Trump Department of Education Files Reply in Support of Gainful Employment Regulations
June 2025

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Description of the Lawsuit

The plaintiffs' First Amended Complaint reads, in part, as follows:

2. Plaintiffs, the American Association of Cosmetology Schools ("AACS") and DuVall's School of Cosmetology, L.L.C. ("DuVall," and collectively, "Plaintiffs"), bring this action to challenge the latest attempt by the United States Department of Education ("Department") and its Secretary [at the time of the filing of the lawsuit], Miguel Cardona ("Secretary," and collectively, "Defendants") to impose arbitrary, capricious, and unconstitutional new requirements on institutions of higher learning which, at minimum, threaten institutions' ability to recruit new students and—with respect to schools like DuVall and other AACS members—jeopardize their very existence.

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4. The Final Rule purports to "address ongoing concerns about educational programs" that allegedly leave students "with unaffordable amounts of student loan debt in relation to their earnings, or with no gain in earnings compared to others with no more than a high school education." DuVall and the AACS's other member schools are not the sources of these "ongoing concerns," if they exist at all. For decades, these schools have satisfied every debt metric and performance test that the Defendants have thrown at them, often performing better than not-for-profit colleges. Cosmetology and esthetics graduates from DuVall and other AACS schools enter the workforce with minimal loan burdens……

USDE Reply

The following are excerpts from the Defendant Department of Education's "Reply in Support of Defendants' Cross-Motion for Summary Judgment":

It is the Federal Government's responsibility to be a good steward of taxpayer dollars, and the Department of Education's interest in doing so is particularly acute in light of the billions of dollars it disburses in Title IV aid, and the high levels of unpaid student debt that continue to plague many Americans who have sought some form of higher education. The Department's October 10, 2023, Notice of Federal Regulations ("NFR") not only set forth an accountability framework for career training programs (the gainful employment or "GE" regulations), but also established a new financial value and transparency (transparency or "FVT") framework that will, for the first time, publicly share crucial information about all Title IV-eligible programs so that students and their families can make informed enrollment and borrowing decisions.

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In sum, through the NFR, the Department reasonably seeks to ensure all Title IV taxpayer funds are responsibly spent, whether on proprietary or non-profit programs, and whether on Pell grants, such as those often received by proprietary cosmetology program students, or on Title IV loans.

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The Department also properly recognizes that students are not prepared for "gainful" employment if a program is designed to leave its graduates financially worse off than when they started. In that situation, Congress's intent is frustrated, and the allocated taxpayer funds serve no purpose but to enrich schools even as students—Title IV's intended beneficiaries—are harmed.

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Neither taxpayers nor Title IV aid recipients would likely deem their resulting employment "gainful" if it fails to offset the Title IV investment, and graduates are left financially worse off than when they enrolled.

I will follow this litigation and will submit written updates. Questions may be directed to me at **dbalasa@aama-ntl.org**.