seeks to profit from a person's
9 desire for learning. The City University is an
10 efficient and economical provider of quality
11 higher education. Institutions like the public
12 school and the free City University have helped
13 prepare generations of productive citizens who
14 have immigrated here from all over the world, and
15 a transparent civil service system offered those
16 citizens relatively-equal opportunity to attain
17 good jobs, something that the private sector could
18 never seem to accomplish. Public institutions of
19 higher education are part of our commonwealth, our
20 commonwealth is the human and physical
21 infrastructure of our society and it's supported
22 by all of us through the government for the common
23 good. And because they are for the common good,
24 their purpose is not to profit a few, but to serve
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2 the needs of our society, the needs of all the
3 people. The pathway to a better life is under
4 attack, because these institutions are being
5 threatened as never before. Privatization of
6 public services continues to grow. Some well-
7 connected contractors and investors will find a
8 way to profit from the sale of the commonwealth
9 for pennies on the dollar. The losers will be the
10 generations who will pass through our city in
11 search of a better life, but will not be able to
12 find it because they have been sold to some bidder
13 with a connection. We can't let that happen on
14 our watch. New York City was a beacon of light
15 and opportunity for people all over this world for
16 generations, if we want New York to continue to
17 shine into the future, our public services must be
18 robust, our public schools have to be strong,
19 otherwise our future is likely to be sold to the
20 highest bidder." That concludes my testimony,
21 thank you.

22 CHAIRPERSON SANDERS, JR.: Thank
23 you. Thank you very much for that ... no, sit
24 still, Ms. Stevens.

25 MS. STEVENS: Okay.

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2 CHAIRPERSON SANDERS, JR.: Don't
3 leave us so quickly. It's good to see you again.

4 MS. STEVENS: You too.

5 CHAIRPERSON SANDERS, JR.: The
6 president, of course, has laid out a great
7 argument, President Cheliotas always does so, one
8 of the wisest of our labor leaders has laid out a
9 great argument why this Committee needs to look
10 into this issue. I want you to take my ... let him
11 know that I'm going to use this liberally, he has
12 put the argument together so well that I might as
13 well just use it, and I might even put my name on
14 it.

15 MS. STEVENS: He'll love it.

16 CHAIRPERSON SANDERS, JR.: Please
17 let him know that.

18 MS. STEVENS: I will do.

19 CHAIRPERSON SANDERS, JR.: Are
20 there any questions? How about you, Mr. Chair?
21 Are there any other questions or statements? Now
22 you can leave us.

23 MS. STEVENS: Okay, thank you.

24 CHAIRPERSON SANDERS, JR.:
25 Grudgingly. Grudgingly. Oh yes, we've been

1
2 joined by Council Member Jumaane Williams. Yeah,
3 well he's many, out of many, one. So we've been
4 joined by Council Member Williams, and we will
5 hear a statement from my co-Chair of this
6 Committee.

7 CHAIRPERSON DROMM: Well, not
8 necessarily a statement, just an observation, in
9 terms of this hearing, because we only have had
10 one witness here today, and it is a very serious
11 topic. Unfortunately, we didn't get as many
12 people coming in to testify as we would have
13 liked, but one of the reasons why we did want to
14 cover this topic is because, as a person who
15 represents a heavily-immigrant district, 68% of
16 the people who reside in my district are recent
17 immigrants, I oftentimes, and perhaps over a dozen
18 times in the two years since I have been in
19 office, have gotten complaints from constituents
20 who tell me that they go to these private
21 institutions, are offered all types of loans and
22 promises, and then the promises are not fulfilled.
23 Sometimes they're even offered books, which are
24 never delivered, and wind up with a serious debt
25 when they leave the institutions, and no job. So

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2 that was the purpose of looking at that, I intend,
3 as the Chair of the Immigration Committee, to
4 investigate this further, to continue to talk and
5 work with my constituents on this matter, and also
6 to work with Council Member Jessica Lappin, who is
7 putting forth this resolution, and I'm just going
8 to go off the record for one second. (pause) I
9 just want to be sure that we acknowledge that we
10 were considering the resolution by Council Member
11 Jessica Lappin, which is Resolution 1198 as well.
12 So unless there's any other testimony, Mr. Chair?

13 CHAIRPERSON SANDERS, JR.: Well, I
14 do want to say, Chair Dromm, that the beauty of
15 the City Council, and the beauty of a worthy Chair
16 is that you investigate matters, whether there are
17 a million people or whether there is one person,
18 if it's right, we should investigate it. If it's
19 right, we should look into it, so that there is a
20 horror happening to many New Yorkers, where
21 they're trying to get a decent education and
22 ending up being defrauded. We need to look into
23 this matter and so I commend you for this, and I
24 believe that you have something further to say on
25 this matter.

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CHAIRPERSON DROMM: Council Member
Barron has wants- -

CHAIRPERSON SANDERS, JR.:
(Interposing) I do want to ... oh, of course, we ...
no hearing of this nature should ever close
without hearing from Council Member Barron.

COUNCIL MEMBER BARRON: I don't
know how to take that, but I'll take it in a
positive way. No, I wanted to say that I wanted
to commend both of you for having this hearing.
It's a very serious problem, and even if we have
another hearing and find those institutions where
there are complaints, and subpoena them to come
in, if necessary, make them come in here and give
an account. Because see, this is a time where
they're not employing people, unemployment is
skyrocketing, so if there's any time for people to
get themselves together, whether it's to get a
skill or any kind of an education and a degree, or
whatever, this is the time to do it, when there's
a freeze on hiring. So let's not let these
institutions, because I've heard these complaints,
you know, where you pay all this money, you get in
all of this debt for all of these loans, they

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2 guarantee you jobs, they guarantee you stuff ... and
3 nothing. They should be forced to come in here
4 and face the City Council. So even if we don't
5 have the city agency here or the state agency
6 here, those institutions that are engaging in
7 that, we can make them come in. So I just want to
8 recommend that.

9 CHAIRPERSON SANDERS, JR.: Council
10 Member Barron is actually right on this issue,
11 sir. Again he is right on this issue, that we do
12 have an obligation, if there are sub-prime
13 educators, as they have been called, then we
14 should bring them in and they should stand before
15 the people who we represent, and we of the
16 people's house, the City Council, have an
17 obligation to have them answer, and that's why we
18 have been joined by Council Member Seabrook, and I
19 want to remind many of us that many of our members
20 are on an official delegation overseas, and this
21 may have some impact. But Council Member Jumaane
22 to my left.

23 COUNCIL MEMBER WILLIAMS: Thank
24 you, I just wanted to make sure ... first of all,
25 thank you to the Chairs for having this hearing

1 and I just want to make sure I go on record,
2 because I too have a huge immigration
3 constituency, probably 80% or more in my district
4 are immigrants, and my parents are immigrants, so
5 I'm first-generation. So unfortunately these kind
6 of sub-prime institutions, whether it's housing,
7 whether it's education, they love to dangle free
8 gold in front of poor people and people who are
9 hungry, and dangle bread that looks good but it's
10 really not, and I think it's up to us to try to
11 protect as many people as possible. Because you
12 can't fault someone for trying to make themselves
13 better, so people shouldn't be using that to their
14 advantage, and that's what's happening, and I've
15 actually seen the posters that have been coming up
16 across the city, trying to warn people about these
17 institutions, and I agree with Council Member
18 Barron, we should research our power to subpoena
19 people to come in and account for what it is
20 they're doing, because they're just abusing
21 people. They know it, we know it, and unless we
22 can put some teeth behind what we're doing,
23 they're going to keep on doing it. Thanks.

25 CHAIRPERSON SANDERS, JR.: Well put

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2 all. If there is no other further statement on
3 it, I think that, again, I congratulate you, sir,
4 for having this hearing, and that we will be more
5 than glad to do one in the future. We absolutely
6 do have the power to subpoena, but it might not
7 even be necessary. Why don't we first invite
8 them, and then if they decline, let's insist.
9 Having said those things, I'm going to call this
10 hearing to a close. This hearing is closed, thank
11 you all for being here.

C E R T I F I C A T E

I, Richard A. Ziats, certify that the foregoing transcript is a true and accurate record of the proceedings. I further certify that I am not related to any of the parties to this action by blood or marriage, and that I am in no way interested in the outcome of this matter.



Signature _____

Date March 1, 2012