Appendix 6: Responses of Companies

Prior to the release of this report, committee staff met with representatives of each company and shared the documents that are referenced in this report, as well as student outcomes results and the types of information that would appear in the charts in the individual company profiles.

At that time committee staff invited companies to provide an optional written response to be included in the report to provide additional context about the company and the documents. Included in this Appendix are responses received from the following 21 companies.

Alta Colleges, Inc.
American Career College, Inc.
Apollo Group, Inc.
Bridgepoint Education, Inc. (Revised)
Capella Education Company
Concorde Career Colleges, Inc.
DeVry, Inc.
ECPI Colleges, Inc.
Education Management Corporation
Grand Canyon Education, Inc.
Henley Putnam University
Herzing, Inc.
ITT Educational Services, Inc.
Kaplan Higher Education Corporation
Keiser School, Inc.
Lincoln Educational Services Corporation
National American University Holdings, Inc.
Rasmussen Colleges, Inc.
Strayer Education, Inc.
Trident University, Inc.
Universal Technical Institute, Inc.

WESTWOOD COLLEGE

July 9, 2012

Via Hand Delivery

The Honorable Tom Harkin
Chairman, Senate Committee on
Health, Education, Labor, and Pensions
SD-428 Dirksen Senate Office Building
Washington, DC 20510

Dear Chairman Harkin:

Alta Colleges, Inc. submits this statement for inclusion in the upcoming report by your staff regarding for-profit colleges in the United States. For-profit colleges, such as Alta's Westwood College and Redstone College,[1] provide millions of Americans with the valuable opportunity to further their educations and advance their careers – opportunities that would not otherwise have existed due to cost, convenience, location or existing personal/professional obligations. The role of higher education institutions such as these cannot be understated. They provide the skilled workforce and critical job growth opportunities necessary to strengthen our economy today.

We appreciate the opportunity to submit this statement, as well as the time provided by your staff on June 26 to allow us to review at your office the Westwood documents you plan to cite in the upcoming staff report. As we are sure you are aware, no customary interviews or briefings took place during this investigation to allow us to answer questions or present additional information and context for the documents we produced to your staff. Nor have we had the opportunity to review or provide comments on the soon to be released staff report. Notwithstanding these concerns, we welcome this opportunity to provide more information about Westwood to you and your staff.[2] Westwood has a longstanding practice of investing time and money into our program management ensuring we not only comply with relevant federal laws and regulations, but in fact exceed those requirements in many instances. The record is clear. Westwood began refining its operations well before changes in the law required it of the industry. We did this because it was the right thing to do for our students. Indeed, we would hope that this too is reflected in the forthcoming staff report.

Background. The Committee requested thousands of documents from Westwood, and from Westwood's voluminous response, the staff has selected approximately 35 documents for use in its report. While we have no way of knowing how the report will rely on these documents, or excerpted words and phrases contained within them, we do know that the selected documents paint an incomplete and skewed picture. Many of the documents used in the staff report as a

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[1] Alta, Westwood, and Redstone are referred to collectively throughout this statement as "Westwood."
[2] Also absent from the Committee's hearings were witnesses representative of the many satisfied graduates or committed employees of for-profit colleges, including Westwood.

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basis for staff conclusions[3] about Westwood are outdated (dating back to 2005), lack context and current information, and focus on only a narrow view of select and unrepresentative practices. In fact, Westwood has significant concern that the staff has engaged in "reverse engineering" – creating a report that contains a negative conclusion about for-profit schools, and then selecting documents, words or phrases that supposedly support those conclusions.

Given its size and geographic scope, Westwood also believes that it has received disproportionate negative attention during the Committee's investigation. We recognize that this attention may have been primarily driven by a law firm that filed five non-meritorious lawsuits against Westwood from May 2009-August 2010, initiated many negative stories, and instigated other government inquiries against Westwood. Staff also informed Westwood that its report would cite and rely upon information from an ex-Westwood employee, Joshua Pruyn, who provided what is now known to be demonstrably false testimony to the Committee.[4] In fact, documents obtained by the Daily Caller demonstrate that Pruyn made material misstatements in his testimony – false testimony that was a cornerstone of the Majority's August 4, 2010 hearing.[5] Westwood provided your staff the documents, call logs and recordings disproving portions of Pruyn's testimony, but the staff were and remain unwilling to acknowledge this fact or repudiate Pruyn's false testimony.

In addition, staff plans to include in the report charts and graphs on completion rates, which they developed based on their own numerical analyses of extremely complicated data. We are very concerned about any conclusions based on such analyses because the use of any completion statistic in isolation is inherently flawed by the differences in the demographic conditions of the students (among other factors). For example, the U.S. Department of Education's own study indicated that non-traditional students were significantly less likely to complete their education than traditional students.[6] Nontraditional students were defined as students with multiple risk factors indicated below:

- Delayed enrollment after high school graduation
- Lacking a high school diploma
- Enrolling on a part-time basis
- Financially independent
- Working full-time while enrolled
- Having children younger than age 19, and
- Being a single parent.

[3] Without the opportunity to read the staff report or even the portions relevant to Westwood in advance of its release, we can only be speculative in this regard.
[4] *See* Correspondence from Mark Paoletta to Chairman Harkin and Ranking Member Enzi, dated December 17, 2010.
[5] *See* http://dailycaller.com/2011/08/04/star-harkin-witness-testimony-under-fire/ (Aug. 8, 2011).
[6] *See* Susan Choy, U.S. Department of Education, National Center for Education Statistics, Nontraditional Undergraduates, NCES 2002–012, Washington, DC: 2002.

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The mix of traditional and non-traditional students varies widely by institution and failure to identify these differences eliminates any comparability of completion statistics. Because we were not afforded the opportunity to review the methodology for staff's numerical conclusions in the report, we cannot respond fully in advance of reviewing the report. However, after you release the report, we will submit a subsequent letter to the Committee further explaining these important points and correcting and clarifying factual errors.

Moreover, the staff report is incomplete and as such, inaccurate. It fails to recognize the continuous and proactive improvements made by Westwood throughout its growth as an educational institution dedicated to compliance, including its efforts in the last two years, which fall outside the period of time covered by the staff's document request. Westwood has taken proactive steps to modify, improve and enhance its admissions process, student disclosures and financial aid process throughout the time period covered by this investigation (2005-2010) and continues to do so today. In the last several years, Westwood has implemented structural changes, numerous policies, and significant initiatives designed to improve the quality and quantity of the information provided to prospective students, and to help ensure compliance with applicable laws, regulations, accreditation standards, and Westwood policies. All of these improvements were initiated by Westwood management and have one common theme – to provide a quality education and help students make informed decisions about attending Westwood. Westwood's primary aim is to enroll committed and informed students for two critical reasons. First, it believes strongly in the education it provides to students and the value of this education in today's job market. Second, Westwood's success as both an educational institution and a business depends upon students remaining enrolled, completing their programs, and becoming gainfully employed.

The staff report should be informed by a broader discussion of Westwood's past and current efforts to implement compliance programs, employee training, and business practices that provide prospective students with complete and accurate information about Westwood. Westwood has gone above and beyond the requirements of federal and state law to better serve its students and hold itself to the highest standards. We delineate below several of the significant and meaningful changes, undertaken at our own accord, that have made Westwood an even stronger institution today:

Enhanced Compliance Supervision and Function. In 2006, Westwood reorganized and refined its legal and compliance department to enhance further its existing programs. The Westwood Law and Compliance Organization and its Chief Legal and Compliance Officer, in collaboration with Westwood's central administration leaders and campus presidents, oversees compliance with accrediting standards and all applicable laws, regulations, and rules. Due to its geographical dispersion, Westwood has significant oversight by regulatory agencies. Westwood campuses are located in six states and have accountability to seven state boards (with two jurisdictional boards in Texas), as well as its accrediting body and the United States Department of Education.

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The Compliance Department is responsible for completing campus compliance audits, overseeing the College's third party mystery shopping program, monitoring the Westwood employee ethics hotline and student complaint hotline, and conducting investigations on any allegations of violations of the Westwood Business Code of Conduct and Ethics. In addition, the Compliance Department provides regular consultation and training on ethical and compliance issues. Westwood spends $85,000 per year on its system-wide compliance training programs.

Improved Admissions Practices. Westwood continually scrutinizes its admissions practices and materials to ensure that all prospective students receive clear and complete information to assist in their college choice. In addition, all admissions employees receive extensive training. Many of the admissions materials and training documents relied upon by your staff in drafting their report have not been used for several years and, thus, present an outdated and inaccurate picture of admissions practices at Westwood today. For example, several of the admissions training and compensation[7] documents identified by staff are no longer in effect today and date back to as early as 2006. Moreover, the staff appears in some cases to have chosen older admissions documents for inclusion in the report even where Westwood produced updated information.

It is important to note that Westwood had under development or in place prior to 2010 many of the improvements now in place today, including:

- Code of Conduct and Admissions Representative Agreement;
- The "College U" admissions presentation;
- Enrollment Agreement, Catalog and website;
- Loan repayment counseling and the Financial Aid Portal;
- Extensive training for admissions representatives; and
- Centralized financial aid processing.

While operating a compliant organization and seeking to enroll informed students are central to Westwood's mission, institutions of higher education generally do not need to provide proof of such practices. Westwood provides the detailed information below to the Committee to correct allegations of predatory practices generally leveled at the for-profit sector during the Committee's investigation.

Code of Conduct and Admissions Representative Agreement. Westwood has a Code of Business Conduct and Ethics that is strictly enforced, and a comprehensive Admissions Policy and Procedures Manual that provides very detailed instruction for admissions

[7] The Westwood compensation and recognition policies that apparently will be referenced in the staff report complied with the then existing "Safe Harbor" rules promulgated by the Department of Education. **Westwood revised its compensation plan in September 2010 to move all admissions employees to straight salary and eliminate incentive compensation. This change occurred some nine months before the Department of Education's promulgation of new rules eliminating the "Safe Harbors" and prescribing new compensation rules for admission and financial aid employees.**

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representatives. Westwood requires all new employees to complete training on the Code of Business Conduct and Ethics. As part of the hiring process, all new admissions representatives also receive Westwood's Admissions Guidelines. This seven-page document sets forth very specific responsibilities and ethical standards for admissions employees, which each admissions employee must read and sign. Equally important, Westwood uses this document to manage and oversee admissions representatives and the admissions process to ensure full compliance and the highest standards of conduct.

The "College U" Admissions Presentation. For a number of years, Westwood used a standard PowerPoint admissions presentation to ensure that Westwood admissions personnel had available materials that contained accurate statements about the College and its personnel, training, services, and accreditation status. Westwood regularly updated this presentation and provided revised versions to Westwood admissions representatives.

In 2009 Westwood began implementing a major overhaul to the presentation and began rolling out the new presentation in June 2010. Admissions representatives who introduce prospective students to Westwood's programs and services now use a revamped web-based presentation. This new presentation, called "College U," cost $170,000 in external costs to develop. It automatically customizes by campus and program, depending on student interest, and provides students with the most current information on, among other things, the programs available, costs of attendance, employment outcomes, and other factors that prospective students ultimately consider in deciding whether to enroll at Westwood.

All admissions employees received initial training on the new presentation in June 2010. Westwood employees immediately began using the new presentation. Use of College U was required starting in August 2010. At ground campuses, the admissions representative and prospective student view the presentation on a computer monitor. Prospective online students, who deal with admissions representatives by phone, must be at a computer monitor during the presentation so they can see the College U presentation via Adobe Connect. The web-based nature of the presentation allows for centralized control over modifications, ensuring that prospective students get the most accurate and up-to-date information about Westwood. In addition, the presentation has links to the Westwood website, catalog, and other disclosures that can be opened and reviewed with the prospective student to illustrate points during the presentation and respond to questions. College U also contains an extensive Coaching Guide that assists the admissions representative in responding to questions and contains required language on key disclosures.

Enrollment Agreement, Catalog and Website. Westwood provides full disclosure about Westwood, its accreditation and programs, and the obligations of Westwood and students prior to enrollment. Westwood puts clear disclosures in writing and specifically draws each prospective student's attention to these important disclosures.

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In early 2010, Westwood completely revamped the organization and presentation of the Enrollment Agreement executed by each prospective student. Improvements included changing the font size and placing the tuition information above the signature line on a separate page. Westwood designed the enhancements to the Enrollment Agreement to continue its efforts to present prospective students with clear, written disclosures and to draw each prospective student's attention to these important points. The disclosures include information on student obligations, the academic catalog, accreditation, credit transfer, costs and fees associated with attendance, and other pertinent topics.

Admissions representatives also provide Performance Fact Sheets to prospective students, which include information on graduation and employment outcomes. In addition, each prospective student receives a copy of the Westwood Catalog, which repeats and then amplifies the Enrollment Agreement disclosures initialed by the student. The catalog also provides information on Westwood's accreditation and regulatory bodies. Students meet with financial aid officers as well to discuss the projected cost of tuition, fees, and books. The student's financial obligations are also explained in detail during the financial aid process.

Finally, Westwood provides a wealth of information for students, prospective students, and parents on its website, www.westwood.edu. One-click from the home page, you can find:

- Program information;
- Tuition by program and campus presented both on a per term and total program cost basis;
- Academic Catalogs;
- Graduate employment and starting salary information by campus;
- All disclosures mandated by the United States Department of Education; and,
- Frequently asked questions including information on accreditation and transfer of credit.

Westwood believes that its website is best-in-class in terms of completeness and transparency. Given the clarity and completeness of these disclosures, prospective students, current students and parents have available to them information on all relevant aspects of enrollment and attendance at Westwood.

Loan Repayment and the Financial Aid Portal. In our brief review of the documents identified by staff for use in the report, it appears that staff will focus on the subject of default rates. As with the other topics in the report, loan repayment and financial aid cannot be viewed in isolation. It is important to understand the regulatory framework and economic conditions at the time, as well as the proactive, positive steps Westwood has taken and continues to take to advise students about their financial aid obligations and the tools available to them to manage repayment of their student loans.

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By way of background, pursuant to the Higher Education Opportunity Act, the Department of Education established in April 2008 a new 3-year cohort default rate measure. Previously, all cohort default rates were measured for two years. Despite the additional one year of measurement, the threshold for default rate compliance rose only 5 percent, from 25% to 30%. The first cohort measured under the three-year rule is referred to as the 2009 cohort and it consists of students who entered repayment for the period from October 1, 2008 through September 30, 2009. Under the three-year rule, their defaults were measured through September 30, 2011. Notably, this period coincided with one of the worst job markets in the United States in modern history and that situation directly impacted students. The rules, however, contained no allowances for the very real economic situation facing students in this country and held schools to measures that were set in a period of strong employment and economic growth. Accordingly, schools including Westwood recognized the critical need to actively reach out to students about their options to avoid default. Westwood did so to assist its students, meeting a particularly acute need in challenging economic times.

As part of its continued improvements and assistance to students, Westwood also launched its student financial aid portal in 2009. Developed at a cost of more than $1 million, Westwood provides the student financial aid portal to assist students with the process of applying for financial aid and to ensure that students received complete and accurate information on their financial aid obligations. The portal ensures that all students receive consistent and compliant explanations as well as important disclosures, including entrance counseling.

Extensive Training. All Westwood admissions representatives participate in a five-day new hire training program. Learning is assessed after training through a variety of measures including written, electronic, and response card assessments, as well as live proficiency and observation. In addition, Directors of Admissions observe all admissions representatives on a consistent basis and monitor a variety of interactions to ensure the accuracy of the information presented and compliance with Westwood's policies. Admissions representatives also complete a compliance review twice per year to ensure understanding and application of key learning in ethics, integrity, and general compliance.

Centralized Financial Aid Processing. In late 2007, Westwood established the Student Finance Operations Center, a centralized financial aid processing center for all 17 of its campuses. By centralizing financial aid certification, disbursement and return of Title IV functions Westwood was able to ensure consistency in all areas of the financial aid process, create subject matter experts in each key process area, and improve the level of training and development for all people processing financial aid. Westwood completed the migration of campuses to this center in December 2010 and included a start-up investment of $3 million. The implementation of the center has resulted in a significant improvement in student customer service and compliance with the Title IV regulations, as reflected in the Westwood campuses annual SFA audits.

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Additional Training and Compliance Initiatives. Westwood took immediate steps described below in response to the HELP Committee's August 4, 2010 hearing as part of its extensive efforts to continually enhance its existing training and compliance programs. It is important, however, to note initially that Westwood has significant concerns about the staff's continued reliance on the erroneous and discredited Government Accountability Office (GAO) investigation and testimony at the August 4 hearing. In an unprecedented action, GAO ultimately had to reissue its testimony to correct its numerous misstatements about for-profit schools, including Westwood. As Ranking Member Enzi has described the reissued testimony – "[O]ver 50 changes were made to 12 pages of the original testimony. The majority consist of word changes, new or revised facts, and additional information about statements made by school officials. These changes appear to undermine many of the allegations made in Mr. Kutz's [GAO's] testimony, and suggest that information was either intentionally or recklessly omitted and/or misrepresented."[8] Inexplicably, staff continues to cite and rely on this discredited GAO investigation and testimony.

Not only has this testimony been shown to contain numerous misstatements and errors, but the Department of Education's Office of the Inspector General (IG) conducted a thorough investigation of Westwood following the GAO's report and found no evidence of misconduct. The IG's Office closed its investigation with no charges or grounds for further inquiry.

> ***Internal Investigation***. Within days of the August 4 hearing, the Westwood College Board of Trustees retained two law firms, Hogan Lovells, one of the largest and most respected law firms in the United States, and Steese, Evan & Frankel, a Denver-based law firm with a national reputation in investigations, to conduct a system-wide independent investigation. This internal investigation cost Westwood $750,000. Among other efforts, Westwood also implemented the training, compliance, and admissions policies and programs described below.
>
> ***System-Wide Training.*** In August and September 2010, Westwood conducted six, two-day regional training sessions for its financial aid, admissions, and student services staff. Over 1,100 employees attended the training, which focused, among other things, on the ethical conduct Westwood expects of its employees, the new admissions presentation, and a reaffirmation of the roles of admissions and financial aid representatives with respect to admissions and financial aid questions and process. The training created a strong focus on compliance in the student finance and admissions areas and set clear expectations of each department's role in the student recruitment process. The training costs exceeded $350,000.

[8] *See* Correspondence from the Hon. Michael Enzi to the Hon. Gene Dodaro (Dec. 7, 2010).

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Compliance Initiatives. In late 2010, Westwood contracted with a third party to conduct periodic mystery shopping of its admissions personnel, both in person at campuses and over the telephone. The annual cost of the mystery shopping program exceeds $200,000. Westwood uses information learned through ongoing mystery shopping to conduct additional training, modify the manner in which it presents information, and provide the basis for disciplinary actions, if necessary.

Starting with the January 2012 term, Westwood rolled out a new compliance work plan for its campuses. Under development since early 2011, the compliance work plan requires Campus Presidents and Academic Deans to perform certain tasks on a term by term basis, such as review of graduate employment files, and sign attestations that the outcomes are consistent with accreditation and regulatory requirements, as well as Westwood policies. The Compliance Department will conduct periodic audits of these attestations.

Admissions Materials and Compensation. Westwood accelerated required implementation of the College U admissions presentation, mandating its use starting in August 2010 system-wide. As described above, this presentation provides extensive and detailed information for prospective students, which provides complete transparency and helps students make fully informed decisions about their education.

Westwood also eliminated incentive compensation for admissions employees in September 2010 and moved all of those employees to straight salary. **It is important to note that Westwood made this change nine months *before* the Department of Education's promulgation of new rules that eliminated the former "Safe Harbors" and prescribed new compensation rules for admission and financial aid employees.**

2009 Review of Westwood by the Higher Learning Commission. Until voluntarily withdrawing in November 2010, Westwood held candidate status with the Higher Learning Commission of the North Central Commission of Colleges and Schools ("HLC"). The report of the May 4-June 10, 2009 Comprehensive Evaluation Team for Initial Accreditation bears on the issues examined in the staff report with respect to the accuracy, openness, and completeness of Westwood's admissions practices and processes.

After an extensive review of each Westwood campus, its central administrative offices, thousands of documents and interviews with staff and students, the HLC accreditation team concluded that Westwood's admissions practices met the HLC's stringent accreditation requirements. With respect to the issues of integrity and accuracy of information, the accreditation team's report specifically noted the following evidence demonstrating that Westwood satisfied the HLC accreditation standards:

- "Tuition and fees are published on the web and as a hard copy addendum to the catalog."

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- "The team's review of the institution's advertising and marketing materials confirmed the accuracy and fairness in their statements and process."
- "These [enrollment] agreements provide great clarity to students on their acceptance to the college, their area of study at the time of acceptance, the required curriculum, their charges for the term, and estimated charges for the entire program. The agreement and its use was strong evidence of Westwood College's interest and ability to deal fairly and honestly with its constituents."
- Westwood "… fairly and accurately informs students, prospective students and the public with up-to-date information about admissions, credit transfer, costs, refunds, financial aid and accreditation status of the organization and programs."
- "Students, including those students who were interviewed on a phone conference, reported that they were comfortable with the ways in which Westwood College approached them during the admissions process and kept them informed of their financial responsibilities."

In sum, throughout its growth as a leading educational institution in this country, Westwood has invested many millions of dollars to improve the student's experience, foster an environment of continuous improvement and ensure its compliance with applicable laws, regulations and rules. Unfortunately, it appears that these well-documented efforts will not be reflected in the staff report. Notwithstanding staffs' omission of these facts, it is important to consider these significant improvements and investments in evaluating the staff report and making informed and balanced conclusions about Westwood. For more information about Westwood and its current policies and procedures, please visit www.westwood.edu.

Sincerely,

William M. Ojile, Jr.
Senior Vice President
Chief Legal & Compliance Officer

cc: The Honorable Michael B. Enzi, Ranking Member

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Elizabeth Stein
Chief Investigative Counsel
U.S. Senate Committee on Health, Education, Labor and Pensions
428 Senate Dirksen Office Building
Washington, DC 20510

June 27, 2012

RE: American Career College (ACC) Policy Response Letter – Appendix to Proposed "College Profile" Report

Dear Ms. Stein,

We appreciate the opportunity provided to review the data compiled by Committee staff for the proposed "College Profile" report resulting from American Career College's response to Senator Harkin's inquiry into the for-profit education sector. As discussed during our meeting on June 19, 2012, this letter will serve as ACC's response to the proposed "College Profile" report and will be included in the report's Appendix as part of the public record.

As we stated during the Senator's inquiry process, American Career College fully supports accountability in all sectors of higher education. We believe that students who wish to pursue post-secondary training should have access to information that leads to an informed decision, regardless of whether s/he chooses a traditional four-year public college, a private university, a community college or a career training institution. However, we also believe that private colleges and universities should have the ability to protect information that it considers proprietary, confidential or trade secret.

During ACC's meeting with you and your staff to review the information that Senator Harkin proposes to make public, it became clear that information that ACC provided, which was very clearly marked and identified as confidential, non-public information, is intended for publication. Moreover, during the inquiry process, ACC representatives were assured that the confidentiality of these documents would be protected. We consider this proposed publication to be a violation of ACC's privacy. Further, its apparent use is counter to the stated intent of this inquiry, wherein it was indicated that the sources of the data and information would not be identified but rather would be presented in the aggregate. For a school like American Career College, which is a privately held organization, the release of private financial information is a major concern. We respectfully suggest that the responsible method would be to present information about the sector as a whole without releasing private data of the schools that responded to the inquiry. We urge Senator Harkin to honor the assurances of privacy made by his staff to ACC and we ask that the Senator not release even a redacted version of our private financial information as that information is confidential.

Included below is a response to the proposed "College Profile" as well we additional color and updated information for inclusion in the report.

AMERICAN CAREER COLLEGE HISTORY

As we are sure Senator Harkin will recall from our original submissions in response to his inquiry, American Career College has been a privately held, one owner institution since 1978. The College's mission, since that time, has been to offer high quality, hands-on training programs to prepare members of its community for careers in the health care field. ACC began with one program in a tiny building in Los Angeles with fewer than 20 students, and has grown to a three campus system offering 10 certificate and associate degree programs in health care fields from Optical Dispensing and Vocational Nursing, to Respiratory Therapy and Health Information Technology. ACC's singular focus on student success has not changed in 34 years and has resulted in more than 35,000 graduates trained for a new career during that time.

RECOGNITION FROM THE COMMUNITY

Along the way, ACC has received recognition from local employers for its well-prepared graduates, and special commendations from the Veteran's Administration for its strong collaboration in training vocational nurses to work in the Department of Veterans Affairs, Greater Los Angeles Health Care System. (That letter is attached here as Exhibit A.)

Also in 2012, all three ACC campuses were ranked in the top 100 institutions for success in earned certificates for short-term programs by *Community College Week* for the number of certificate program graduates ACC help its students to achieve in 2011. (The chart from *CCWeek* is attached as Exhibit B).

GENERAL EDUCATION DEVELOPMENT (GED) PREPARATION PROGRAM

More than 10 years ago, ACC began offering a free General Education Development (GED) Preparation Program for its students, in an effort to assist those entering ACC without a high school diploma to earn GED while working towards their diploma or certificate with ACC. Earning a GED has proven to be a great motivator for our students, many of whom had been unsuccessful in previous academic endeavors. It is also a great advantage for graduates entering the job market. Since its inception, ACC's GED program has helped more than 1,000 students prepare for and pass the GED exam. This year, with the federal budget cuts essentially forestalling any non-high school graduate's opportunity for higher education with the removal of the ATB option from the Title IV programs, ACC has expanded its free GED preparation program, making it available to anyone in the local community who qualifies, rather than just those who have enrolled at ACC. The College has invested substantially in this free community service program to ensure its success.

CONSISTENT COMPLIANCE

ACC has an extensive history of compliance with the High Education Act as enacted by Congress, and the regulations in support of the Act as implemented and executed by the United States Department of Education. ACC boasts very low cohort default rates and a solid 90/10 ratio, as well as exceptional investments in instruction, learning equipment, facilities and student services, far outpacing expenditures on marketing and admissions.

In further evidence of American Career College's commitment to student preparedness and success, with the Department of Education's release of the "informational" Gainful Employment "metrics" data on June 22, 2012, all programs at American Career College passed.

We believe ACC is an example of what education, whether for-profit or non-profit, should look like, and we continue to have concerns about the often one-sided portrayal of the entire for-profit education sector being presented by Senator Harkin.

RESPONSE TO PROFILE DATA

As we do not have the advantage of reviewing the "College Profile" data specific to ACC prior to publication, the information provided herein is responsive to what we assume will be included in the "Profile".

STUDENT OUTCOMES

The student outcomes chart was the only document ACC was able to review that actually included the data for publication. The layout of this chart is misleading. Looking only at the "Complete" column, it would appear that a relatively low percentage of ACC degree students graduated, when in fact, based on the time period measured, many of the students enrolled would not have graduated yet, and would remain enrolled. If the "Complete" column and the "Still Enrolled" are combined, it becomes clear that ACC's students have a very high rate of success – the Associate Degree programs, which are all longer than one year, had a completion rate, within the year, of 26.3% but a retention rate of 67.2%, and the Certificate programs had a completion rate, within the year, of 69.6% and a retention rate of 73.4%. The retention rate in both instances is well over the national average.

ACC's completion rate for the cohort (all new students) which began classes in calendar year 2008, and graduated within 150% of the published program length (which is the standard measure across higher education) is 71.6%. ACC's rate far exceeds that of LA City College (which the Committee is planning to use for comparison purposes on cost) which reported a 15.26% completion rate for the 2008 cohort. For ACC, "completion" is truly a measure of program graduation, where the "completion" rate of LA City College is actually a measure of both "transfer-ready" students and those who have actually graduated from a terminal diploma or degree program, ready to enter the workforce. If you remove the "transfer ready" and count only those who have completed a terminal certificate or degree program, the completion rate would be significantly less. (Sourced at: http://srtk.cccco.edu/741/08index.htm.) Our focus is on student success, and has been for over 34 years. ACC is proud of that outstanding record.

COHORT DEFAULT RATES (CDR)

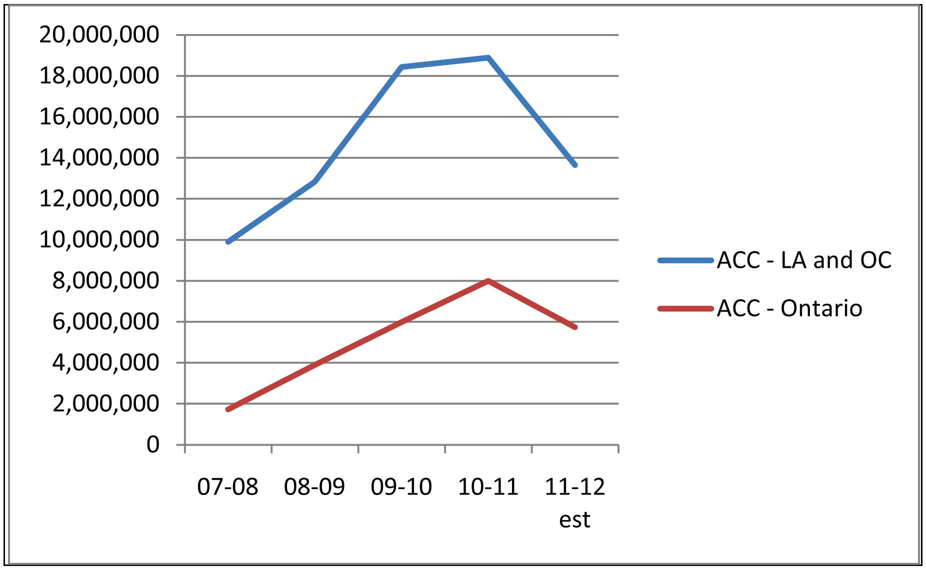
The chart provided for review did not include ACC's information, and the staff indicated it would be a weighted average of both the ACC – Los Angeles and Anaheim campuses' OPEID and that of ACC-Ontario. It is certainly worthwhile to preface further information on this topic by stating that the chart the Senator plans to present, once again, is misleading. The regulation that extended ACC's responsibility for managing student default to a third year was published in 2010 and will not be effective until this year (2012). The fact that this "Profile" intends to focus on cohorts of students for which ACC had no information or accountability (pre-2008) is troubling, and unfairly reflects on the institutions which were not accountable to, or in most cases, even aware of, the rate beyond what the Department mandated and published.

To give a clearer and fairer representation, ACC has included (as Exhibit C), for reference, CDR summary information, as well as separate OPEID charts (one for Los Angeles and Orange County, the other for Ontario) showing both the two-year CDR (which has been the benchmark and basis for regulation for over 10 years, and was only recently changed to expand into the third year) and the three-year rates, including the draft three-year rate for 2009, which shows marked improvement over the data for 2008.

As is reflected, ACC has consistently maintained stellar two-year default rates, and beginning with those students entering repayment in 2009, the first cohort for which ACC had the data and actively worked with the students through financial literacy programs and default avoidance counseling, the three-year rate is similarly solid.

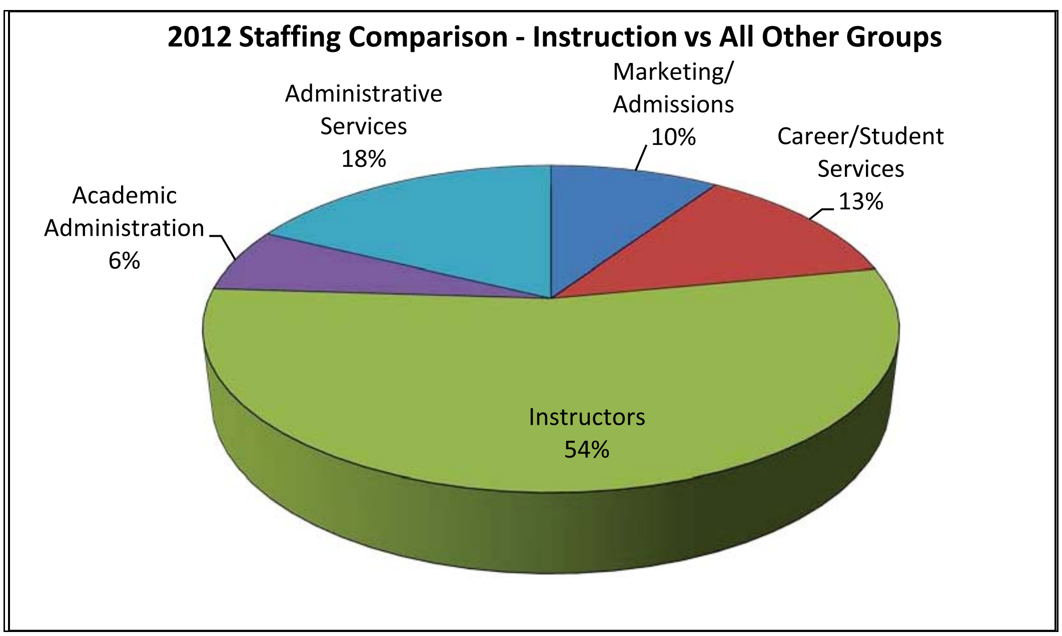
PELL GRANT

The Pell grant growth chart that the Senator proposes for publication reflects a period of growth for ACC over the years 2007 to 2009, which included moving its Inland Empire location in 2008 from a small campus location in Norco, with a total student capacity of about 600 students, to an expansive new space in Ontario. In the 18 months following the move, the campus size more than doubled as the College was able to offer more programs and service additional students. Additionally, during that time, the regulations governing Pell grants were changed to allow year-round funding, so students enrolled in programs with continuous scheduling were eligible for more Pell than had previously been the case. Also, with the economy entering recession during that period, there were more potential students entering training, looking for new career opportunities in a period of high unemployment and questionable career options. The Pell grants have since gone down with the removal of year-round Pell, and with the economic recovery, as is reflected in the chart that follows.



STAFFING LEVELS

Since mid 2011, ACC has reorganized its staffing model to better balance between the enrollment services and support, and the student services and career services support. While ACC has always invested heavily in instructional and instructional support staff, the new model is more heavily weighted to career and student services (at 13% of the staff) than to recruiting/admissions (at 10%). (See chart below.) This has allowed ACC to expand its career services options to serve as both a recruiting tool for local employers, and also to provide in-depth services to graduates, including conducting mock interviews, one-on-one counseling on appropriate interview attire, tone and professionalism, job search techniques, resume writing and updating, as well as setting interview appointments and working with employers to help the graduate get the job. Additionally, the career services department hosts quarterly job fairs where local employers attend to provide information about their job openings and meet with students and graduates. Attached is a chart to show the current breakdown of ACC employees, showing admissions/enrollment staff, student and career services staff, instructional staff, and all other ACC staff.



SPENDING AND PROFITABILITY

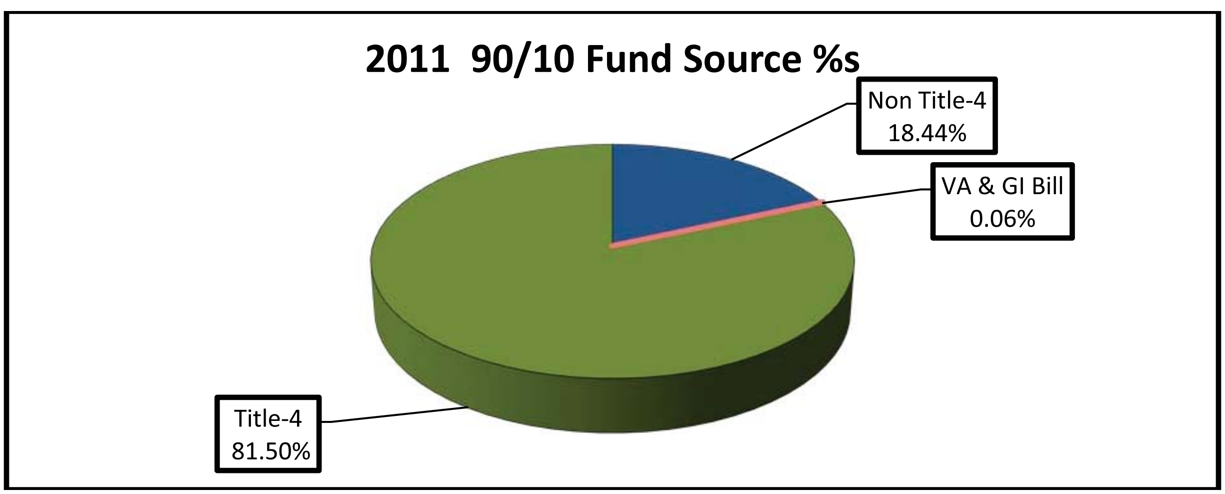
As a percentage of revenue, ACC spends a relatively small amount on marketing and recruiting, only about 11%. This is a testament to ACC's success with its current students and graduates who are often the source of referrals to ACC, a rate which generally tops 40% of ACC's enrollments. ACC invests far more heavily in instructional services, instructional equipment and facilities and support services than it does on any other area.

The percentage of profit and the profit growth from 2007 to 2009 are, again, somewhat misleading. As a sole-proprietorship, ACC has only one owner who is responsible for all the College's corporate tax, which is paid from those profits, as well as his own personal income tax, which is a further reduction in that profit number. As the owner of ACC for 34 years, the owner also carries the sole risk, and has done well in years the schools have done well, and has carried the burden in years of struggle. Due to the downturn in the economy in 2009, and the marked increase in those re-entering training programs, enrollment was up and the College did well. This year, as the economy has recovered and fewer people sought out training, the profit will go down substantially. It is also worth noting that the owner of ACC reinvests much of the profits he actually earns back into the College through acquisition of campus real estate, leasehold improvements and other projects to improve the student experience at ACC.

It is also worth noting that in 2009 ACC won a settlement for theft of trade secrets and violation of fiduciary duty perpetrated by a former employee. That settlement, which was an extraordinary, non-recurring event, in the amount of $5 million, is reflected in the 2009 financial information and accounts for almost 30% of the net income for that year. Those funds have been used to support ACC's various philanthropic endeavors in the local community, including assisting organizations like ThinkTogether and KidWorks, which support after-school programs for young people in underserved communities; local health care foundations such as those through the Children's Hospital of Orange County; and the provision of dental and medical equipment to be used on a mobile dental/health care bus that visits homeless shelters throughout Los Angeles, Orange and San Bernardino counties.

FUNDING SOURCES

Although ACC is an approved education provider by the Veteran's Administration, it has very few veteran students and thus a minimal amount of funds coming from the Department of Defense or other federal sources. As stated earlier, ACC has also sought to be a partner to the local VA and we have worked hard to maintain a great relationship with that organization, and to provide them only highly trained individuals for employment in their facilities. Although we do not know exactly what the chart proposed by the Senator will show, we believe that it will track closely with our 90/10 ratio, which reflects funds received from the US Department of Education federal student aid program (Title IV) and those funds received from other sources. A chart reflecting our 2011 90/10 ratio, as well as the funds received from the Department of Defense programs, is below.



TUITION AND FEES COMPARISON

Based on conversation with staff, ACC expects that a chart will be included in the "Profile" which reflects a cost comparison between the Medical Assisting diploma program at the ACC-Los Angeles campus, and a similar program offered through Los Angeles City College.

In discussing price (tuition and fees) comparisons between types of institutions, we urge the Senator to make the important distinction between the cost of providing the education/training and the price charged to the student. In order to get a true comparison, the Senator must consider a number of factors beyond just the tuition and fees covered by the student, and those federal student aid dollars for which that student might be eligible and which the student chooses to use at ACC. Any chart used for this comparison should be characterized as a "price" comparison and not a "cost" comparison.

It is true that the California Community College System offers very affordably priced tuition to students, in fact, the lowest tuition of any community college system in the nation. (Source: California Legislative Analysts' Office, *The 2012-13 Budget: Analysis of the Governor's Higher Education Proposal,* published February 8, 2012.) What the Senator's proposed tuition and fee chart doesn't reflect is how much that program costs to offer, and how that program at a community college is being subsidized by the state and the California tax-payer, subsidies which ACC does not receive.

The only federal funds ACC receives are those that its students CHOOSE to apply to their education with ACC. ACC has no endowment or major donors (other than the owner), and ACC offers high quality programs at state of the art campuses in areas of study where educational programs can be quite expensive to run. The cost of an ACC program is covered entirely by student tuition; in the California Community College System, student tuition charges account for only 20% of the cost to provide the program. (Source: *Ibid.)* However, the cost to offer the program is similar at each institution.

When you add the convenience of ACC's programs, the fact that a student can generally enroll AND COMPLETE a program within a year, where s/he might spend two or three times as long trying to get through a community college program where course offerings are limited and budgets constantly being cut, the "cost" looks much different. While many students will choose to complete their training at a community college in order to save money, many others will choose to invest more initially in order to complete training more quickly and enter the workforce sooner. ACC encourages prospective students to investigate their options, even if it means choosing to attend elsewhere. The "opportunity cost" for being out-of-work while in school for an extended period of time may be much greater than the price differential between a private sector institution and a highly subsidized community college.

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As Senator Harkin continues his push for policy change that broadens transparency and accountability in for-profit education, we hope that he will also recognize that accountability is needed across all of higher education, not just in one sector. For-profit education providers offer opportunities for a better future to millions of Americans every year, many after years of academic failure and seemingly insurmountable struggles to succeed in a traditional college environment while balancing family, a job and other responsibilities. We welcome accountability. We welcome transparency. We just ask that the Senator not forget the non-traditional students, the adult learners, and all the other successful career-training graduates who have benefited and changed their lives by attending private sector colleges and universities.

Sincerely,

Tom McNamara
President
American Career College

Cc: Senator Mike Enzi, Ranking Member, U.S. Senate Committee on Health, Education, Labor and Pensions

DEPARTMENT OF VETERANS AFFAIRS
Greater Los Angeles Healthcare System
11301 Wilshire Boulevard
Los Angeles, CA 90073

February 3, 2011

In Reply Refer To: 691/118E

Bakersfield Ambulatory
Care Center
1801 Westwind Dr.
Bakersfield, CA 93301
661-632-1800

Los Angeles Ambulatory
Care Center
351 E. Temple St.
Los Angeles, CA 90012
213-253-2677

Santa Barbara
Ambulatory
Care Center
4440 Calle Real
Santa Barbara, CA
93110
805-683-1491

Sepulveda Ambulatory
Care Center and Nursing
Home
16111 Plummer St.
North Hills, CA 91343
(818)891-7711

West Los Angeles
Healthcare Center
11301 Wilshire Blvd.
Los Angeles, CA 90073
(310)478-3711

American Career College
Rita Totten, Executive Director
4021 Rosewood Avenue
Los Angeles, CA 90004

Dear Ms. Totten:

We would like to acknowledge our long lasting partnership with American Career College. Your educational institution has been provided excellent clinical faculty supervision for students. Your students are very professional and provide compassionate care to our Veterans. In 2004-6 we hired a large group of your students for a New Horizons program. It is impressive that of these 37 we hired, over 50% of them now have obtained their RN degree and 2 have BSN and 2 have MSN degrees. These applicants stood out in their professional behavior and preparation for their interviews. We were impressed by their quality, competence, commitment to service, and their contributions to GLA.

You graduate competent healthcare professionals. We have had an outstanding partnership with your school. Please accept my compliments for the supportive role that your school has played in providing care to our Veterans. Your institution has demonstrated quality healthcare education.

Sincerely,

S Valente

Sharon Valente, PhD., APRN, BC, Associate Chief Nurse, Research/Education

CCWeek's TOP100 ASSOCIATE DEGREE PRODUCERS | 2012

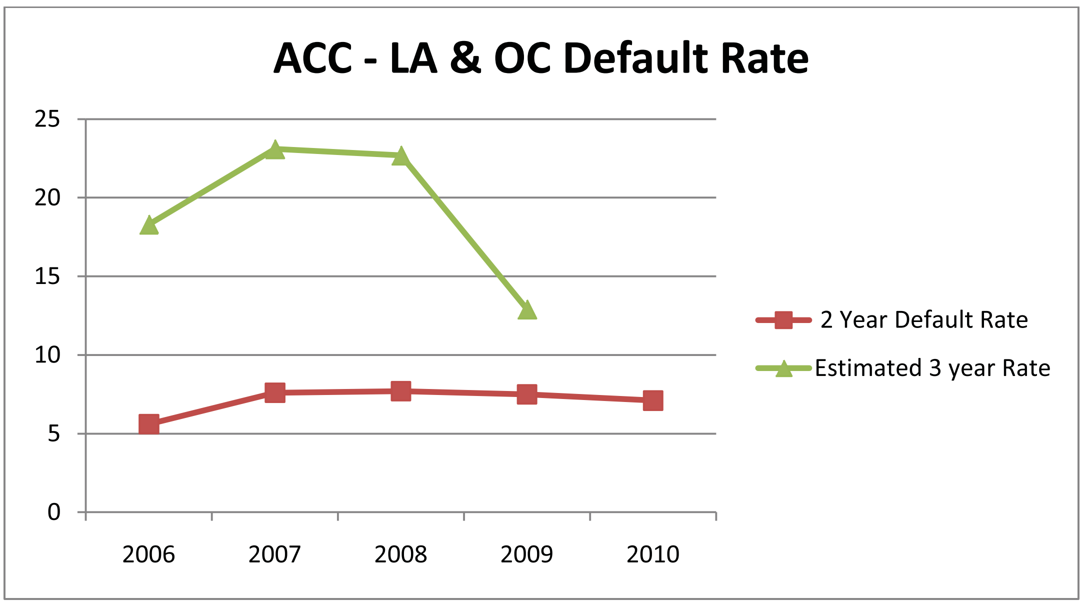
<1-YEAR CERTIFICATES:
ALL DISCIPLINES

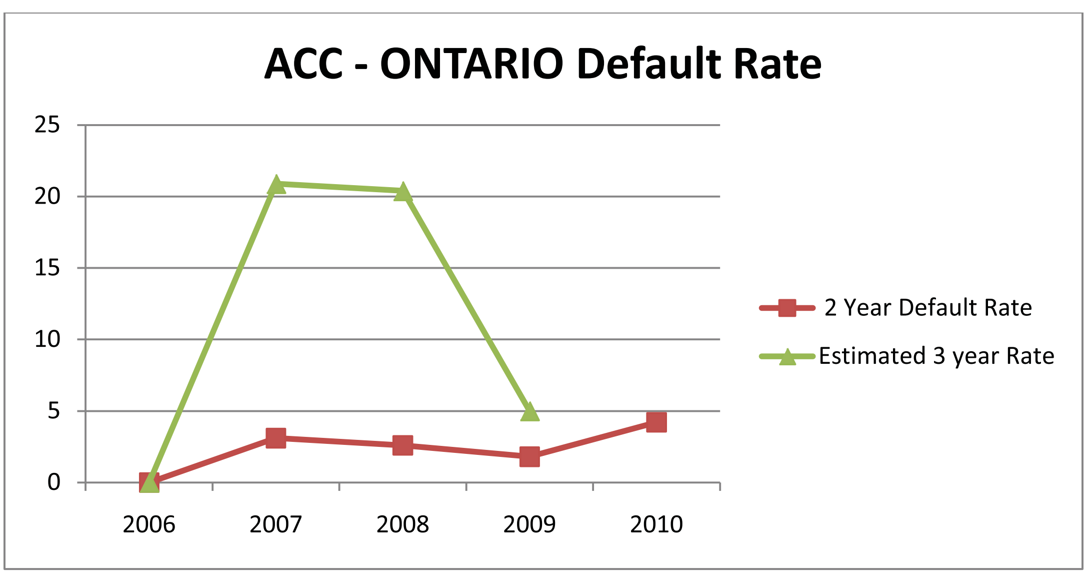
2011 RANK		STATE	TOTAL ASSOC.	WHITE		NON-RESIDENT ALIEN		UNKNOWN		AFRICAN AMERICAN		ASIAN AMERICAN		NATIVE AMERICAN		HISPANIC		2 OR MORE RACES	
				NO.	PERCENT	NO.	PERCENT	NO.	PERCENT	NO.	PERCENT	NO.	PERCENT	NO.	PERCENT	NO.	PERCENT	NO.	PERCENT
Two-Year Institutions																			
2	South Central Louisiana Technical College-Young Memorial Campus	La.	3233	2152	67%	0	0%	42	1%	769	24%	69	2%	64	2%	122	4%	15	0%
3	Santa Rosa Junior College	Calif.	3012	2016	67%	1	0%	206	7%	70	2%	89	3%	58	2%	494	16%	78	3%
4	City Colleges of Chicago-Harold Washington College	Ill.	2953	817	28%	0	0%	186	6%	791	27%	768	26%	10	0%	380	13%	1	0%
5	Rio Salado College	Ariz.	2861	1491	52%	1	0%	137	5%	261	9%	48	2%	75	3%	834	29%	14	0%
6	Gemological Institute of America	Calif.	2490	1295	52%	0	0%	934	38%	49	2%	113	5%	17	1%	78	3%	4	0%
7	Ultimate Medical Academy-Tampa	Fla.	2255	1065	47%	0	0%	38	2%	636	28%	39	2%	15	1%	448	20%	14	1%
8	Washtenaw Community College	Mich.	2243	1604	72%	4	0%	55	2%	359	16%	70	3%	13	1%	82	4%	56	2%
9	Jefferson Community and Technical College	Ky.	2241	1594	71%	6	0%	88	4%	444	20%	33	1%	16	1%	38	2%	22	1%
10	Albany Technical College	Ga.	2209	647	29%	0	0%	5	0%	1509	68%	9	0%	2	0%	18	1%	19	1%
11	Harper College	Ill.	2184	1450	66%	3	0%	153	7%	98	4%	186	9%	14	1%	254	12%	26	1%
12	Institute of Technology Inc	Calif.	2159	939	43%	0	0%	158	7%	129	6%	72	3%	75	3%	786	36%	0	0%
13	Bluegrass Community and Technical College	Ky.	2140	1830	86%	3	0%	17	1%	224	10%	15	1%	7	0%	32	1%	12	1%
14	Middle Georgia Technical College	Ga.	2096	1244	59%	2	0%	21	1%	758	36%	7	0%	6	0%	43	2%	15	1%
15	Gwinnett Technical College	Ga.	2049	1141	56%	1	0%	19	1%	499	24%	159	8%	11	1%	174	8%	45	2%
16	Chattahoochee Technical College	Ga.	1957	1270	65%	13	1%	9	0%	477	24%	48	2%	8	0%	104	5%	28	1%
17	ICDC College	Calif.	1905	139	7%	0	0%	51	3%	348	18%	44	2%	20	1%	1278	67%	25	1%
18	West Georgia Technical College	Ga.	1844	1174	64%	0	0%	38	2%	579	31%	10	1%	2	0%	41	2%	0	0%
19	Central Louisiana Technical College-Alexandria Campus	La.	1839	1012	55%	0	0%	72	4%	685	37%	8	0%	18	1%	34	2%	10	1%
20	Sinclair Community College	Ohio	1779	1349	76%	15	1%	193	11%	165	9%	24	1%	8	0%	19	1%	6	0%
21	Crescent City Bartending School	La.	1725	884	51%	0	0%	255	15%	298	17%	43	2%	0	0%	245	14%	0	0%
23	Capital Area Technical College-Baton Rouge Campus	La.	1699	529	31%	0	0%	35	2%	1067	63%	34	2%	8	0%	14	1%	12	1%
25	Southwestern Illinois College	Ill.	1669	1222	73%	1	0%	64	4%	276	17%	20	1%	5	0%	28	2%	53	3%
26	Green River Community College	Wash.	1654	1119	68%	55	3%	94	6%	102	6%	105	6%	28	2%	93	6%	58	4%
27	Front Range Community College	Colo.	1613	1176	73%	9	1%	188	12%	20	1%	40	2%	13	1%	150	9%	17	1%
28	Southern Crescent Technical College	Ga.	1595	951	60%	0	0%	13	1%	561	35%	13	1%	3	0%	31	2%	23	1%
28	Manhattan Institute (The)	N.Y.	1595	289	18%	36	2%	338	21%	401	25%	239	15%	0	0%	239	15%	53	3%
30	New York Medical Career Training Center	N.Y.	1574	69	4%	0	0%	0	0%	456	29%	489	31%	0	0%	399	25%	161	10%
31	Savannah Technical College	Ga.	1523	607	40%	3	0%	17	1%	755	50%	34	2%	6	0%	71	5%	30	2%
32	Edmonds Community College	Wash.	1511	1007	67%	31	2%	92	6%	71	5%	163	11%	42	3%	60	4%	45	3%
33	Acadiana Technical College-Lafayette Campus	La.	1508	748	50%	0	0%	3	0%	701	46%	23	2%	11	1%	14	1%	8	1%
34	West Kentucky Community and Technical College	Ky.	1505	1339	89%	0	0%	25	2%	89	6%	14	1%	3	0%	16	1%	19	1%
37	Greenville Technical College	S.C.	1475	991	67%	0	0%	57	4%	319	22%	18	1%	11	1%	71	5%	8	1%
38	Wiregrass Georgia Technical College	Ga.	1384	779	56%	1	0%	28	2%	525	38%	9	1%	3	0%	36	3%	3	0%
39	Northwest Louisiana Technical College	La.	1378	659	48%	0	0%	17	1%	652	47%	6	0%	32	2%	10	1%	2	0%
40	Georgia Northwestern Technical College	Ga.	1360	1187	87%	0	0%	0	0%	103	8%	1	0%	5	0%	49	4%	15	1%
41	Johnson County Community College	Kan.	1355	973	72%	7	1%	108	8%	97	7%	46	3%	16	1%	92	7%	16	1%
42	Butte College	Calif.	1336	1079	81%	3	0%	31	2%	34	3%	27	2%	6	0%	156	12%	0	0%
43	Athens Technical College	Ga.	1329	874	66%	0	0%	37	3%	295	22%	70	5%	5	0%	47	4%	1	0%
44	Bowling Green Technical College	Ky.	1328	1215	91%	0	0%	23	2%	71	5%	5	0%	0	0%	11	1%	3	0%
45	Mountainland Applied Technology College	Utah	1319	1085	82%	0	0%	108	8%	5	0%	9	1%	13	1%	46	3%	53	4%
46	All State Career-Baltimore	Md.	1313	297	23%	0	0%	14	1%	968	74%	8	1%	1	0%	24	2%	1	0%
47	Georgia Piedmont Technical College	Ga.	1311	275	21%	0	0%	12	1%	919	70%	51	4%	4	0%	42	3%	8	1%
48	Somerset Community College	Ky.	1304	1263	97%	0	0%	0	0%	20	2%	3	0%	7	1%	1	0%	10	1%
49	Central Georgia Technical College	Ga.	1303	563	43%	1	0%	8	1%	697	53%	10	1%	6	0%	10	1%	8	1%
50	American Career College-Los Angeles	Calif.	1290	30	2%	0	0%	242	19%	192	15%	76	6%	22	2%	667	52%	61	5%
51	American Institute of Technology	Ariz.	1273	702	55%	0	0%	79	6%	254	20%	18	1%	7	1%	213	17%	0	0%
52	City College of San Francisco	Calif.	1252	262	21%	110	9%	78	6%	112	9%	426	34%	19	2%	226	18%	19	2%
53	Atlanta Technical College	Ga.	1243	66	5%	0	0%	8	1%	1153	93%	7	1%	3	0%	6	0%	0	0%
54	Charter College-Canyon Country	Calif.	1225	252	21%	87	7%	26	2%	221	18%	3	0%	63	5%	559	46%	14	1%
56	Gateway Technical College	Wis.	1221	874	72%	0	0%	4	0%	126	10%	29	2%	5	0%	154	13%	29	2%
57	Maysville Community and Technical College	Ky.	1208	1144	95%	0	0%	21	2%	37	3%	4	0%	1	0%	1	0%	0	0%
59	Elgin Community College	Ill.	1184	770	65%	4	0%	21	2%	58	5%	66	6%	1	0%	258	22%	6	1%
60	Owensboro Community and Technical College	Ky.	1165	1108	95%	0	0%	14	1%	28	2%	4	0%	5	0%	3	0%	3	0%
61	Moultrie Technical College	Ga.	1159	701	60%	0	0%	4	0%	368	32%	7	1%	5	0%	68	6%	6	1%
62	Hillsborough Community College	Fla.	1158	698	60%	11	1%	57	5%	154	13%	23	2%	8	1%	202	17%	5	0%
63	Elizabethtown Community and Technical College	Ky.	1143	995	87%	0	0%	9	1%	84	7%	13	1%	16	1%	13	1%	13	1%
64	Lansing Community College	Mich.	1137	754	66%	8	1%	151	13%	112	10%	24	2%	24	2%	45	4%	19	2%
65	Lanier Technical College	Ga.	1131	919	81%	0	0%	15	1%	105	9%	31	3%	6	1%	51	5%	4	0%
67	Fox Valley Technical College	Wis.	1110	989	89%	0	0%	40	4%	19	2%	25	2%	10	1%	22	2%	5	0%
68	Northshore Technical Community College	La.	1109	741	67%	0	0%	9	1%	335	30%	2	0%	7	1%	11	1%	4	0%
69	Northeast Louisiana Technical College-Delta Ouachita Campus	La.	1079	604	56%	0	0%	1	0%	440	41%	6	1%	11	1%	14	1%	3	0%
70	Central New Mexico Community College	N.M.	1055	424	40%	19	2%	24	2%	34	3%	31	3%	72	7%	426	40%	25	2%
71	East Los Angeles College	Calif.	1052	48	5%	32	3%	100	10%	30	3%	225	21%	5	0%	612	58%	0	0%
72	Waukesha County Technical College	Wis.	1050	871	83%	0	0%	16	2%	41	4%	18	2%	7	1%	97	9%	0	0%
73	Hazard Community and Technical College	Ky.	1047	1010	96%	0	0%	1	0%	14	1%	2	0%	1	0%	0	0%	19	2%
74	Central Piedmont Community College	N.C.	1041	570	55%	40	4%	42	4%	298	29%	10	1%	0	0%	41	4%	40	4%
75	Delgado Community College	La.	1026	484	47%	0	0%	121	12%	327	32%	38	4%	9	1%	47	5%	0	0%
75	South Georgia Technical College	Ga.	1026	526	51%	0	0%	13	1%	477	46%	2	0%	0	0%	8	1%	0	0%
77	American Career College-Anaheim	Calif.	1021	170	17%	0	0%	56	5%	45	4%	135	13%	36	4%	536	52%	43	4%
78	Ogeechee Technical College	Ga.	1019	693	68%	0	0%	8	1%	272	27%	11	1%	2	0%	11	1%	22	2%
79	Northeast Wisconsin Technical College	Wis.	1000	925	93%	0	0%	0	0%	8	1%	16	2%	21	2%	21	2%	9	1%
80	Houston Community College	Texas	998	180	18%	217	22%	51	5%	250	25%	88	9%	6	1%	204	20%	2	0%
81	Davis Applied Technology College	Utah	960	605	63%	4	0%	102	11%	49	5%	24	3%	36	4%	126	13%	14	1%
83	Pasadena City College	Calif.	954	164	17%	92	10%	61	6%	21	2%	361	38%	4	0%	238	25%	13	1%
84	American Career College-Ontario	Calif.	931	118	13%	0	0%	90	10%	72	8%	34	4%	9	1%	582	63%	26	3%
85	Pikes Peak Community College	Colo.	927	622	67%	6	1%	88	9%	51	6%	28	3%	12	1%	99	11%	21	2%
86	Oconee Fall Line Technical College	Ga.	926	407	44%	0	0%	12	1%	486	52%	5	1%	2	0%	8	1%	6	1%
87	Lincoln Land Community College	Ill.	922	792	86%	1	0%	41	4%	40	4%	6	1%	4	0%	13	1%	25	3%
88	Aims Community College	Colo.	918	615	67%	0	0%	67	7%	2	0%	8	1%	8	1%	218	24%	0	0%
88	Pima Medical Institute-Mesa	Ariz.	918	317	35%	0	0%	232	25%	41	4%	23	3%	31	3%	256	28%	18	2%
90	Wisconsin Indianhead Technical College	Wis.	912	849	93%	0	0%	9	1%	9	1%	4	0%	30	3%	6	1%	5	1%
91	Hocking College	Ohio	911	797	87%	0	0%	53	6%	50	5%	8	1%	0	0%	3	0%	0	0%
92	Trident Technical College	S.C.	909	472	52%	0	0%	58	6%	301	33%	21	2%	21	2%	17	2%	19	2%
93	Gateway Community and Technical College	Ky.	908	820	90%	0	0%	4	0%	63	7%	7	1%	5	1%	2	0%	7	1%
94	Medtech Institute-Atlanta	Ga.	907	121	13%	0	0%	43	5%	686	76%	3	0%	3	0%	30	3%	21	2%
95	Long Beach City College	Calif.	899	202	22%	13	1%	42	5%	193	21%	116	13%	11	1%	314	35%	8	1%
96	College of DuPage	Ill.	897	656	73%	0	0%	32	4%	45	5%	97	11%	1	0%	61	7%	5	1%
97	Sowela Technical Community College	La.	894	592	66%	0	0%	0	0%	277	31%	2	0%	6	1%	15	2%	2	0%
98	L E Fletcher Technical Community College	La.	882	604	68%	0	0%	4	0%	173	20%	7	1%	42	5%	50	6%	2	0%
99	Lee College	Texas	875	415	47%	7	1%	7	1%	182	21%	7	1%	2	0%	253	29%	2	0%
Four-Year Institutions																			
1	Valencia College	Fla.	3472	1441	42%	75	2%	270	8%	511	15%	163	5%	14	0%	974	28%	24	1%
22	Madison Area Technical College	Wis.	1720	1338	78%	1	0%	194	11%	77	4%	44	3%	8	0%	44	3%	14	1%
24	Florida State College at Jacksonville	Fla.	1698	854	50%	38	2%	190	11%	476	28%	41	2%	13	1%	83	5%	3	0%
35	Palm Beach State College	Fla.	1492	741	50%	17	1%	82	5%	282	19%	43	3%	4	0%	316	21%	7	0%
36	Miami Dade College	Fla.	1486	156	10%	14	1%	38	3%	423	28%	14	1%	0	0%	840	57%	1	0%
54	Seminole State College of Florida	Fla.	1225	802	65%	15	1%	23	2%	175	14%	30	2%	6	0%	167	14%	7	1%
58	Daytona State College	Fla.	1203	945	79%	0	0%	11	1%	106	9%	13	1%	4	0%	121	10%	3	0%
66	Olympic College	Wash.	1121	831	74%	1	0%	60	5%	27	2%	67	6%	43	4%	44	4%	48	4%
81	Indian River State College	Fla.	960	653	68%	6	1%	17	2%	154	16%	16	2%	8	1%	102	11%	4	0%
100	University of Pittsburgh-Pittsburgh Campus	Pa.	874	683	78%	6	1%	41	5%	72	8%	54	6%	0	0%	10	1%	8	1%

Source: *Community College Week* Analysis of U.S. Department of Education Data

AMERICAN CAREER COLLEGE COHORT DEFAULT RATE INFORMATION

		Cohort Year	2 Year Default Rate	Estimated 3 year Rate
ACC - LA and OC	Draft	2010	7.1	
	Official	2009	7.5	12.9
	Official	2008	7.7	22.7
	Official	2007	7.6	23.1
	Official	2006	5.6	18.3
ACC-ONTARIO	Draft	2010	4.2	
	Official	2009	1.8	5
	Official	2008	2.6	20.4
	Official	2007	3.1	20.9
	Official	2006	0	0





July 2, 2012

The Honorable Tom Harkin, Chairman
United States Senate Committee on Health, Education, Labor, and Pensions
428 Dirksen Senate Office Building
Washington, DC 20510-6300

Re: Forthcoming Chairman's Report

Dear Chairman Harkin:

I write today in regard to your forthcoming report. I am unable to comment as to the substance and conclusions of your report, as no one from Apollo Group or University of Phoenix was provided access to the report itself. Rather, we were provided access to isolated pieces of information reportedly relied on by your staff in preparing the report, such as examples of presentation charts and roughly a dozen documents, a number of which date from 2007-08, that we provided to your staff. The processes used by your staff in compiling and preparing the report have additional material weaknesses that have been documented by others. I would like to take the opportunity afforded by your staff to share with you an accurate and more comprehensive view of the Apollo Group's and University of Phoenix's longstanding and exceptional efforts to advance student success, protect taxpayer interests and ensure educational opportunities are expanded.

I hope that the details and context provided below will enhance the understanding of your staff and others who may read your report regarding University of Phoenix's unique and important role in educating adult and non-traditional learners, creating and sustaining innovation in higher education, and confronting the educational and workforce challenges that this nation must address. Specifically, this letter will address: (1) the historical role that the University of Phoenix has played in educating adult and non-traditional learners and bringing innovation to higher education; (2) the enhancements that University of Phoenix has on its own initiative implemented in recent years to its enrollment procedures that are designed to ensure that only those students who are ready to undertake the significant responsibilities of pursuing a higher degree at University of Phoenix enroll; (3) impressive student outcomes at the University of Phoenix; and (4) the unique and important role that the University of Phoenix and its innovative approaches can and should play in confronting this nation's educational and workforce challenges.

Introduction

Thirty-eight years ago, Apollo Group was founded in response to the increasing shift in higher education demographics from a student population dominated by youth to one in which now approximately half the students are adults and a majority work full-time. The University of Phoenix, a wholly owned subsidiary of Apollo Group, is now the largest private university in North America, with nearly 350,000 currently enrolled students, more than 700,000 alumni and 30,000 plus faculty instructors.

Since its inception, the University of Phoenix has based its mission on serving the underserved of higher education; as a result, we currently boast a highly diverse student population. Eighteen percent of our students are African American, compared to a national average of only 12 percent. Additionally, female students make up two-thirds of the total enrollment at the University of Phoenix, compared to just over half of the overall enrollment in colleges and universities nationwide. To serve our diverse student body, we offer a wide range of programs, degrees, locations, and service offerings to meet the wide ranging needs of our student population. The University of Phoenix currently offers associate's, bachelor's, master's, and doctoral degree programs from campuses and learning centers across the U.S. In fact, according to a recent study based on graduation data collected by the U.S. Department of Education (*Diverse: Issues in Higher Education*), University of Phoenix awarded the most bachelor's degrees to minorities in the 2010-11 academic year of any university in the country.

Since 1978, University of Phoenix has been regionally accredited by the Higher Learning Commission and is a member of the North Central Association of Colleges and Schools. Additionally, the University's Business, Education, Nursing and Counseling (in select locations) programs, comprising the majority of the University's student population, are programmatically accredited by nationally and internationally recognized accreditation associations.

Higher Education at a Crossroads

Today, with knowledge and expertise as the backbone of our information-based economy, the reality is more than 60 percent of jobs require advanced skills training or education. Not surprisingly, it is expected that the fastest growing jobs in the coming decade will require a college level degree or higher. As a result, more Americans than ever need a college degree and are seeking access to higher education in order to remain competitive, to advance in their careers, increase their opportunities and improve the lots of their families. However, despite the shift in educational and professional requirements for jobs over the years, currently only 35 percent of American workers over the age of 25 have achieved a four-year degree. There are approximately 132 million Americans in the U.S. labor force over the age of 25, of whom over 80 million do not have a bachelor's degree -- 50 million of those have never started college and more than 30 million never completed their degree. Partially as a result of these shortcomings within our educational system, the U.S. recently lost its number one competitive ranking in the world, according to the World Economic Forum's Global Competitiveness Report. Providing access to a quality higher education and promoting college retention and completion are cornerstones of Apollo Group's and University of Phoenix's commitment to the country and the students we serve.

Recognizing this significant problem, the Obama Administration last year outlined three important goals for the U.S. higher education system. These goals are critical to the country regaining its standing as a leader in education and remaining competitive in an increasingly global economy.

The President's goals include:

- For every American to receive at least one year of higher education or job training;
- To regain the highest graduation rate among developed countries by 2020, and;
- To encourage and promote lifelong learning.

Apollo Group and all of its educational subsidiaries, including University of Phoenix, believe we have a shared responsibility with the Administration, our colleagues in the higher education community and the current and future American students to achieve these goals and we are devoting significant resources to do so. As a transformative and innovative leader in the education industry over the past 38 years, we continue to aggressively invest and innovate to develop the means necessary to help more students and their families realize the American Dream.

While Apollo Group and University of Phoenix are applying our energy, experience and resources to help achieve the nation's goals, there remain some dissenting voices that claim the proprietary education sector should be excluded from being part of the solution. Despite this, it is impossible to ignore that this sector plays an increasingly critical role in the education ecosystem of the United States. Indeed, without the assistance of the proprietary education sector, the President's goals are all but impossible to achieve given the current institutional capacity and fiscal crisis faced by federal and state governments.

Further emphasizing this idea is the recent statement of the U.S. Secretary of Education, Arne Duncan, who said:

> *"Let me be crystal clear: for-profit institutions play a vital role in training young people and adults for jobs. They are critical to helping America meet the President's 2020 goal. They are helping us meet the explosive demand for skills that public institutions cannot always meet."*

We are confident that the over 90,000 working learner students who have graduated from University of Phoenix over the past year alone, with degrees in business, education, nursing, technology and other critically important fields, would further lend their voices to the chorus stating that the University of Phoenix provides valuable education to those who desire it the most. However, our graduates were not given a voice in this report.

<u>Our Historical & Continued Commitment to Improving Higher Education</u>

Throughout our history we have been guided by a singular vision to provide education to those underserved by the traditional higher educational establishment. Our founder, Dr. John Sperling, believed that education was the only utilitarian means by which individuals could proactively improve their socio-economic situation. The University of Phoenix and Apollo Group's approach to providing high quality, affordable education to those who desire it the most – those willing to put in the time and effort to be educated – is the foundation for all of the long list of innovations that we have developed over the years.

In fact, many of the techniques first pioneered by University of Phoenix are now considered best practice by the larger educational community in general, including the use of online and blended-modality instructional approaches, the use of e-books, the reliance on faculty practitioners with both advanced degrees and industry specific experience to provide practical learning to students and our utilization of small learning teams to promote learning among classmates -- all provided at an affordable price.

Flexible, Student-Centered Model

Throughout our history, the University of Phoenix has pioneered learning pedagogies to meet the unique demands of working learners. In the early days, this meant providing students the ability to take night courses in locations close to their place of work; a revolutionary concept in the late 1970's and early 1980's. As the University grew, it found new ways to serve by providing students with flexible scheduling, a choice of online or on-ground campus-based classrooms and the ability to take a class load that fits their life schedule – whether that be one course at a time, or engaging in just in time learning by utilizing a skill obtained in class during the evenings that can be immediately applied to work the following day.

As we evolve to meet the needs of today's student, we understand that the one-size-fits-all model of traditional higher education is poorly suited for the needs of today's working learner. Our wide range of academic offerings — certificate programs, associate's, bachelor's, master's and doctoral degree programs — allow students, with the help of an advisor focused entirely on their needs, to choose a degree program or series of courses that's right for their career goals and academic preparation.

Based on the wide range of learners who we serve, the University of Phoenix offers degree programs acutely relevant to today's workforce, with courses taught by instructors who have professional experience in their respective fields of instruction. Each course curriculum is faculty developed and centrally coordinated to ensure consistent learning outcomes and academic rigor across our modalities and pedagogies. At the conclusion of each class, students are assessed on outcomes and competencies that are aligned to academic norms, industry standards, and nationally recognized results to ensure a practical and rigorous academic experience.

Our student centric model in place today is further highlighted by the small class sizes we utilize. In a University with nearly 350,000 students, the average class size is about 15 students. This student centric approach makes it possible for students to receive valuable one-on-one attention from instructors, while also sharing knowledge and experiences with their classmates, all of which enhances the academic experience. The faculty to student ratio at University of Phoenix also highlights our ability to apply rigorous academic standards at scale in an effective and efficient manner.

Because working learners are balancing competing demands on their time, we provide each student high levels of logistical and personal support. As soon as students enroll with University of Phoenix, they are connected with a dedicated graduation team that stays with the student every step of the way until graduation. The graduation teams consist of: an enrollment advisor who serves as the student's initial contact; a financial advisor who helps the student find a payment plan that encourages only responsible and necessary borrowing; and an academic advisor who serves as a guide to help the student choose their academic program to make sure they take the appropriate classes needed for graduation and to meet the student's educational objectives. The graduation team works proactively with each student to answer questions and make sure he or she is on track academically.

To continue our tradition to innovate new student centric learning capabilities, we are investing hundreds of millions of dollars into the development of the next-generation of learners by developing a world-class adaptive learning platform designed for the classroom of tomorrow. PhoenixConnect, the first stage of the online learning platform was released in October of 2010 and was developed with the intent of empowering students to extend their network beyond their small 15-person classes and connect with students and faculty across the entire university, regardless of which program they take or in which country or time zone they are located. Additional aspects of the next-generation learning platform will be announced and rolled out to students and faculty over the course of the next year. Taken together, all of these enhancements will only continue to strengthen the University's commitment to provide a student centric learning environment enabled by technology and innovation.

Faculty Practitioners

University of Phoenix has more than 30,000 esteemed faculty members. Since the beginning, they have been the key to the success of University of Phoenix and, more importantly, to the success of our students. As one of our doctoral student's research concluded: "One of the key predictors of students' academic success or failure was the quality of their relationships with faculty."

Two key differentiating factors of our faculty model has been the use of faculty practitioners to teach our courses and our small class sizes. Pioneered over 30 years ago, this continues to be the cornerstone of providing a relevant, engaging educational experience to our students. Our faculty are required to hold a Masters or Doctoral degree, do not rely on teaching assistants; they lead their classes with interactive tasks that have direct relevance to their students workplace and directly support learning outcomes.

As with all universities, our faculty is integral to building curriculum that is tied to learning outcomes which are built on their experience as practitioners in their field of work and study. Since our faculty focus on providing our working learners with skills necessary to be competitive in today's workplace, the measurements used to gauge student learning outcomes are appropriately tied to verifiable learning assessments.

While our faculty practitioner model has proven to have been extremely successful in enabling student learning outcomes, which we highlight in the following Academic Quality section, we continue to enhance our faculty support. For instance, the University of Phoenix Faculty Research Grant Program provides grants of $1,000, $5,000 and $10,000 to those faculty engaged in independent research projects. As with most university grants, proposals are evaluated on the basis of methodological rigor, potential for scholarly contribution and practical research merit. The program provides a strong incentive for faculty who wish to enhance their careers while teaching with University of Phoenix and encourages our faculty to be active members of the broader academic community.

Our faculty practitioner model at the University of Phoenix enables our diverse student population to achieve their one and only shared goal: to pursue their life aspirations through higher education complete with recognized academic rigor.

Academic Quality

The University of Phoenix is proud of its innovative role in the higher education industry, and our heritage in helping to pioneer higher education tailored to the unique needs of the working learner.

In addition to our pursuit of innovation in the classroom experience, we have also focused on providing an objective and transparent assessment of our academic outcomes. Each year the University of Phoenix releases comprehensive data in an Academic Annual Report that shows student achievement and academic progression. The report, unique among institutions of higher education, highlights our commitment to transparency, constant innovation and continuous efforts to improve the learning experience through advanced technology. In short, it is a vital tool for determining where both our students are having success and where we have room for improvement as an institution of higher learning.

Ultimately, the long term success of the University is based on the value of the education we deliver to our students; in this way, their success is our success. We work to further strengthen this symbiotic relationship by publishing our institutional outcomes so students can make informed decisions about where to invest in their education. We believe this is a key aspect of being a responsible educator in today's society, which is why we publish an academic annual report.

Following are additional criteria that the University of Phoenix was evaluated against in the most recent Academic Annual Report. In general, findings were grouped by key measures of success common to all higher education institutions.

Academic Proficiency and Progress – The University received the Showcase in Excellence Award from the Arizona Quality Alliance (AQA) in 2010 – which is based on the Baldridge award for process excellence - in recognition of the University's commitment to the development of quality academics through the Academic Program Development Process. Additionally, University of Phoenix freshmen performed comparably on items related to the Humanities and Social Sciences to freshmen students at other institutions, according to the ETS Proficiency Profile (EPP) to measure students' academic proficiency and progress. (The EPP was previously known at the Measure of Academic Proficiency and Progress — or MAPP — assessment.)

Completion Rates -- Like all accredited colleges and universities, our degree completion rate is assessed by the federal government's Integrated Postsecondary Education Data System (IPEDS), although the system does a poor job of assessing the nation's non-traditional students who comprise the majority of the University's student body by eliminating many from the calculation despite their achievement and success. (This is because IPEDS only considers "first-time" college students who complete their entire college program at the same institution.) Given that many University of Phoenix students enter the University with transfer credits from other institutions, we use the University Completion Rate, which takes into account the entire University student body to more accurately measure our completion rate. The rate is defined as the percentage of students who completed at least three credits and went on to be degree-complete within 150 percent of normal degree completion time.

University of Phoenix completion rates for associate degrees is 34 and 23 percent for those students graduating in four years and 36 percent for students who graduate in four years. For bachelor's degrees, the University's completion rate is 34 percent for those students who graduate in six years and 36 percent for students who take more than six years to complete. In 2009, at the graduate level, University of Phoenix completion rate is 55 percent for students who graduate in three years and 63 percent for students who require more than three years to complete degree requirements.

Student Salary Increase – Since many of our students are employed full-time while enrolled in classes, many students view salary increases at their current employer as a key success metric in determining the value of their education. Internal research has shown that our students' average annual salaries for the time they are enrolled in their program of study increase at higher rates than the overall national average salary increase for the same time period. Students enrolled in University of Phoenix bachelor's degree programs in 2010 earned an average salary increase of 6.8 percent during their time of enrollment, compared to the national average of 2.9 percent. At the master's level, students earned an average increase of 6.5 percent during enrollment compared to a national average of 2.9 percent during the same time period.

Diversity – As the nation's leading producer of Bachelor's degrees for minorities, our student body is significantly more diverse than those found at traditional universities. Close to half of our enrollment consists of students from racial or ethnic communities who are traditionally underrepresented within institutions of higher education.

Information Literacy -- Using the Standardized Assessment of Information Literacy Skills (SAILS) methodology, University of Phoenix freshmen scored as well as or better than freshman students at other institutions in half of the eight areas measured; in the four remaining areas, performance among the two groups is comparable except on the Documenting Sources skill set. Seniors also compared favorably to students at similar institutions in six out of the eight categories.

Student Satisfaction Surveys -- University of Phoenix student satisfaction surveys over the last year showed that students rated all categories (e.g., faculty effectiveness, curriculum effectiveness, academic services, financial aid services) high -- at approximately 90 percent or better. End-of-program surveys indicate that students felt their experience at the University was a positive one and rated all services and categories (e.g., enrollment counseling, academic advising, financial aid services, quality of instruction, availability of faculty, learning teams, library/learning resources) well above average. The University also uses an external measure of student satisfaction, the National Survey of Student Engagement (NSSE). In nine of the ten categories, our students rated the University's support and instruction higher than the national average response rating.

We view these findings in two important ways. First, we believe that these findings highlight the academic successes of our students in achieving their learning goals. Additionally, we believe that these published findings provide us with important insights in where and how best to continually improve the academic product provided to our students. We take these findings seriously and will continue to develop innovative approaches to further support the improvement of the academic outcomes of our students.

Encouraging Responsible Student Borrowing

A student's financial outcomes are just as important as his or her educational outcomes and we have steadily worked to expand the tools and information provided to students to help them make responsible borrowing decisions. The results of our efforts are evident in the fact that although no school may restrict a student's ability to borrow up to the federally set Title IV limits, total student debt levels at University of Phoenix are within national averages when compared to both public and independent private four-year colleges and universities.

As part of this effort, the University is committed to ensuring financial literacy of our students and encouraging students to take on only so much debt as is reasonably necessary for their education. To this end, we provide a series of tools including University Orientation, online loan calculators and common-sense guides to help students better understand the direct and indirect costs of their education, enabling them to make better informed financial decisions. Because our mission is to serve the underserved, the cost of the majority of our degree granting programs allow for responsible federal borrowing decisions, ensuring an affordable education, regardless of individual economic status.

Encouraging Preparedness for Classroom Rigors

University Orientation, a three-week, non-credit-bearing, free orientation course generally required of prospective students who have had less than one year of college experience, is an example of continued innovation in helping students balance their financial obligations with their educational goals. The program is designed to help students understand the commitment necessary to complete a college degree at University of Phoenix. The curriculum emphasizes the need for time management, computer skills, and responsible borrowing, and prepares students for what they can expect in their coursework — whether in our online classrooms or at our on-the-ground facilities.

University Orientation gives prospective students— before they make any financial commitments or incur any costs - critical insights into the realities of undertaking a university degree program. The program familiarizes students with the college classroom and the post-secondary academic environment, re-emphasizes the time and skills required to succeed at University of Phoenix, and outlines the tools and resources available to all University of Phoenix students — including our vast online library, writing and math skills centers, and dozens of other academic workshops. As part of the orientation, prospective students are also provided the facts behind paying for college and what students should expect if they choose to apply for financial aid.

Over the past two years, roughly one in five prospective students who participated in University Orientation elected not to pursue their desired degree program — solely because of what they learned during the three-week University Orientation course and weighing what they learned against their professional and family obligations. In short, University Orientation allowed them to experience first-hand that college was different than what they expected and not feasible at that time in their lives.

Compliance as a Fundamental Tenet of Our Culture

In addition, the University has spent more than $100 million enhancing our compliance systems – including large, state of the art investments in digital call monitoring which enables us to have a robust student protection program in place as part of our routine compliance activities. Practically, that means we are both randomly and routinely spot-checking our own advisors to ensure full compliance with our high standards. This translates into our advisors giving students the best and most accurate information, and helps focus them on, actively counseling students to avoid unnecessary debt.

These proactive steps taken to increase transparency and protect students can serve as a model for all institutions of higher education. Clearly, all students, regardless of the institutions they choose, should be afforded the same fundamental protections and safeguards just as all institutions, regardless of their governance structure or tax status, should be held to same high ethical standards.

Enabling the Success of University of Phoenix Students

The University's flexible, student-centric model, faculty practitioners, solid academic quality, and encouragement of responsible borrowing habits, were made with our founder's central vision in mind: to provide access to high quality education for those students underserved by the traditional higher education community. This vision is unchanged. Our innovative approach to education has assisted working learners meet their personal and professional goals in the intensely competitive global environment. We believe that the ambitious goals of the Obama Administration cannot be reached without an understanding of who the next generation of students is and what systems need to be in place to adequately serve them.

The Next Generation of American Students – Working Learners

The next generation of American students is already here – they are what we call working learners. Today, students who attend school while working or raising a family make up nearly 73 percent of America's student body, according to the National Center for Education Statistics. This number has increased by more than 20 percent in just the last five years. As a result, working learners also represent a growing demographic within our national workforce, today comprising 75 million Americans, or 60 percent of the workforce.

These working learners face many barriers in the traditional higher education system that often deter them from pursuing and completing degree programs. These non-traditional students often have full time jobs. They are parents, spouses, caregivers, and active members of the military. As adults, with a myriad of responsibilities and demands on their time, working learners require an innovative education model that emphasizes flexibility, support and practicality but that remains uncompromising on high quality.

Statistics show that working learners are often first-generation students. They often come from low-income backgrounds. These students are often unable to depend on friends and families for guidance on how to apply for, enroll in and succeed in higher education. Many working learners are also returning to school after being absent from the academic environment for long periods of time and, similarly, have a difficult time navigating the college-entrance process on their own.

In fact, working learners often turn away from higher education because of the rigid — and oftentimes inflexible — scheduling and class formats required by traditional colleges and universities. They are often already juggling full-time jobs and family responsibilities and cannot – nor be expected to - fit a traditional course load into their daily lives because of these competing demands. Working learners need a schedule that allows them to complete coursework around their full-time responsibilities, maximize the amount of time spent with their families and minimize the amount of money spent on childcare and other services when in class.

Furthermore, research suggests that only one-third of today's high school seniors are prepared for higher education. According to the U.S. Department of Education, working learners face even greater challenges to college success because of the very traits that characterize them as non-traditional students. Many attended public, urban or poor-quality secondary schools that simply fell short of preparing them for college; they require remediation or other special preparation before they are ready for college-level academics. Additionally, many working learners are not aware of their options to prepare for college academically.

Addressing Shortages in Critical Occupations

Going forward, the University of Phoenix is strongly positioned to help the country address the shortages America faces in critically important and high-need disciplines. For example, the University's College of Nursing, which recently achieved 10-year programmatic accreditation from the Commission of Collegiate Nursing Education (CCNE), and plans to expand its offering by adding Bachelor and Master in Science of Nursing programs to help individuals gain the skills necessary to successfully enter the rapidly growing nursing profession.

To support this growing need, we have built innovative Nursing Center Simulation Labs in Arizona, Colorado, Hawaii and California, where nursing students experience hands on learning in a real-life hospital environment. Students learn real-life lessons from the atmosphere of the realistic simulations and the substantial teaching and discovery process that follows.

Current Challenges to Achieving the President's Goals

As with any goal worth obtaining, the path to achieve the President's objective is not easy to see nor simple to navigate. Simply put, the country faces key challenges to achieve the President's educational goals.

The Incremental Investment Necessary to Achieve the President's 2020 Vision

In order to meet just one of President Obama's national education goals—ensuring that every American receives one year of college—we estimate it would require the "traditional" education system to provide new access to more than 50 million first-time students, hire and train 500,000 new faculty members, create 1-2 million additional classes, and build the equivalent of thousands of new colleges and universities. These are simply impossible realities given the current fiscal situation the nation and states find themselves in today.

Additionally, in order to meet President Obama's national graduation goals, it would require an *additional 13.1 million* college graduates (including five million community college graduates) by 2020 according to the National Center for Higher Education Management Systems. To that end, we estimate that utilizing public institutions alone would cost the taxpayers *more than $800 billion* over the next ten years to educate the additional 13.1 million graduates necessary to meet President Obama's goal of America once again having the highest graduation rate among developed countries by 2020.

Achieving this feat would not only be monumental and daunting in itself, but to do so at a time when traditional schools' resources are under pressure makes the task a near impossibility. Thirty-nine states have cut funding to public colleges and universities in the past year alone and schools are being forced to cut faculty positions and student capacity just to remain viable.

Given these realities, the University of Phoenix and other accredited, degree-granting proprietary institutions play a critical role in the future of education by providing access to students who, if left to the means of traditional education, would never even get a chance to pursue a university education.

Throughout our history, we have invested continually to realize our founder's vision to provide education to those underserved by the traditional higher educational establishment. We continue to believe in that vision and in the idea that education is, and will continue to be, the only utilitarian, pragmatic means by which individuals can proactively improve their socio-economic means. This vision has provided the University of Phoenix and Apollo Group with the mandate to innovate and always take the steps necessary to ensure a world-class experience for each of our students.

We believe that what is right to do from the student's perspective is what's right to do from a long-term business perspective. These two perspectives are not incongruent – in fact, they are closely aligned. We as an institution cannot succeed unless we continue to pursue robust academic rigor and impressive, dedicated graduates. We are driven to innovate. We look forward to working with all of the stakeholders in the higher education eco-system to drive improvements and new alternatives in order to provide our students with access to the education they desire and deserve.

The Apollo Group and the University of Phoenix share the resolve to ensure that American students receive a quality education without unreasonable debt along with sound prospects for gainful employment. We share your belief that institutions engage in appropriate enrollment practices. We share your resolution that service members, veterans and their families must be treated with respect and empowered to achieve their higher education goals. All these beliefs are pillars of our institution and have been for the last 38 years.

As the President and Congress have repeatedly recognized, private sector postsecondary institutions play a vital role in American education and in the American economy more broadly. President Obama declared that "dropping out of high schools is no longer an option," and the Department has noted, "[t]his goal cannot be achieved without a healthy and productive for-profit sector of higher education." With this in mind, it is better to try and find ways to lift the quality of education for all students rather than the vilification of the one sector of higher education.

University of Phoenix has done more to enable and enhance the student experience through technology, adaptive learning, flexible scheduling and on-line learning than any other educational institution in the world. There are numerous examples of our commitment to remaining at the forefront of educational innovation. Some of the recent examples include:

Carnegie Learning

Apollo Group acquired Carnegie Learning to advance the adaptive learning model and to improve math curricula around a state of the art learning platform. This system is designed to enhance the student experience with and outcomes in math and improve learning retention.

Education 2 Careers (E2C)

The Education 2 Careers initiative that we launched along with the expansion of our workforce solutions initiative over the last year shows our constant focus on not just high quality learning outcomes but also linking education to a job and career path. Featured organizations include Learning Care Group, Sodexo, Verizon, the McGraw-Hill Companies and others.

ReadyMinds

ReadyMinds is being used to accelerate delivery of career services to University of Phoenix students. Founded in 1998, ReadyMinds is a pioneer in career counseling services. The company leverages a network of certified counselors that provide career assistance.

Phoenix Lecture Series

The University of Phoenix has taken an innovative approach to providing a flexible student centric approach to providing access to a high quality academic experience for all of our diverse students. Of course none of this would be possible without the dedication and expertise of our valued faculty and instructors. This includes the Phoenix Lecture Series. Students can watch videos recorded by such notable business names as Gary Hamel, Nicholas Negroponte and Clayton Christensen.

For many who have attended school as a full time, first time, on campus student without a full time job or a family to care for, the approach of University of Phoenix is hard to comprehend and often times, it leads to misperceptions. People who care about educating students for the jobs of today and tomorrow should give far less weight to isolated documents and incomplete narrative and instead engage in a broad and open conversation with those, such as University of Phoenix, who have proven through decades of educational commitment and innovation to be important and unique components of any solution to today's higher education challenges.

Thank you for the opportunity to share this information about our history, our commitment to students, our practices and outcomes, and our goals at University of Phoenix and Apollo Group.

Sincerely,

Mark Brenner
Senior Vice President, External Affairs
Apollo Group, Inc.

Bridgepoint EDUCATION

Bridgepoint Education's Comments on Report On For-Profit Universities

Bridgepoint Education, Inc.'s Ashford University, a major provider of online education with an on-campus institution in Iowa, would like to thank the Committee for its thorough review of the for-profit education model to ensure its value to students. We share this commitment to quality student outcomes and hope that we have been able to share some best practices in this process.

Ashford University programs are rigorous and well thought of by its students. It serves a population that likely would not obtain a higher education but for the accessible programming it provides. Ashford University graduates a higher proportion of at-risk students than do most other colleges and universities, whether nonprofit or for-profit; and does so at a lower cost than most colleges and universities. The result is less ongoing debt than the average student coming out of college. Bachelor-level alumni reported that 91% were employed when surveyed. Its cohort default rate on federal aid for all students is substantially below the allowable limits.

Ashford University continues to refine admissions, attendance and educational practices, so as to provide more effective and efficient services while also refining ways to assure the rigors of a college education are made clear to students from the beginning. Indeed, many of the practices we have adopted – from orienting new students to requiring perfect attendance in the first few weeks of classes to setting a minimum age for students to assure their seriousness – can serve as models for any university.

Ashford University students: Ashford University students are financially independent and more than 70% work while they are taking courses; 65% are age 30 or older. More than 70% of Ashford University students are women – many of them single mothers – and just shy of half are minorities. Most are first generation college students.

The United States Department of Education has repeatedly recognized specific risk factors associated with a student's inability to obtain a degree or other postsecondary credential. Such factors include financial independence, part-time attendance, delayed enrollment, full-time work, dependents, and single parenthood, matching our students. Ashford University is bringing this population an educational opportunity previously unimaginable for a better long-term quality of life.

Ashford University results: Ashford University's completion rate for those enrolled in bachelor's degree programs is higher than the average of more than 600 for-profit universities and is comparable to or better than that for students who fit our demographic characteristics regardless of whether they are in nonprofit or for-profit colleges. This combines with a program that most graduates believe prepares them very well for the workplace and increases their earnings power.

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In November 2010, Ashford University invited graduates to participate in an alumni survey. In August 2011, Ashford University administered the same survey to all alumni who graduated since the 2010 administration and to those who did not respond in 2010. Ninety-one percent of responding Ashford University alumni whose highest degree from the University was a Bachelor's reported that they were employed in a full-time or part-time position as of the survey date. In the surveys, 92% of respondents rated their overall satisfaction with Ashford University as "very satisfied" or "satisfied;" with 62% choosing "very satisfied."

The surveys showed 95% of alumni would recommend Ashford University to others, while 96% reported their satisfaction. Eighty-seven percent said that earning their degree from Ashford University gave them the confidence to pursue new job opportunities; 91% agreed that earning their Ashford University degree was worth the time required; and 92% of those who previously attended a traditional institution felt that Ashford University's educational quality is the same as, or higher than, a traditional college or university.

Bachelor's degree graduates responding to our 2011 survey reported salaries averaged 11.6% higher than their salaries at matriculation; for graduate degree recipients, the average increase was 11.0%. Especially in these difficult economic times, we believe such salary increases demonstrate the value that our postsecondary degrees can deliver to working adult students.

In the past we have been disappointed with the rate of completion of our associate's program. With no external requirement, we reviewed our AA programs, and determined that many younger people were not yet ready for the intense career orientation of such programs; since April 2010, we have required that students be at least 22 to enter Associate programs; our initial results show that continuing enrollment and graduation is higher than the numbers that the Committee references from earlier years. We will continue to look for ways to improve program structure to the benefit of the student.

Ashford University student feedback: The student course evaluations chosen by the Committee for inclusion in its report provide a resounding testimonial to our students' view of our courses and faculty. These evaluations overwhelmingly speak to the skills and caring of the professors and the rigor of our programs. Eighty-five percent of respondents to end of course surveys for our online courses during the 2010 and 2011 academic years rated the quality of their instructor as either high or very high. Eighty-four percent strongly agree or agree that the course material will be valuable after graduation.

As a threshold, our programs have always complied with Department of Education requirements for measuring academic progress.

But holding ourselves to the highest standard, we have not been satisfied to only meet federal requirements. Over the years, Ashford University has implemented programs to test student readiness and dedication at the outset. They include an orientation program for new students and our minimum age requirement. We have mandated that students in the first five weeks of classes must have *perfect* attendance in order to go on, so as to determine as early as possible whether those students have the initiative. We do not know of any nonprofit university that has these requirements.

Ashford University recruitment: Ashford University's efforts to inform potential students about the value of an Ashford University degree comply with all federal and state recruitment laws.

And our mission extends beyond complying with the law. Our nation's educators, economists and policymakers agree on one issue perhaps more than any other that faces our country – that both the individual and the nation benefit from post-secondary education. The messages that our counselors have been trained to deliver are those that allay the concerns of potential students who are not familiar with a post-secondary education and do not have a community that has already engaged in post-secondary education. Our materials urge students to attend post-secondary education, and alleviate the standard ambivalence about whether they have enough time, whether it is worth the cost, and their fears about pursuing a degree.

The first page of Ashford University's messaging for its admissions counselors states: "Rules to Remember ...

-- Never pressure a student or PUSH them into applying to AU but instead, inspire them to take the next step ... and,

-- Never manufacture urgency."

Ashford University cost: The total tuition for a BA degree from Ashford University is $48,240, a fraction of the cost of many traditional universities and far below the average cost at public universities. Upon graduation, the average Ashford University online undergraduate student has an average loan balance of $14,504, also less than the average college graduate loan balance of over $25,000. Ashford University tries to keep its costs within the amount of federal grants and loans that students can obtain, so as to minimize the amount that a student would need to borrow from private lenders.

The cost to the taxpayer of an Ashford University education is far less than this amount would suggest – public universities, which educate the great majority of students attending nonprofits, obtain huge subsidies from state taxpayers, who pay no extra funds for an Ashford University education.

Summary: Bridgepoint Education and Ashford University are proud of the results Ashford University has obtained for its students – their satisfaction with the education they have received, their graduation rates, and the economic value of an Ashford University degree. We are always striving to provide a still better education and to better assure that prospective students are ready for the rigors of an Ashford University education.

June 26, 2012

Ms. Beth Stein
Chief Investigative Counsel
US Senate Committee on Health, Education, Labor and Pensions
428 Senate Dirksen Office Building
Washington, DC 20510

Dear Ms. Stein:

I am writing as a follow-up to Ms. Amy Ronneberg's and my meeting with you and other HELP Committee staff on Tuesday, June 19. As we expressed at the meeting, we sincerely appreciate the opportunity to provide further input on this matter.

As we discussed in our meeting, Capella University does not look like most other higher education institutions, regardless of sector. We serve working adult learners (ages 24 and above) primarily seeking graduate degrees, all in an on-line setting utilizing a competency-based curriculum. Most of our learners are pursuing degrees in spite of the fact they exhibit three or more of the "risk factors" identified by the Department of Education, and many of those learners are the first members of their families to pursue higher education. According to graduate survey information, 56% of Capella graduates come from families in which neither parent has completed a college degree (see Attachment 1, based on Eduventures data).

Capella has over the years demonstrated a responsible, high quality approach to higher education. We have worked closely with the Department of Education: on the 50% Rules Demonstration Program from 1998 to 2005; more recently, on initiatives to combat fraud in online education, providing significant input over the past several years to the Office of Inspector General and to our Case Team; and on numerous other subjects during Capella's now twenty years of existence. Our cohort default rates are extremely low and compare favorably even to schools in traditional non-profit higher education. Further in that regard, institutional gainful employment data recently released by the Department of Education confirms that Capella's graduates use their degrees to earn very respectable incomes, which in turn help them to repay loans upon which they may have relied to finance their educations.

In short, we believe that we've over the years demonstrated a strong commitment to our learners, while at the same time developing and zealously guarding a strong compliance culture within our institution, including compliance – in both letter and spirit – with Title IV program requirements. It is our hope that Senator Harkin's final report will highlight this reality, as well as the importance of educating the population of working adult learners we serve, who are vital to American competitiveness and who rely on institutions like Capella to provide much needed access.

When we met with you and your colleagues, Ms. Stein, we discussed the topic of redaction. I don't believe that we have significant concerns in that regard, but let me play back to you here my understandings, just so we are certain that we are on the same page. My understanding is that you will redact all names of employees below the executive level. I also understand that you will redact all learner names. Therefore, I will not waste your time identifying in this letter each such employee or learner name.

We also discussed the topic of competitively-sensitive information. My primary concern in that regard was what you intended to do with our Investor Q&A Background deck that we conspicuously labeled "Confidential & Private." You informed me that you intended only to refer to one page from that deck: Bates numbered page CAPELLA-0106292 dealing with marketing matters (specifically enrollment and lead sources). With the understanding that you will not be referring to other pages from Investor Q&A Background deck, we do not object to you using the information on Bates numbered page CAPELLA-0106292 and we do not require redaction of any information on that page. As a point of clarification, the "enrollments" being discussed on that page are total enrollments and not new enrollments.

Those are Capella's comments related to redaction and competitive concerns. During our meeting, you also stated that we could provide context for the nine Capella-specific documents that you asked us to review and for the slides that we understand will be created to compare and contrast Capella's performance, across a number of metrics, to the "average" performance of Capella and the other 29 proprietary schools for which you've collected data. (Note: Technically, you may have provided us 10 documents, but since the Bates numbering sequence that you provided to us classified as one document a letter from the Higher Learning Commission to Capella and the underlying complaint letter from the learner, I'll follow your lead and classify those two documents as one.)

I should add here that I'm including with this letter (collectively Attachment 2) the Capella-specific slides that Ms. Ronneberg prepared following our meeting. We'd be grateful if HELP Committee staff would review our work to make sure that our slides are consistent with the Capella-specific slides that I believe you've already prepared. Allow me to now provide that additional context, beginning with the slides that you reviewed with us.

Slide Depicting Student Outcomes

As you noted during our discussions, Capella is primarily a graduate institution and, therefore, programmatic comparisons between Capella and many of the other institutions from which you collected data are difficult. At the Bachelor's level, which constituted about 18% of our learners during the applicable measurement period, our "withdrawal" rate was 60.3%. To state the obvious, we want to reduce that withdrawal rate, and reducing the withdrawal rate has been a significant area of focus for Capella; as we studied our learner success metrics and identified increased withdrawal rates, we took action.

As I'm sure Committee staff is aware based on the work it has done, withdrawal rates have been higher in online programs than in on-ground and "blended" programs, so Capella (as an entirely on-line institution) has been facing headwinds in that regard. On the positive side, however, the online environment is a data-rich environment and over the past two years we launched a persistence initiative that encompasses all parts of the organization. In simple terms, the persistence initiative involves applying sophisticated analytics to the data-rich environment to develop methodologies (including pre-enrollment assessments as ultimate predictors of program success) to help learners persist more effectively to degree completion. Our 2012 budget for this persistence work is $7.3 Million. That work has produced positive results to-date – including enhancements in our ability to provide personalized support and program planning that we believe will increase learner success – and we fully expect that, in the months and years ahead, our withdrawal rates will decline not only at the Bachelor's level, but at all degree levels.

In terms of context, there are a couple other points to consider. As noted in my introductory comments above, Capella's enrollment reflects a significant number of learners facing three or more of the Department of Education's risk factors; the higher the risk, the greater the challenge to get to the promised land of degree completion. We are proud of the learners we serve, and neither we nor our learners are making excuses, but reality is that populations of learners facing larger numbers of risk factors do not persist as well as populations not facing those same risk factors.

Finally, as Ms. Ronneberg and I mentioned during our meeting last week, we use Capella First Course (the required first course in a learner's program) as an intensive opportunity for both institution and learner to assess fit in a real life environment. We are an institution that prides itself on providing access. To that end, if learners qualify for admission to Capella (based on criteria that include past grade point average and age), we allow those learners to enter our programs. Following admission into our programs, learners enter the rigorous First Course experience; we lose a number of learners during First Course, especially at the undergraduate level. And frankly, many of those learners are lost not because of anything Capella did or did not do, but rather because the learners themselves conclude that, for myriad reasons (including other life challenges and priorities), continuing education is not right for them at the present time. When we lose those learners, our withdrawal statistics trend higher than we would otherwise prefer, but we nonetheless feel that the correct result has been achieved: learners leave the program having attempted continuing higher education, but **before** they accumulate significant debt.

Slide Depicting Marketing Spend, Profit and Other

It's difficult to know whether the slide depicting marketing spend is "apples to apples." For example, Capella allocates significant overhead expense to certain line items in the profit and loss statement, such as marketing. Also, Capella includes in its "marketing" expense the salaries of enrollment counselors and similarly situated employees. So although our "marketing expense" is above the average of the 30 institutions from which you collected data, we suspect that, in light of differences in how institutions classify and account for their various expenses, the picture may well be distorted. At a minimum, I would think Senator Harkin would acknowledge this fact in his report, probably by asterisking the applicable slides.

Perhaps most important in the marketing area, in spite of Capella's required level of marketing spend, our tuition is similar to many quality public and non-profit schools. At the end of the day, we take very seriously our mandate to deliver quality results at competitive tuition rates.

From a contextual standpoint, consider that Capella is a completely on-line university. As such, true marketing spend is in part the functional equivalent of capital investment by campus-based schools in creating student and employer awareness of those schools' programs. Investment by campus-based schools in their campuses and facilities is without question intended to market those schools. Right here in Minnesota, many private liberal arts institutions bemoan the fact that one well endowed institution is winning the student recruiting wars in large part because that institution is able to invest so heavily in ultra-modern, aesthetically-appealing campus and facilities.

Moreover, Capella is, as elsewhere, different in many respects from the other 29 schools to which we are being compared. Most significantly, marketing to Capella's niche professional graduate markets is inherently more expensive than marketing to much larger Associate's, Bachelor's and trade school markets. To effectively convey our message to the learners we serve, we must stretch our resources across wide professional, geographic, demographic and technology dimensions. Further to the resource point, Capella is much smaller from a revenue standpoint than many other proprietary institutions and, therefore, we are disadvantaged when compared to those other institutions on a "percentage of revenue spent on marketing" basis; in terms of real dollars spent on marketing, our spend levels are significantly lower than the spend levels of the larger institutions.

I should also note that the "other" spend category is over half of Capella's total spend. And in the "other" area, Capella spends significant dollars on academic matters. For example, based on 2009 data, we spent 16% of total spend on faculty compensation. Of significant note, we also spent 16% of total spend on student support services, including salaries for 119 academic advisors whose primary role is to work directly with learners to assist learners in putting together degree completion plans, answering questions about the online learner environment at Capella, advocating for learners both in the course room and elsewhere throughout Capella, and generally doing whatever needs to be done to assist learners in the pursuit of the academic goals.

Slide Depicting 2007 – 2010 Staffing Levels

On the topic of staffing levels, you'll note that, in marked contrast to the 30-school slide, our staffing levels for student service functions exceed our staffing levels for recruiters. As I've already noted, Capella is and always has been committed to learner success, and I believe the staffing level analysis tells a good story about Capella in that regard.

I understand from our discussions at our meeting last week, Ms. Stein, that Senator Harkin and HELP Committee staff are also focused on staffing levels in career services functions. As we explained at the meeting, our learners have never needed a large career services staff at Capella, and here are some facts to back up that point.

First and foremost, I think it's useful to look at our story through the eyes of our learners, the vast majority of whom are employed at the time they matriculate at Capella. Of note in the regard, career conversations with our learners happen across the entire learner lifecycle, beginning with the recruitment process where our enrollment services advisors utilize numerous tools designed to facilitate career conversations with incoming learners. Career content is embedded directly into many of our courses. For example, there is an assignment in one of our counseling courses that requires learners to do an informational interview with someone in the field; we provide materials and resources to facilitate that conversation. Additionally, academic advisors (who are classified as support services rather than career services in the slide) incorporate career conversations into their on-going work with learners; again, tools, training and materials are provided to facilitate an outstanding experience in that regard.

As to our career center itself, I've included with this letter an attachment (Attachment 3) that describes ways in which we interact with learners on career-related subjects. Many of those interactions are automated and therefore reduce the career service headcount numbers. As you'll see from the attachment, our learners are extremely satisfied with their career service interactions.

We also track metrics related to those graduating from our programs. The Department of Education recently released gainful employment data to institutions. In Capella's case, the data showed that our graduates are gainfully employed in professions in which they earn significant incomes, thereby positioning them to repay their Title IV loans. I'm attaching to this letter a table (Attachment 4, based on data provided by the Department of Education) that shows income data for graduates from our various programs and specializations.

Finally, as we explained in our meeting last week, we serve adult learners, the vast majority of whom are employed in their chosen fields prior to coming to Capella. In the main, they attend Capella to get the advanced degree that qualifies them for advancement with their current employer. As to outcomes achieved by our learners, attached to this letter is a slide (Attachment 5, based on Eduventures data) depicting the career progression of Capella graduates from enrollment through five years after degree completion. Of particular relevance, thirty percent of respondents were employed in higher level managerial or executive positions at the time of enrollment; that number increases to fifty-five percent five years after the respondents completed their programs.

In summary on this point, from the perspective of our learners, we are doing a lot right in the career services area. Department of Education gainful employment data certainly confirms that our learners are succeeding in their careers. To be sure, our approach in this area is not people intensive, but I do believe we are demonstrating strong outcomes and I would hope that context would make its way into Senator Harkin's report.

Slide(s) Depicting Program Cost

As I mentioned, we've included program cost slides that we put together for Capella based on what we believe you are trying to show in the report. Candidly, the program cost area is the area in which we were probably least sure of the assumptions used for the slides that will be included in Senator Harkin's report. To that end, we'd greatly appreciate it if you would please review the program cost slides (one for each of our schools) that we've included and get back to us if you need clarification or additional context.

You will note from a total program cost perspective that Capella's programs compare favorably even to in-state tuition at the University of Minnesota, an institution that receives significant taxpayer funding. This favorability results largely from the fact that many of our adult learners enter Capella with significant credit for prior learning and, therefore, cost to degree tends to be lower.

Commentary on Nine Documents Provided to Us for Review

As noted above, you provided us with nine documents to review. I've already commented on redaction and confidentiality issues, so all that remains is some brief contextual commentary on the six documents that contain learner complaints.

I think it's important from a context standpoint to note that, from a population of now over 36,000 learners, our production to you of over 2,000,000 documents contained only 151 learner complaints, and those complaints were spread out over an almost five year time period from January 1, 2006 through August 2010. Senate HELP Committee staff in turn pulled six documents that contained learner complaints. Even if we assume that all of those complaints were valid as written, the rate at which learners complain is extremely low, and some contextual commentary in Senator Harkin's report around that point would be useful, I believe.

Additionally, although we certainly respect the rights of our learners to be heard on issues of concern to them, I have to say in Capella's defense that we simply do not agree with certain statements made in those complaints. And if those statements were, for example, presented in Senator Harkin's report out of context to support a premise that Capella's course offerings or services were fundamentally flawed in one or more areas, such an approach would, in my opinion, at best leave readers of the report misinformed vis-a-vis the totality of Capella's work, and at worst leave readers seriously misled on that subject.

Upon our return to Minneapolis, I asked our customer care group to go back and review each of the six cases and to provide me additional context by talking to people who were directly involved in handling each matter and by capturing the impressions of those directly involved. I've attached to this letter (collectively, Attachment 6) those case histories as pulled together by our customer care group. In the cases we reviewed, there is clear evidence that Capella went above and beyond for learners.

Finally, with respect to learner complaints, I recall that we provided to you with our 2010 data submissions a number of unsolicited learner testimonials praising work done by Capella and its staff. Those testimonials far outnumber the complaints that we receive, another contextual fact that would be nice to see in Senator Harkin's report.

I'll close, Ms. Stein, by again thanking you for the opportunity you gave us to review and comment on documents in advance of Senator Harkin releasing his report. In that spirit, I'd again ask that, if you have any questions about this letter or the materials that we've provided in conjunction with this letter, you or others on HELP Committee staff would reach out to us to further discuss.

I think the record makes clear Senator Harkin's agenda with respect to the proprietary higher education sector and he's certainly entitled to pursue his agenda. Capella's "ask" is that, at a minimum, the report forthcoming from Senator Harkin include proper context to leave readers in a position to judge for themselves the merits of unique institutions like Capella. From a degree standpoint, we frankly look much more like the institution to which we are being compared in the degree cost area (e.g. the University of Minnesota), than we look like other schools in the proprietary higher education space. We hope that Senator Harkin's final report acknowledges this reality and the importance of the learner population we serve.

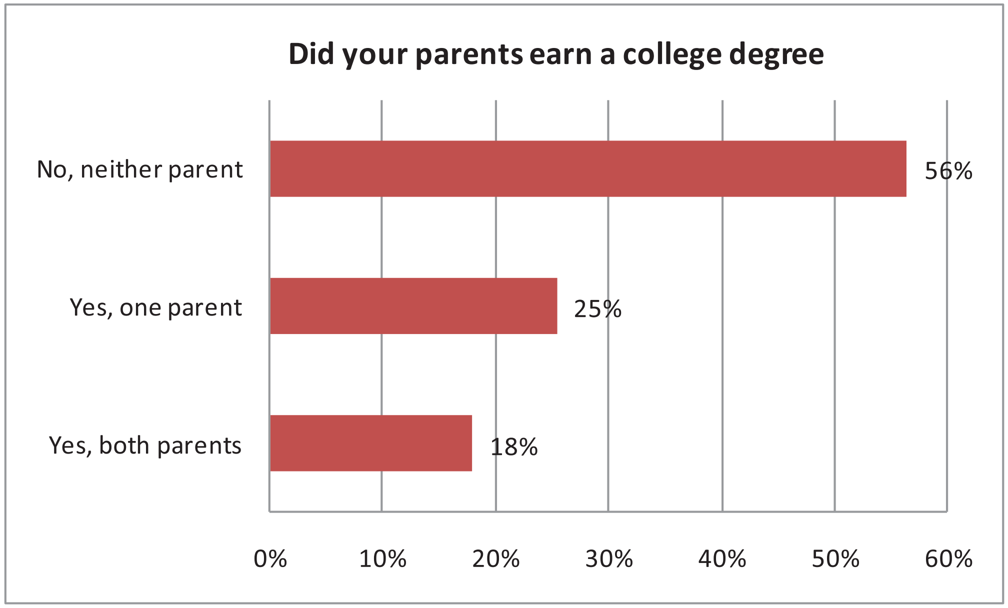
Sincerely,

G. W. Thom

Gregory W. Thom
Senior Vice President & General Counsel

cc: Mr. Kevin Gilligan, CEO
Ms. Amy Ronneberg, Vice President Learner Services

Majority of Capella graduates are first generation graduates

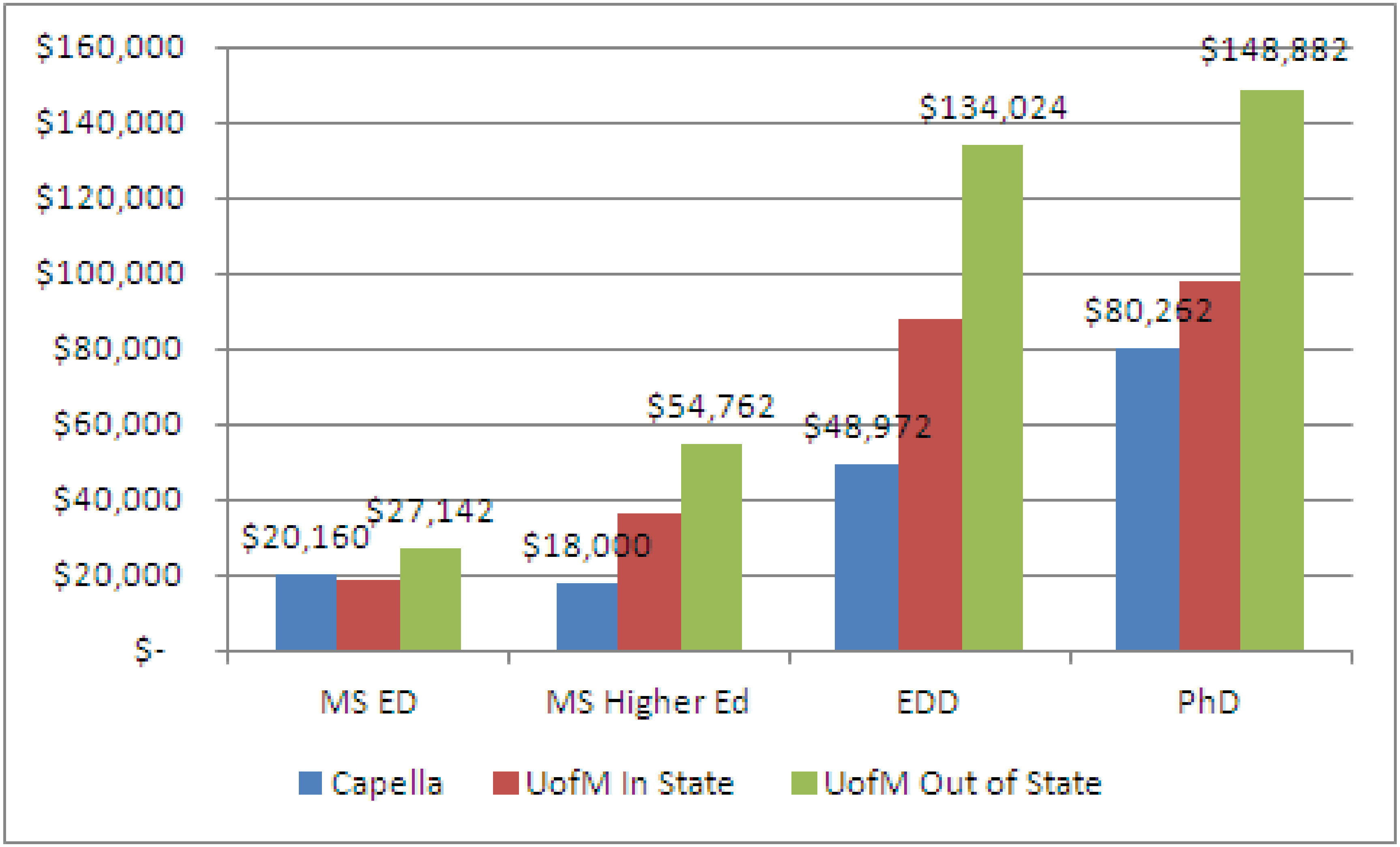


56% of Capella graduates' parents did not have any college degree.

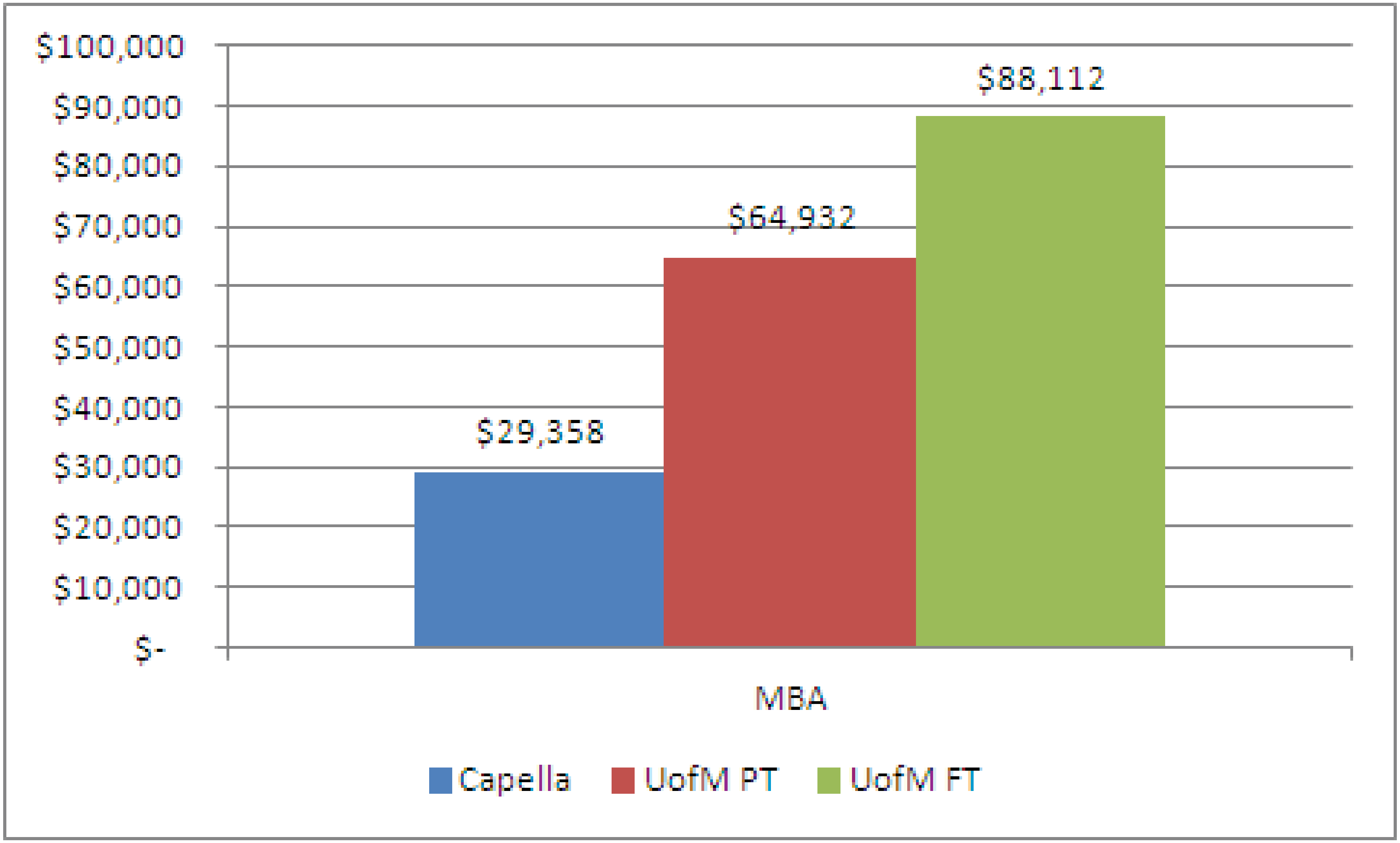
- Survey Title: Eduventure Alumni Survey
- Data Collected: September 2010
- Total Sample: 18,212 (All historical alumni from 1997 – 2010 to-date)
- Total Submits: 2,416
- Response Rate: 13.26% (vs. 4 - 8% for other)
- Margin of Error: +/- 1.87%

HELP Committee Chart Comparison

Capella vs State Total Program Costs- School of Education

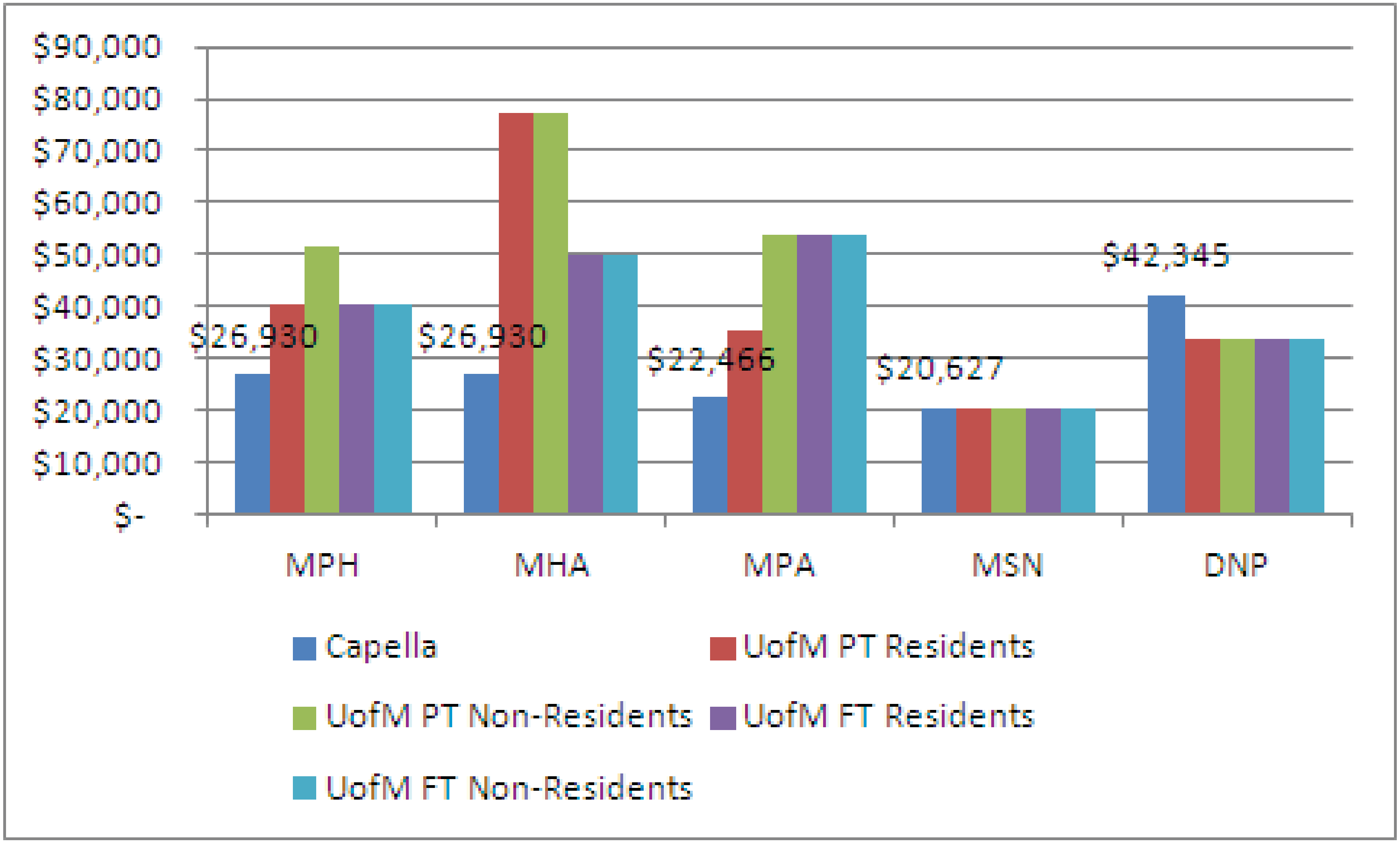


Capella vs State Total Program Costs- MBA

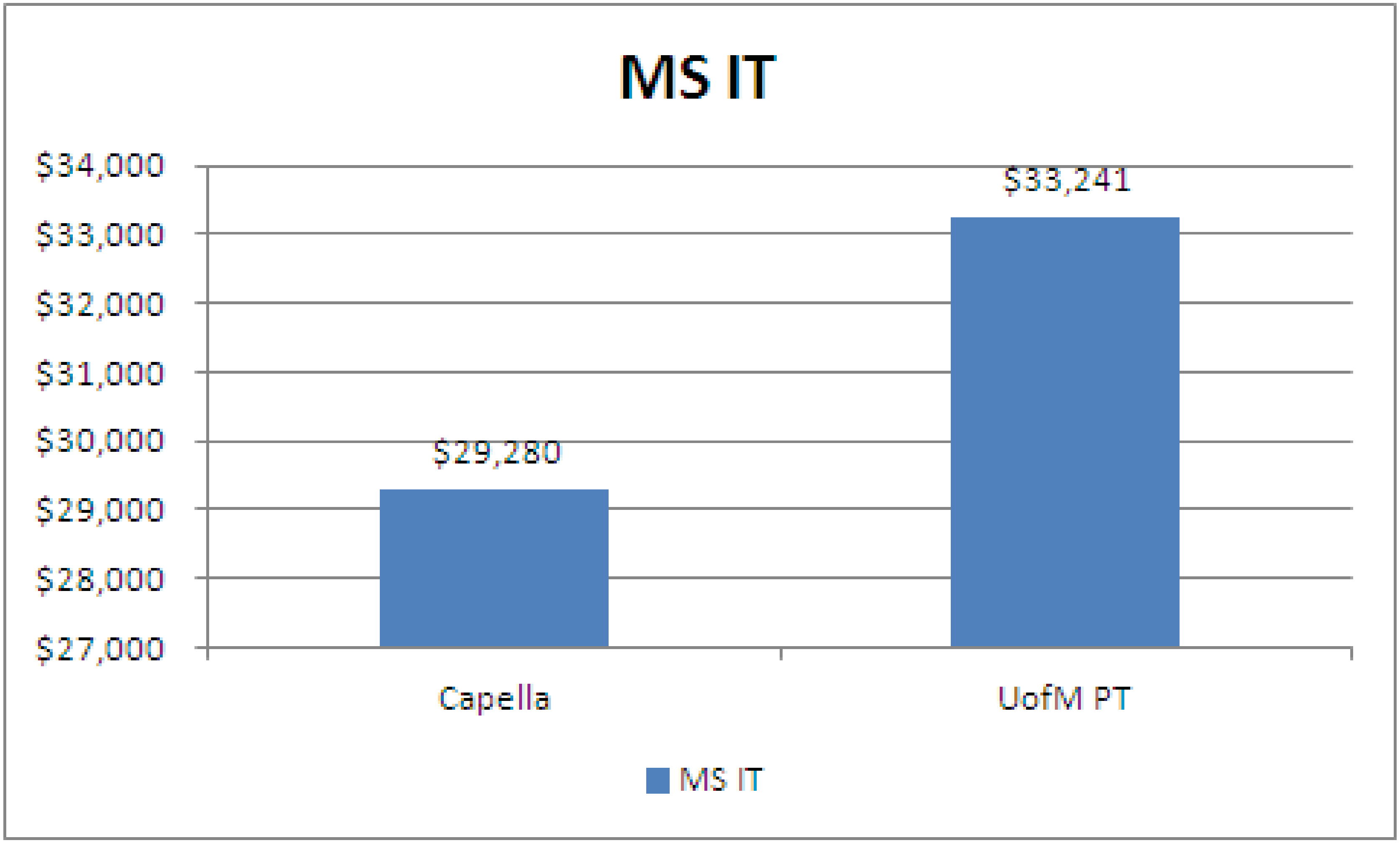


Capella Education Company

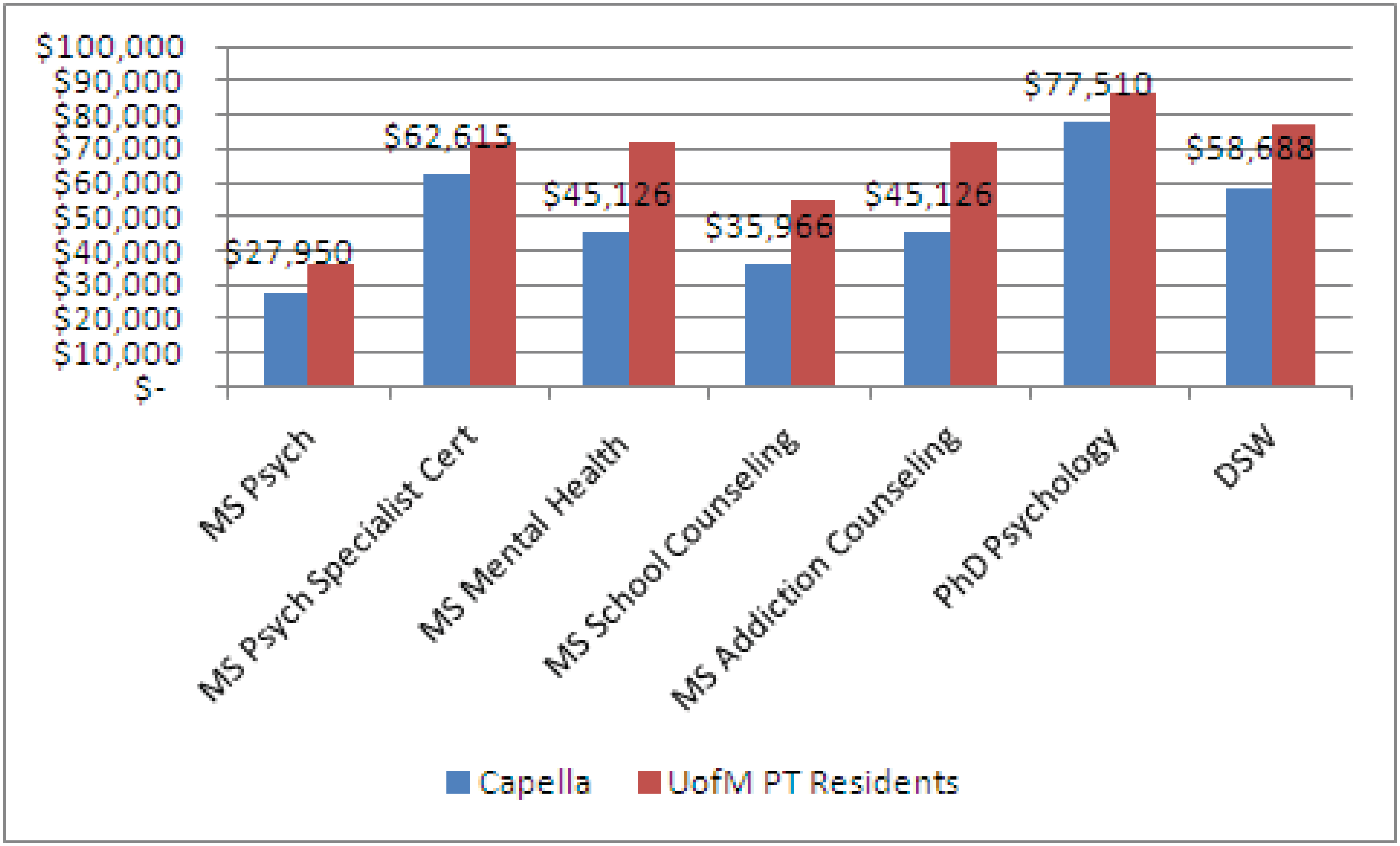
Capella vs State Total Program Costs- Public Service Leadership



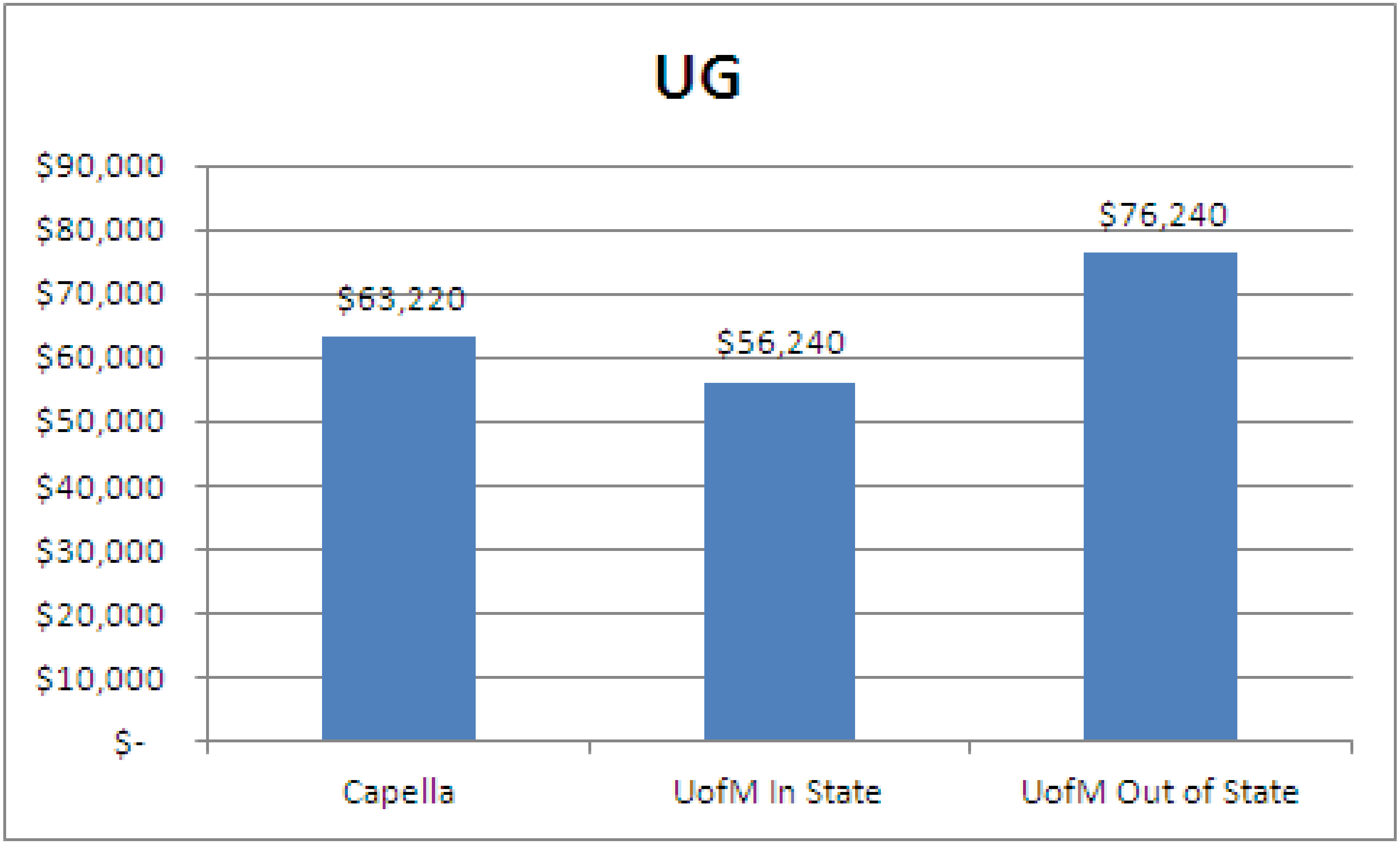
Capella vs State Total Program Costs- IT



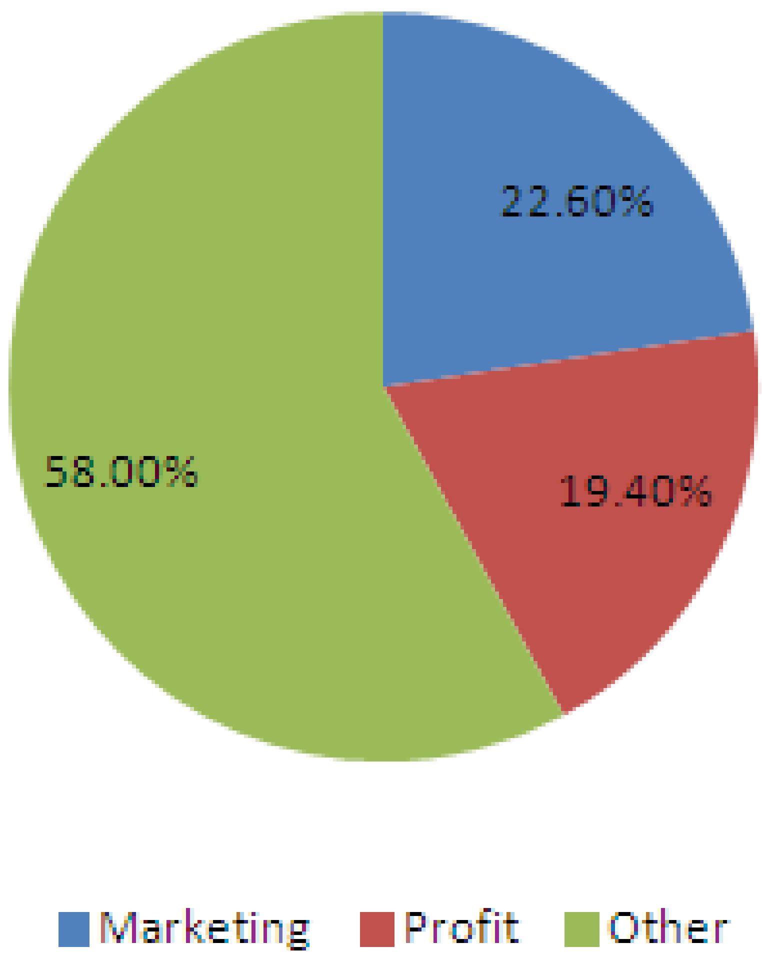
Capella vs State Total Program Costs- School of Behavioral Science



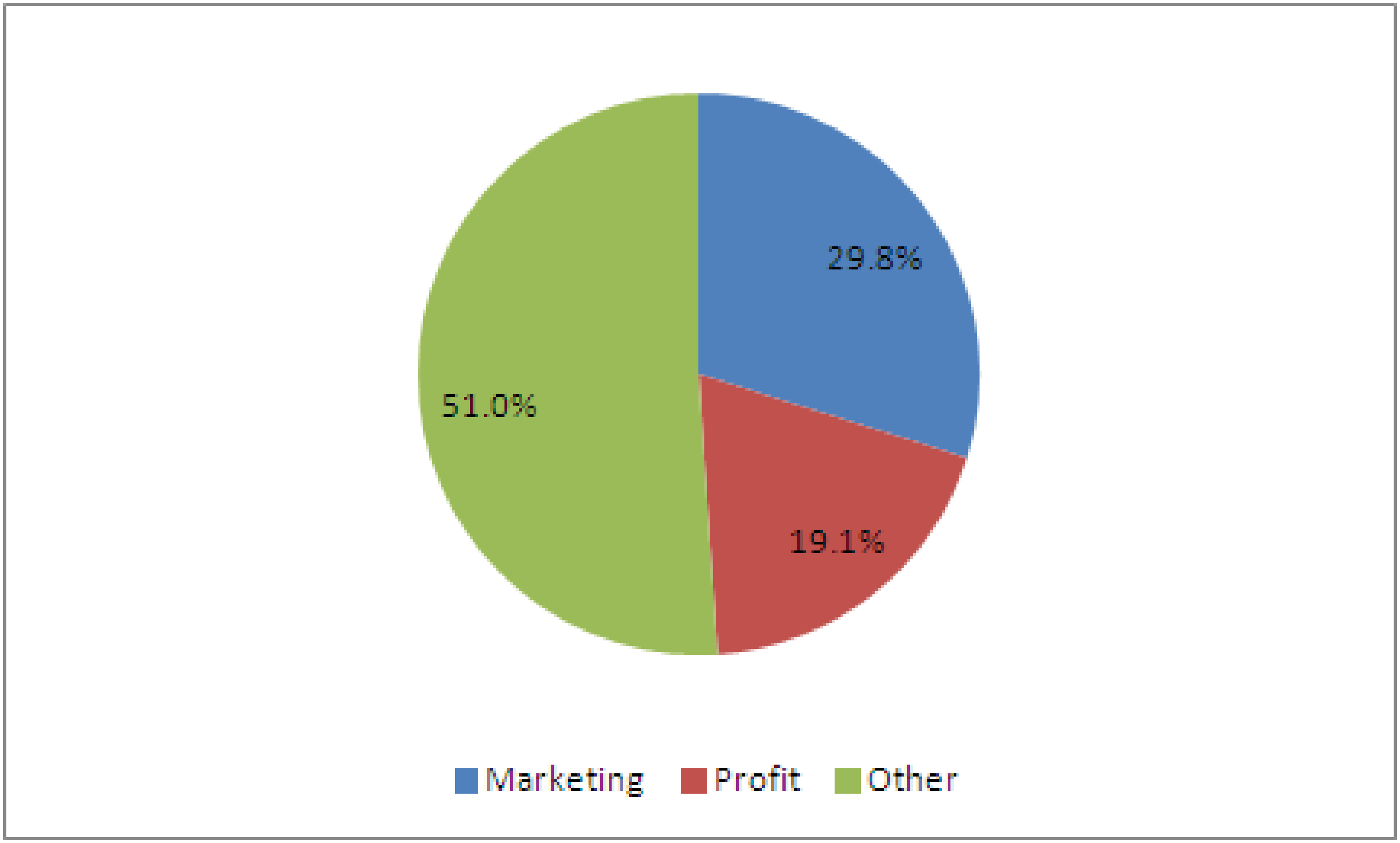
Capella vs State Total Program Costs- UG



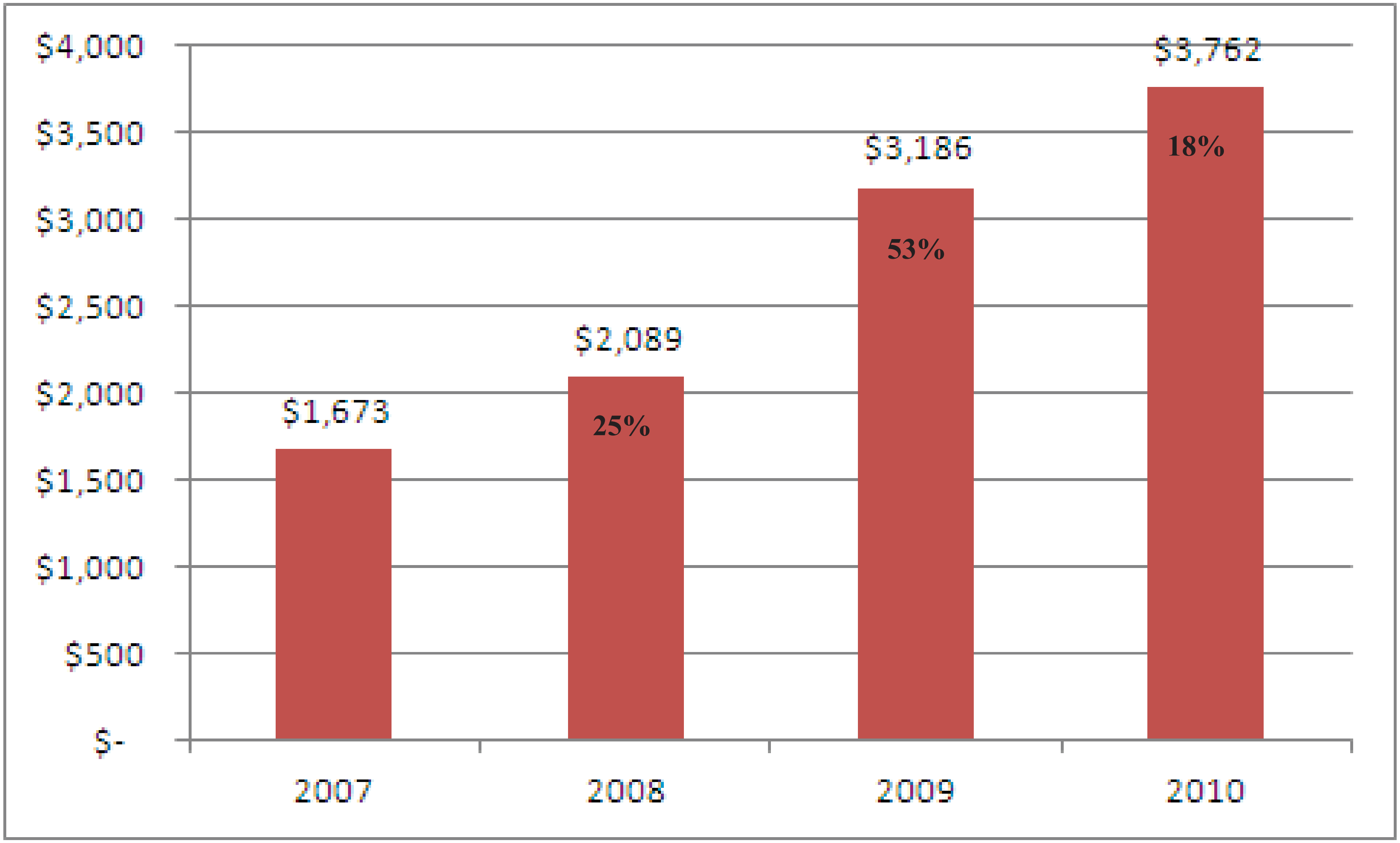
2009 For Profit Spending



Capella 2009 Spending

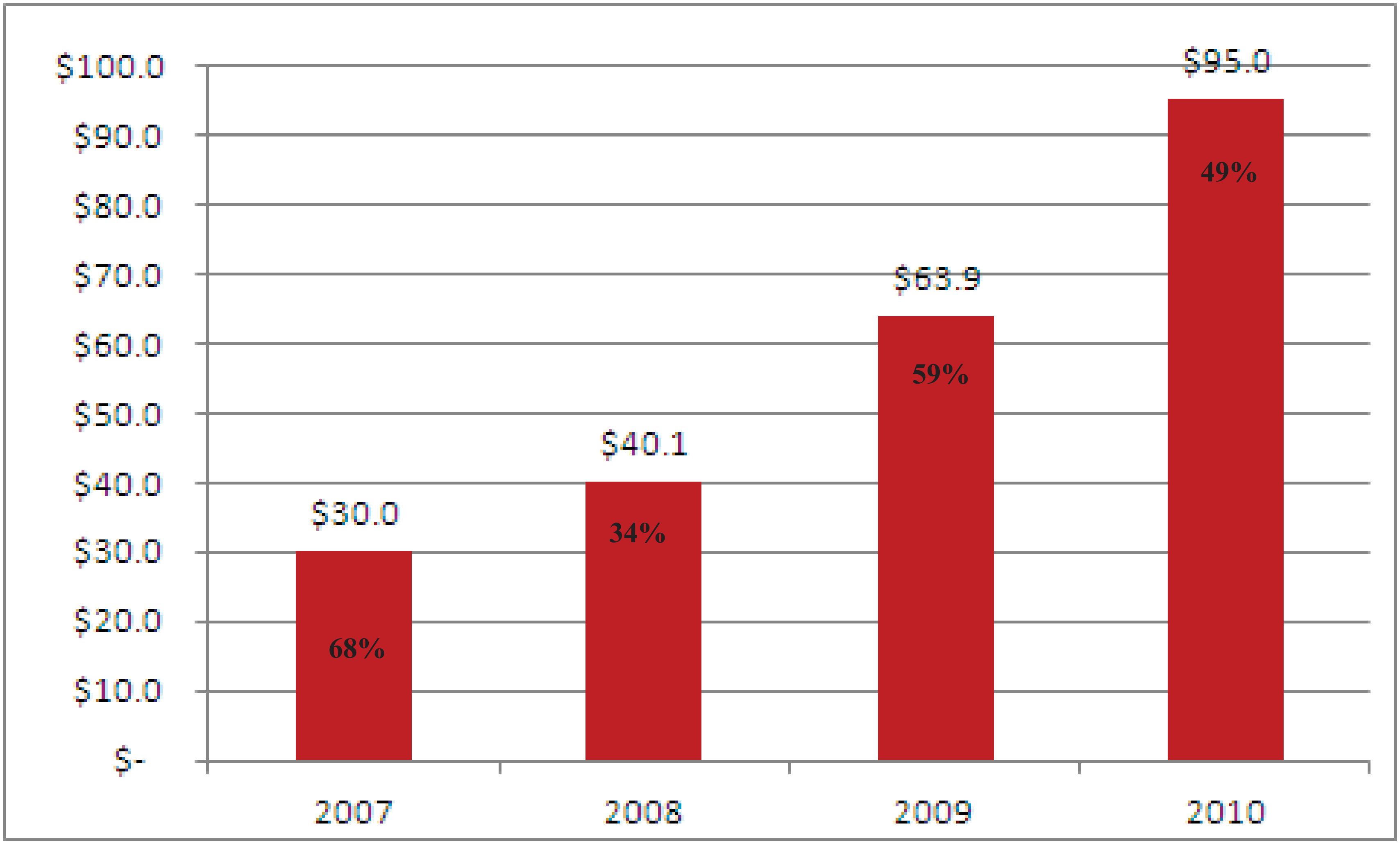


2007-2010 For-Profit –Profits (in millions)



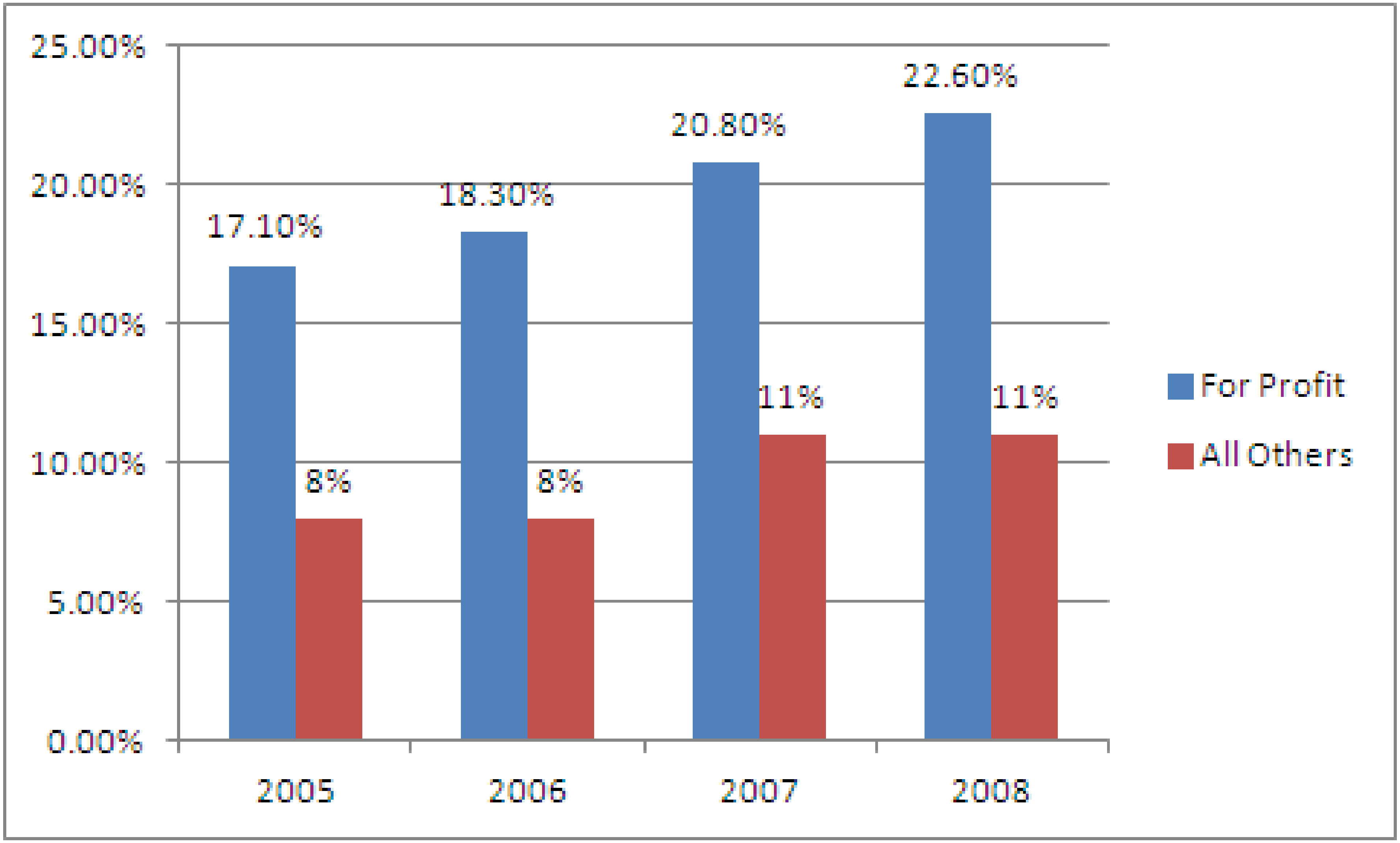
% represents YOY growth %

Capella 2007-2010 –Profits (in millions)



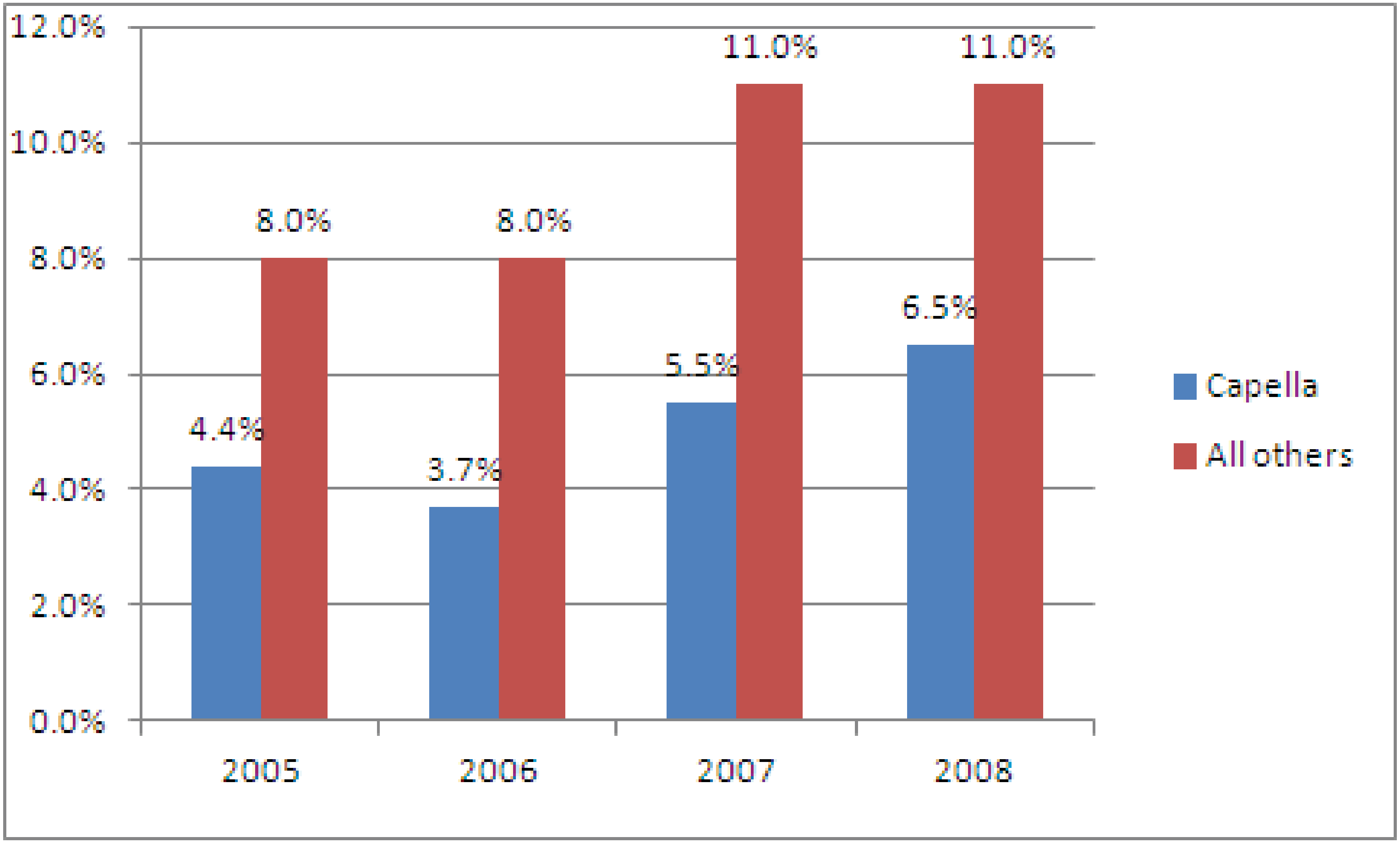
% represents YOY growth %

Average 3 year Cohort Default Rate 2005-2008

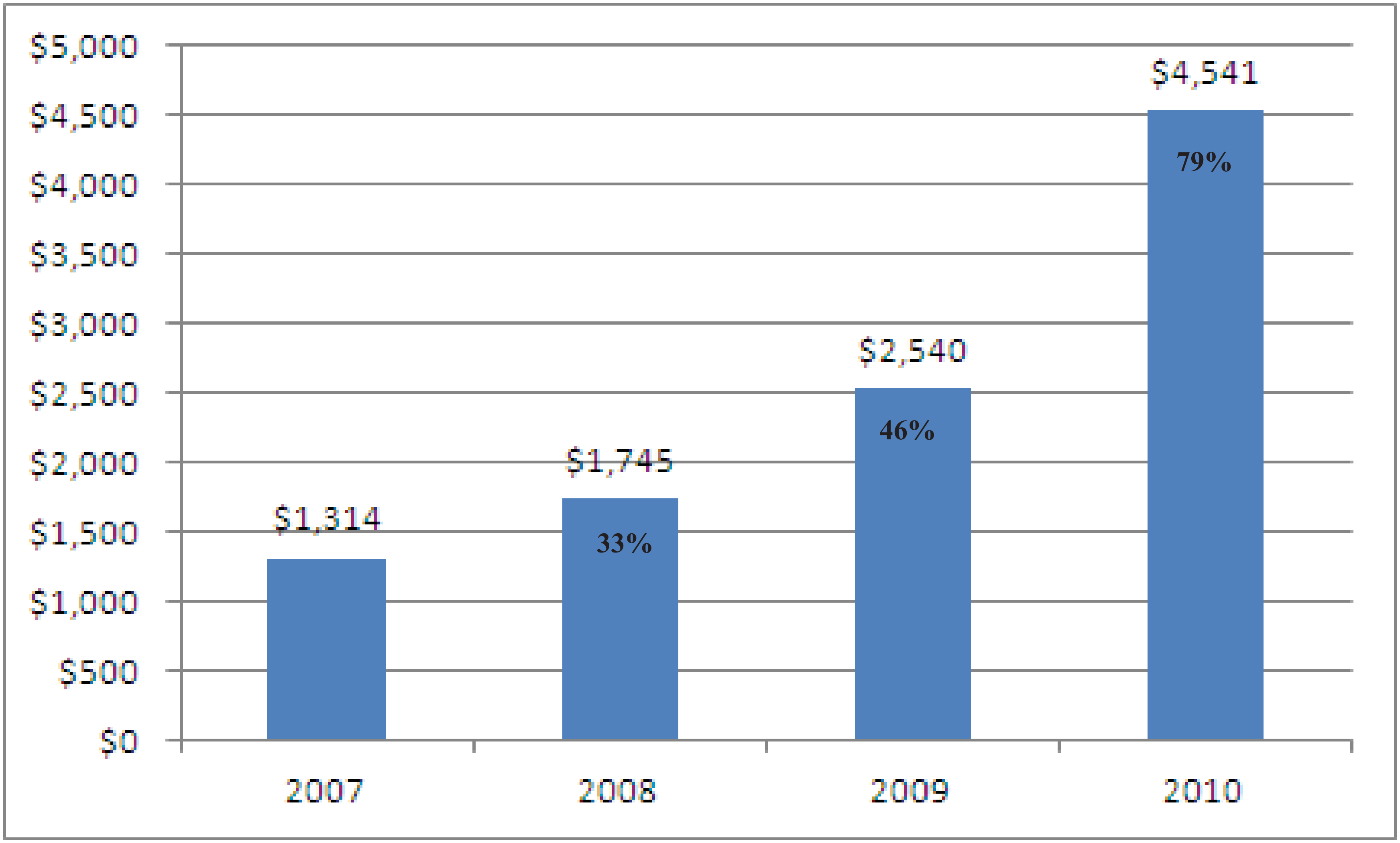


Capella Education Company

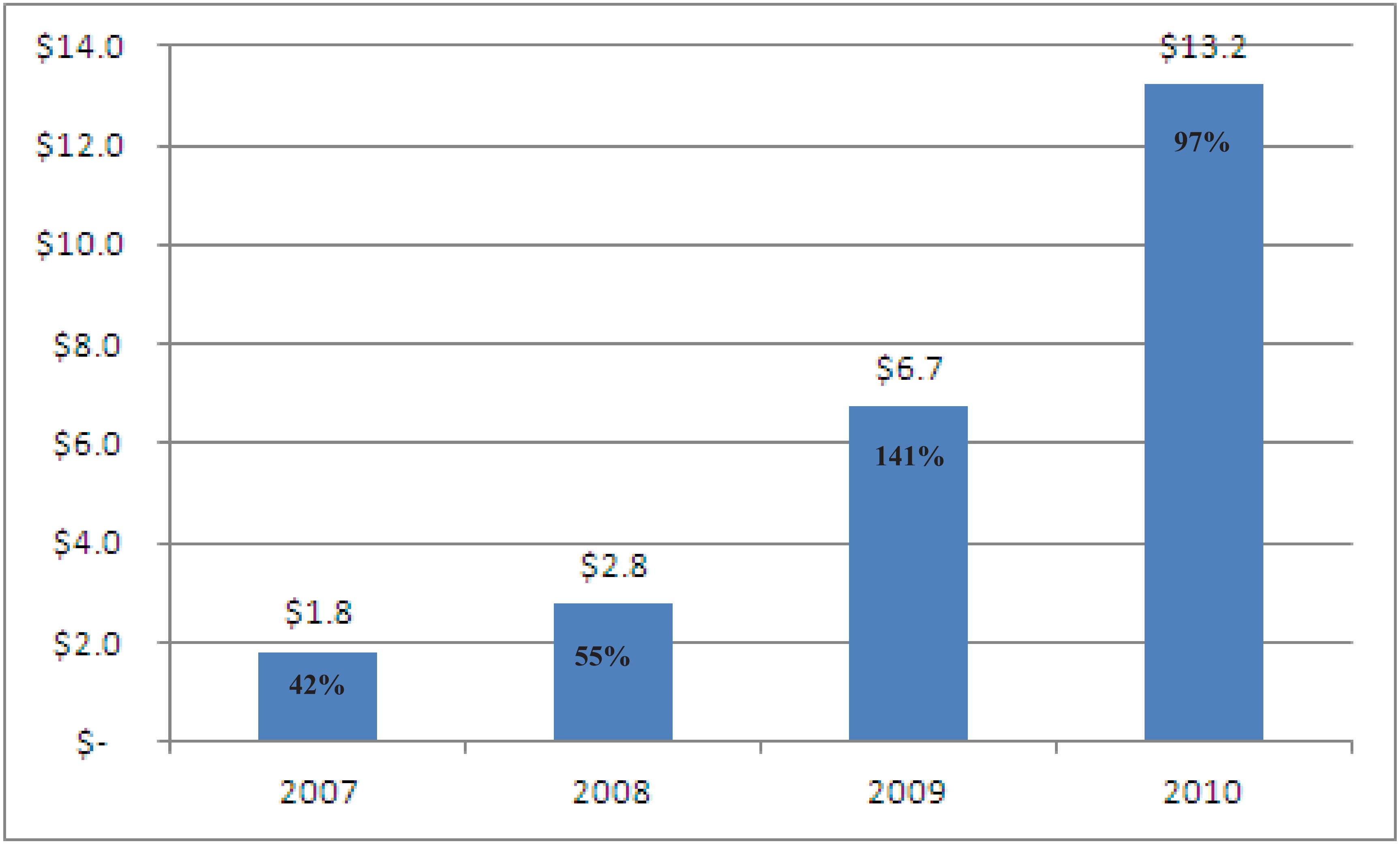
Capella- Average 3 year Cohort Default Rate 2005-2008 Against All Others (not just For- Profits)



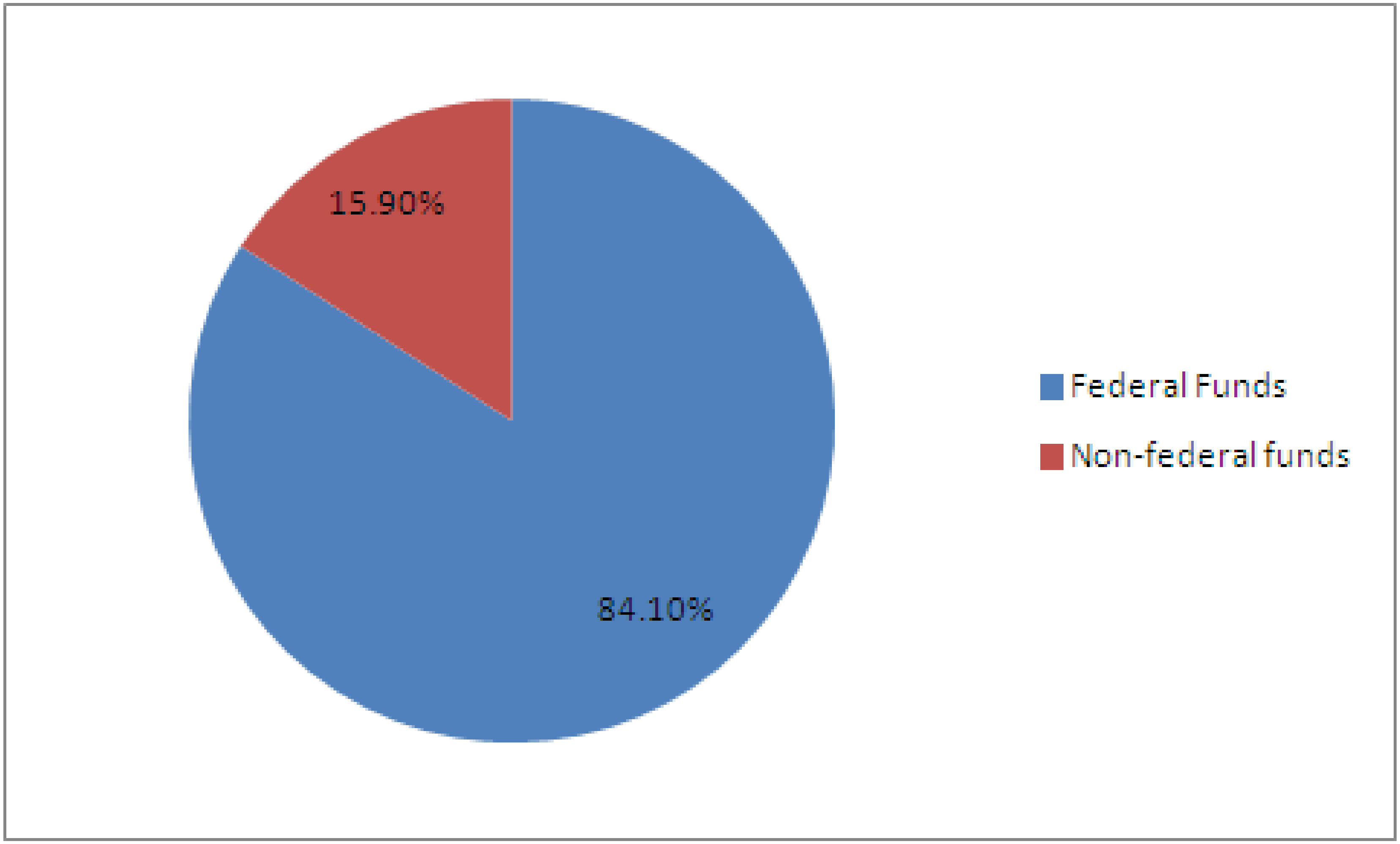
Pell Grants Funded 2007-2010 (in millions)



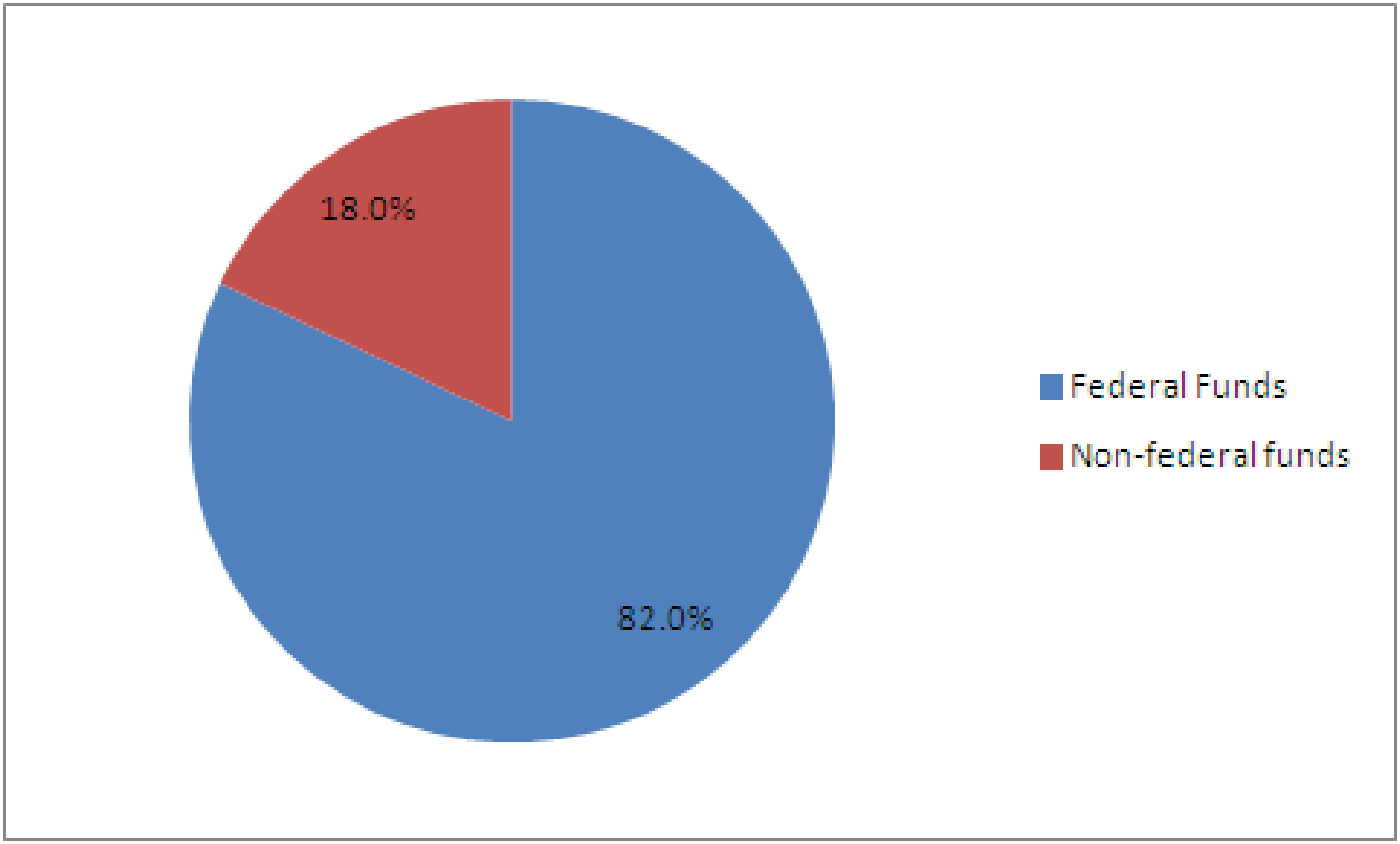
Capella-Pell Grants Funded 2007-2010 (in millions)



Share of Federal Money Collected 2010

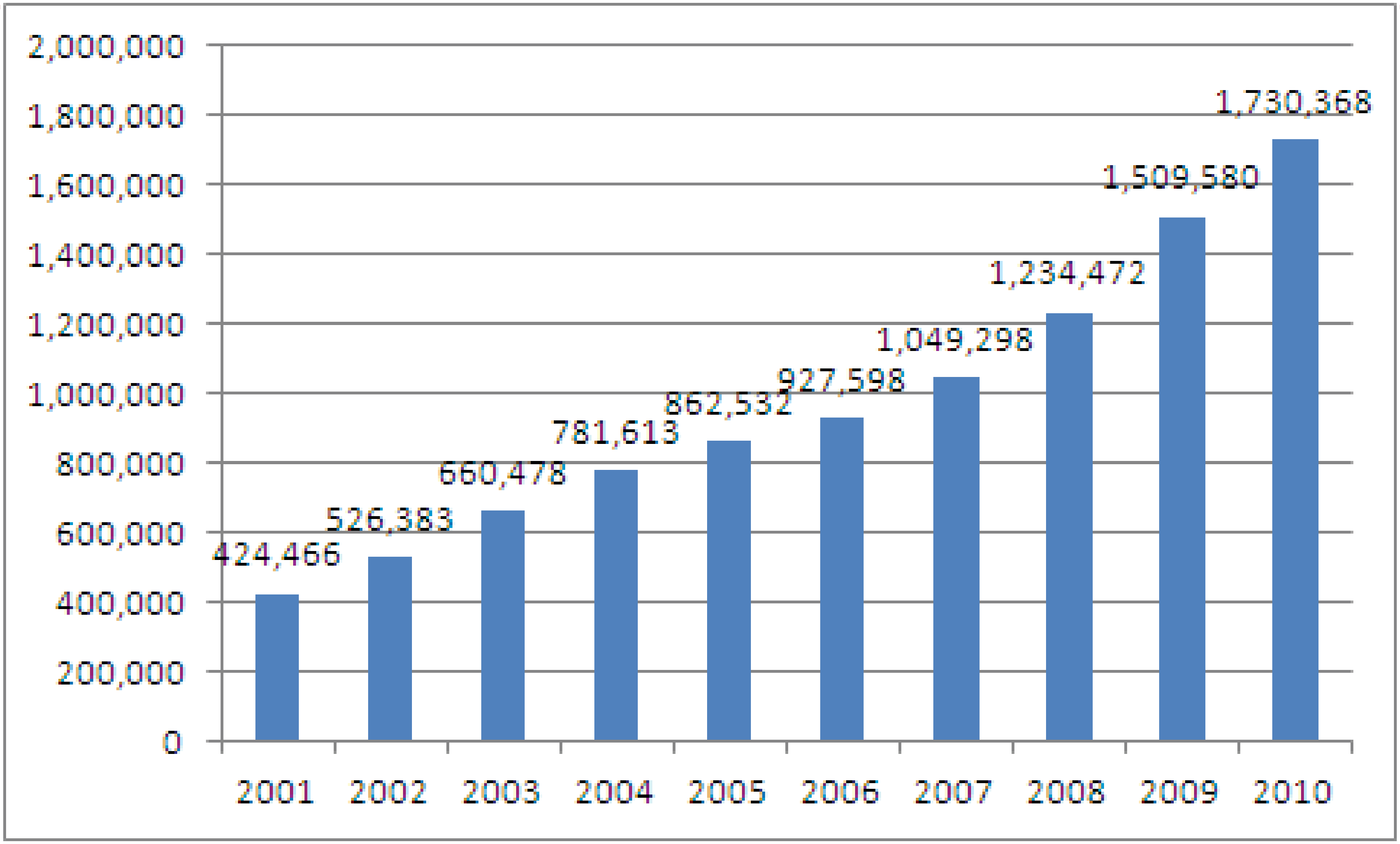


Capella-Share of Federal Money Collected 2010



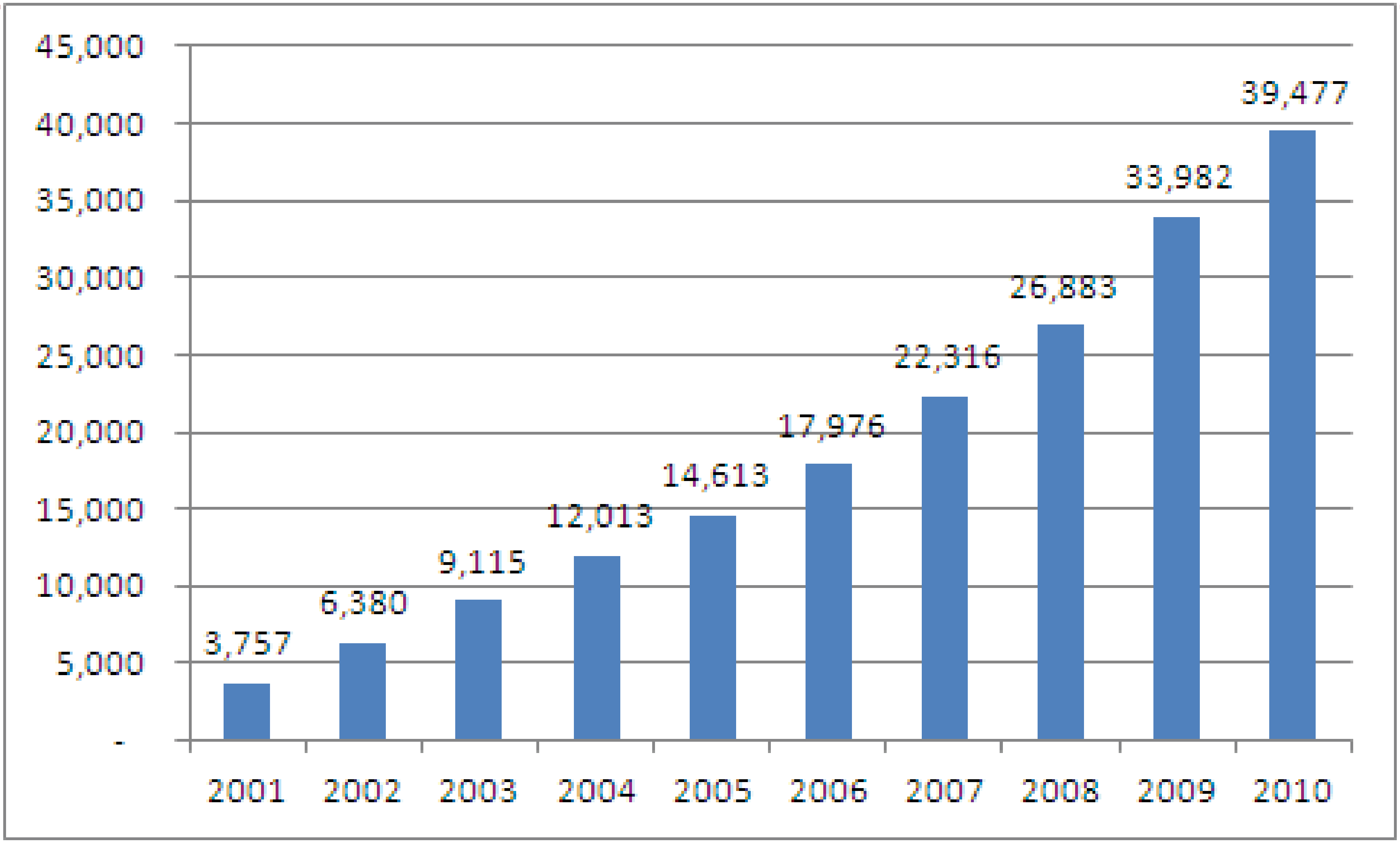
Note: this includes all Federal VA and DoD TA $s as Federal Funds

2001-2010 Fall Enrollment



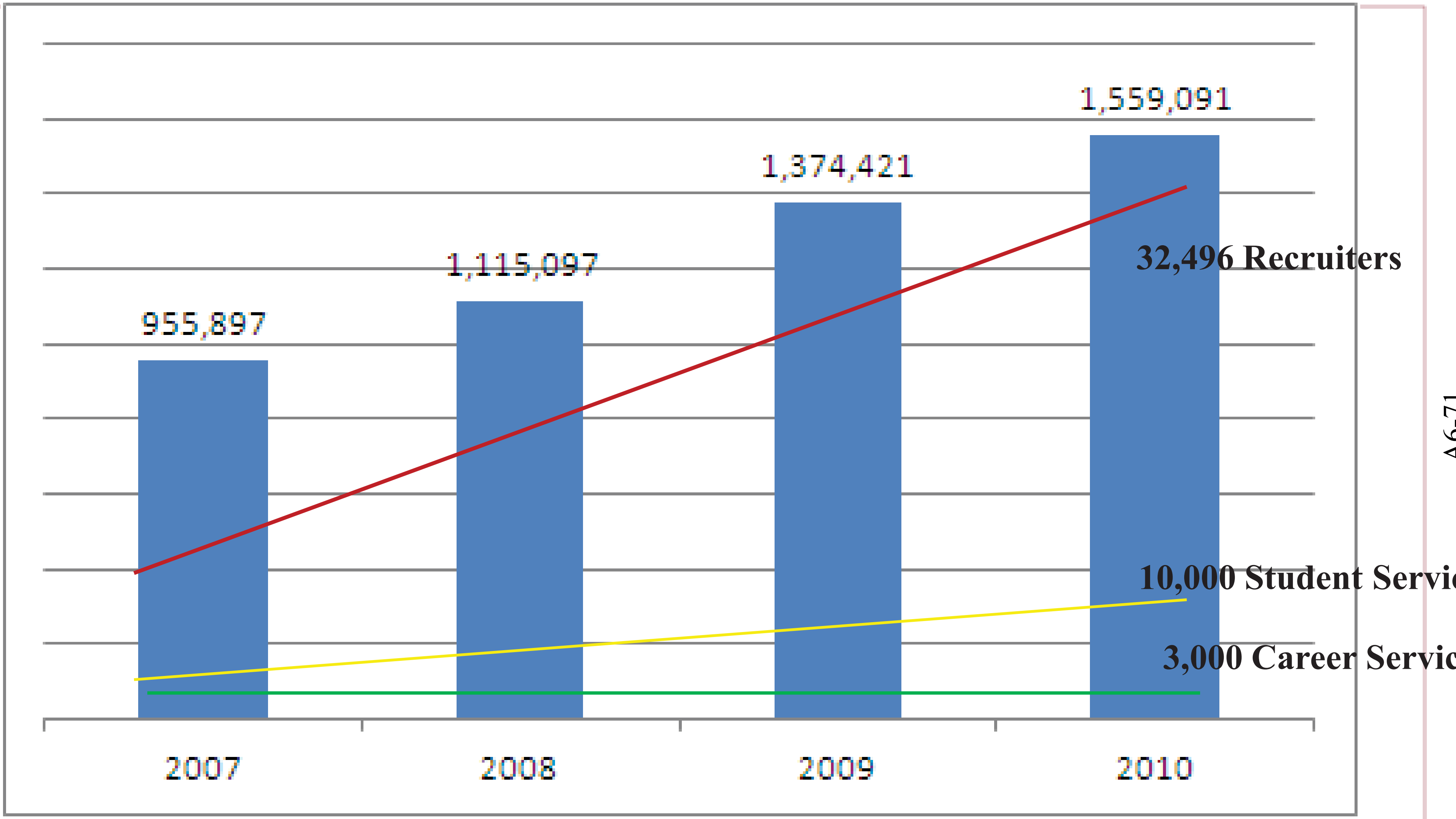
308% growth from 2001 to 2010

Capella 2001-2010 Year End Enrollment

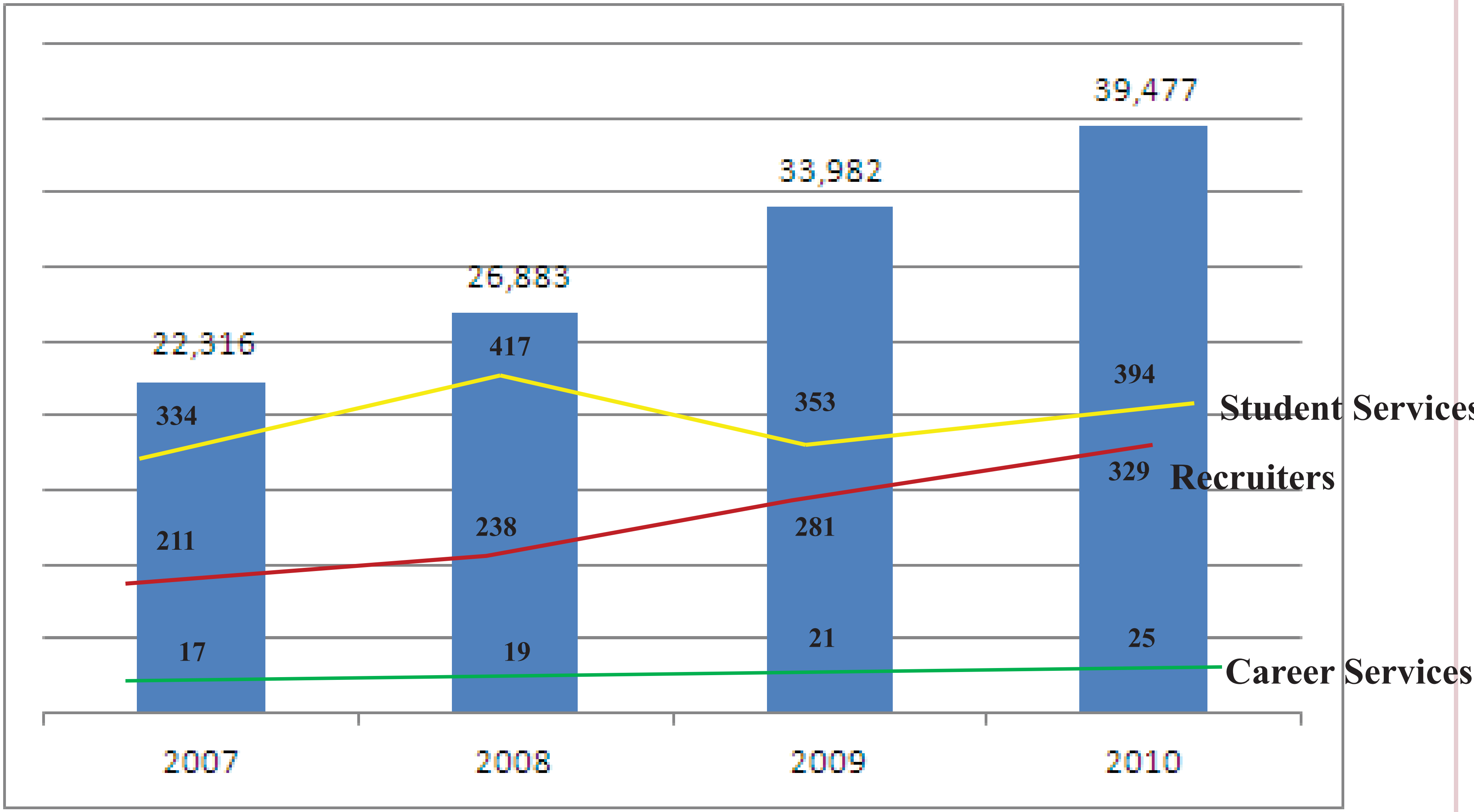


951% growth from 2001 to 2010

Staffing Levels 2007-2010 vs Enrollment



Capella-Staffing Levels 2007-2010 vs Enrollment



CAPELLA UNIVERSITY

Career Center

Career conversations happen all across the learner lifecycle at Capella, starting with Enrollment Services where they use many tools and resources we have provided to them to assist with conversations regarding career. Career content has been embedded into many courses across all degree programs and specializations. For example, there is an assignment in a counseling course for learners to do an informational interview with someone in the field; we provided materials and resources for the course. Academic Advisors incorporate career conversations in their work with learners and have been trained about all of the resources and materials available to learners. They also know when to refer to a career counselor if the conversation goes beyond their scope of expertise.

Following are some ways learners interact with the Career Center:

- **Webinars** (synchronous using VOIP with two Career Center staff facilitating). In 2011, we offered 94 webinars on a variety of career topics with 1,626 attendees. 91% of participants said they were very satisfied/satisfied with the webinar.
- **Website** (Career Center on iGuide). We offer a very in-depth website available 24/7 to learners and alumni. In 2011, we have 45,800 view of the homepage with a monthly average of 2,352 unique visitors.
- **Satisfaction Survey Results:** In 2011, we had the following results to our satisfaction survey (after a 1:1 interaction with a career counselor)

Post Interaction Experience Survey Results

- 90% strongly agree/agree: satisfied with the **quality of interaction with staff**
- 86% strongly agree/agree: satisfied with the **time it took to receive service**
- 84% strongly agree/agree: satisfied with the **quality of the resources available**

- **Career Seminars** (monthly week-long career courses offered in the Capella courseroom, facilitated by a career counselor and/or Academic Advisor). 996 registered participants in the Career Exploration and Planning course in 2011; 343 in Career Management and Job Search Strategies.

- **Job Postings to website.** We posted 115 jobs to our CC website in 2011, and sent out over 16,400 targeted emails to learners and alumni about open positions as requested by employers.

- **LinkedIn Networking Group.** We manage the Capella University Career & Networking Connection LinkedIn group with over 8,000 members.

- **1:1 appointments:** Learners and alumni always have the option of interacting with a career counselor. Most learners work with counselors via phone appointment but some choose to interact via email. The most common topics/services we provide: Resume Review, Degree/Specialization Selection, Job Search Strategies, and Career Planning.

The majority of our current learners are currently working while going to school. Their career needs are a bit different than the typical undergraduate learner. Our learners are often looking to move ahead in their current career (from teacher to administer, from case manager to counselor, from IT associate to Manager of an IT department). Other learners are in school to make a career change. For example, they may be in accounts payable and want to make a shift into working for a non-profit. We help them with their strategy for shifting into a new profession.

Capella Graduate Salary Information

from Department of Education's Gainful Employment Report June 2012

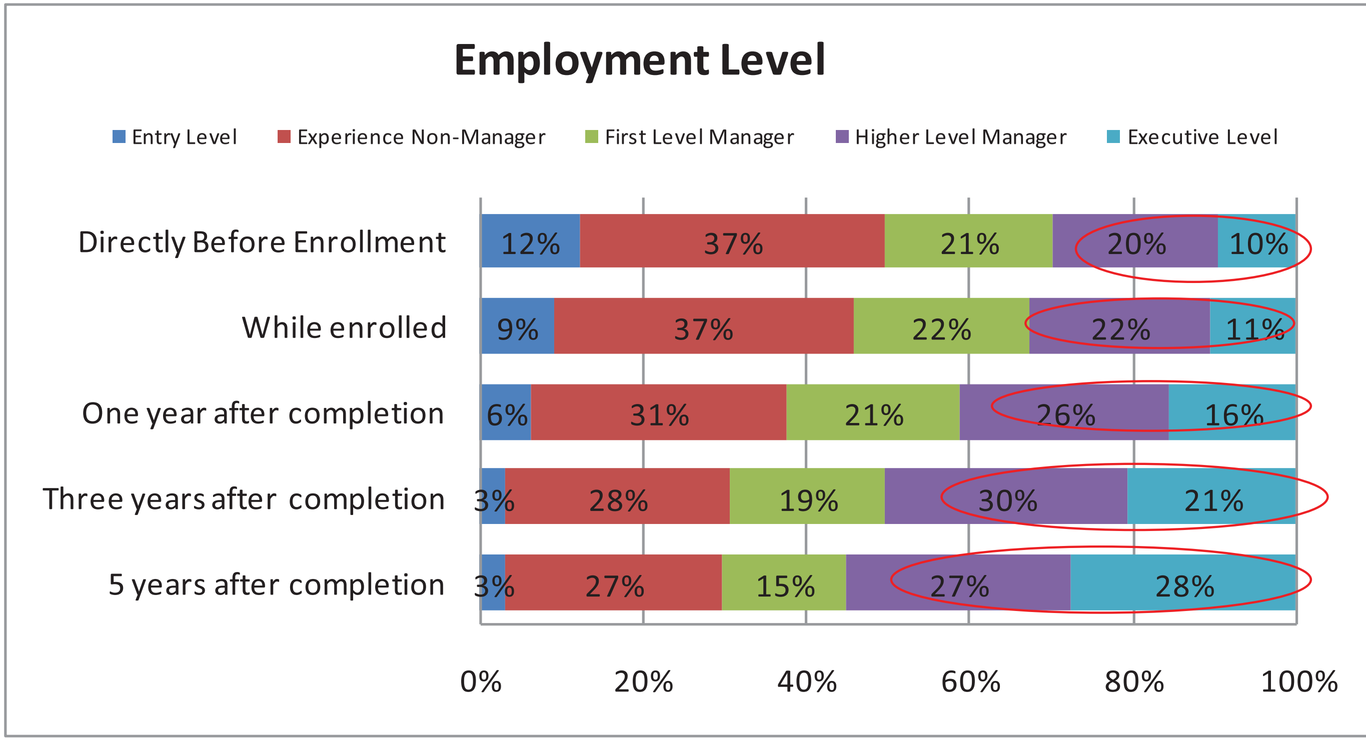
CIP Code	CIP Program Name	Credential Level	Debt to Earnings -- SSA Salary Data
110103	Information Technology.	3	$77,821
110103	Information Technology.	5	$85,566
110901	Computer Systems Networking and Telecommunications.	5	$90,159
111002	System, Networking, and LAN/WAN Management/Manager.	3	$74,454
111003	Computer and Information Systems Security/Information Assurance.	5	$96,615
111099	Computer/Information Technology Services Administration and Management, Other.	5	$100,767
130101	Education, General.	5	$52,676
130101	Education, General.	6	$78,150
130301	Curriculum and Instruction.	5	$54,624
130401	Educational Leadership and Administration, General.	5	$59,348
130401	Educational Leadership and Administration, General.	6	$80,418
130406	Higher Education/Higher Education Administration.	5	$61,555
130406	Higher Education/Higher Education Administration.	6	$87,533
130409	Secondary School Administration/Principalship.	6	$86,783
130501	Educational/Instructional Technology.	5	$69,707
130501	Educational/Instructional Technology.	6	$98,745
131201	Adult and Continuing Education and Teaching.	5	$62,142
131201	Adult and Continuing Education and Teaching.	6	$92,491
131206	Teacher Education, Multiple Levels.	6	$83,778
190707	Family and Community Services.	5	$38,032
420101	Psychology, General.	5	$45,654
420101	Psychology, General.	6	$71,660
422803	Counseling Psychology.	5	$38,363
422804	Industrial and Organizational Psychology.	5	$53,130

422804	Industrial and Organizational Psychology.	6	$66,760
422806	Educational Psychology.	5	$41,567
422806	Educational Psychology.	6	$65,545
430104	Criminal Justice/Safety Studies.	5	$45,601
440000	Human Services, General.	5	$40,632
440000	Human Services, General.	6	$84,917
440701	Social Work.	5	$39,420
449999	Public Administration and Social Service Professions, Other.	5	$40,057
510701	Health/Health Care Administration/Management.	5	$83,039
511508	Mental Health Counseling/Counselor.	5	$42,113
520101	Business/Commerce, General.	6	$97,513
520101	Business/Commerce, General.	5	$104,191
520201	Business Administration and Management, General.	3	$65,347
520201	Business Administration and Management, General.	5	$85,615
520201	Business Administration and Management, General.	6	$118,335
520206	Non-Profit/Public/Organizational Management.	5	$41,199
520801	Finance, General.	5	$95,459
521001	Human Resources Management/Personnel Administration, General.	5	$58,601
521001	Human Resources Management/Personnel Administration, General.	3	$73,923
521206	Information Resources Management.	6	$108,399
521401	Marketing/Marketing Management, General.	5	$72,382

For Capella programs with at least 30 graduates, using the higher of the mean or median data, as provided by the U.S. Department of Education's Gainful Employment data released June 2012.

Employment Levels for all cohorts

- Graduates show a nice progression of career advancement/mobility after they have completed their program of study.



30%
33%
42%
51%
55%

Benchmarks

Before Enroll 19.8%

5 yrs after 46.9%

- Survey Title: Eduventure Alumni Survey
- Data Collected: September 2010
- Total Sample: 18,212 (All historical alumni from 1997 – 2010 to-date)
- Total Submits: 2,416
- Response Rate: 13.26% (vs. 4 - 8% for other)
- Margin of Error: +/- 1.87%

Redacted by Senate HELP committee

Senate HELP committee

Program: Adult Education

Complaint Type: BBB

Date of complaint: 10/07/07

Date of Capella response: 10/24/07

Date of learner rebuttal: 2/04/08

Date of Capella response: 2/14/08

Issue:

- Learner stated that she did not have course access to her fall 2007 dissertation course, OM9997. The learner had a previous balance from a prior quarter which blocked her course access. Also, she stated that she had received poor service from her mentor and committee members during previous quarters. Learner stated that her mentor and committee would not speak with her nor provide feedback regarding her dissertation.

Resolution:

- Capella made an exception and credited the learner's previous balance of $3,529.00 and drafted an academic plan. The academic plan provided learner with a way to improve their academic needs she had faced with the dissertation. Weekly meetings were scheduled with her mentor, advisor, and school of education leadership to assist the learner with successfully completing their degree.

Additional Context:

- In fall 2008, it was determined that the learner was unable to make adequate academic progress stipulated by the school. She had sporadic responses with her mentor or advisor. Therefore, the school offered her the option of a Master's degree based on the work she had already completed at the PhD level. The learner elected to take that option and graduated with a Master's Degree in Adult Education in spring 2009.
- All faculty, including mentors, complete faculty development courses associated with their role. A four-week course is required of all graduate faculty in the school who will mentor learners in the comprehensive and/or dissertation process. Each school uses materials for training that relate specifically to the program, the materials include a dissertation manual, faculty mentoring guide, and rubrics for assessing the learner progress and milestone points through their dissertation process.

Redacted by Senate HELP committee

Senate HELP committee

Program: Human Resource Management

Complaint Type: BBB

Date of complaint: 11/30/2007

Date of Capella response: 12/17/2007

Issue:

- Learner had been registered for BUS4046 in summer 2006. The learner claimed that she was not aware of the registration nor did she participate in the course.

Resolution:

- We verified that the learner did not participate in the course. Based on this information, we credited the tuition charge of $1,740.00 and approved a late course withdrawal replacing the F on her transcript with a W.
- Learner responded to the BBB on 12/18/07 stating that they were satisfied with the business response.

Additional Context:

- In January 2010, Capella instituted the Course Enrollment Policy 2.02.02 section x. Learners are dropped from a course for failing to satisfy the requirement for the initial course participation and are refunded 100 percent of the course tuition.

Redacted by Senate HELP committee

Program: Human Services General
Complaint Type: BBB
Date of complaint: 1/29/2007
Date of Capella response: 2/13/2007

Issue:

- Learner was registered for HS9985-C during Winter Quarter 2007 which ran from January through March 2007. The learner claims she was enrolled in the course for 4 days but was only partially refunded after withdrawing. She indicated the course did not require any work or course expectations, that it was basically a "limbo" course to take her financial aid, and she would like to be refunded her tuition in full.

Resolution:

History and Action Taken:

- The learner had registered for the Comprehensive Exam (broken down into exam I and II) the previous quarter, Fall Quarter 2006 which ran from October through December 2006. Learner successfully completed HS9984 Comp Exam I on 10/26/2006 and moved into the Comp Exam II phase.
- 10/26/2006 – Learner registered for HS9985 Comp Exam II
- 12/8/2006 – Learner notified she did not pass the comprehensive written exam. She did not meet the passing standards. Informed she had the opportunity to rewrite the answers, deadline by midnight at 12/22/2006. If she did not rewrite her answers or did not meet the rewrite deadline, she would fail the comp exam and be disenrolled from the university.
- 12/21/2006 – Learner emailed advisor were no extenuating circumstances over why she did not pass the exam. Acknowledged she knew her questions were not thorough. Understood needed to submit what she had by the deadline or would be disenrolled. Advisor informed learner <u>not</u> to register for upcoming Winter 2007 Quarter. If re-write not approved, would have to appeal status with the school. If appeal denied she would not be allowed to continue and would be disenrolled
- 12/22/2006 – Learner submitted Comp Exam re-write on deadline.
- 1/10/2007 – While awaiting the results of her Comp Exam re-write, learner requested to be registered for the Winter Quarter 2007 (against what advisor previously recommended). Learner was registered for HS9985-C, continuation of the Comprehensive Exam II.
- 1/12/2007 – Learner notified did not pass re-write for Comp Exam II. Learners only have one opportunity to re-write the Comp Exam. Only option is to appeal to have the decision reversed. Learner appealed. Note: Per tuition refund schedule, this date was the last day to withdraw from Winter Quarter 2007 at 100% tuition refund.
- 1/18/2007 – Advisor clarified if passed comps would transition into HS9996, would not be charged twice for the quarter.
- 01/19/2007 – Learner advised best to withdraw from HS9985-C while awaiting the outcome of her appeal. This was the 12th calendar day of the course, not 4th as learner indicated in complaint. Per Capella's tuition refund schedule, learner eligible for and received 75% tuition refund. Advisor informed request to credit remaining 25% tuition submitted due to the circumstances.

- 01/26/2007 –Informed Comps Exam appeal was denied, learner later dismissed
- 01/29/2007 – Request for tuition credit still under review
- 2/5/2007 – The tuition credit for 25% charge approved and applied against balance. Learner received 100% tuition refund, zero balance on account.

Additional Context:

- We process registrations this way because completion of milestones in the comps and diss phase do not always align with the beginning and end dates of the quarter, learners move in and out of the milestones at various times. In this case, HS9985-C in Winter 2007 would have been a bridging course to HS9996, had the learner successfully completed the Comp Exam II, she would have a final conference call and could have transitioned into HS9996 the same quarter (no additional charge) rather than have to sit out until the next quarter.
- In this case, learner was advised not to register for the –C course and to wait for the results of her re-write, however learner requested to register because she didn't want a delay and have to sit out a quarter if re-write was approved.
- 25% tuition credit was submitted but not processed yet when learner filed complaint with the BBB. Issue was with the timing of the credit, not that Capella did anything erroneously.
- 5/16/2007 - Learner followed up wanting to pursue opportunity for review of her doctoral work to substitute for a Master's degree in Human Services General. Though well after deadline presented to her, Capella allowed learner to pursue the Master's opportunity.
- 5/25/2007 –As a good faith gesture, Capella waived the Master's commencement fee.
- 6/2007 – A Course and Credit evaluation was completed for the learner for the Master's option, all requirements met, Master's degree approved.
- 6/30/2007 – Degree conferred, Master's Human Services General

Program: Human Services General
Complaint Type: HLC
Date of complaint: 8/9/2007
Date complaint actually received: 8/27/2007
Date of Capella response: 9/18/2007

Issue:

- Learner's central allegation is that Capella's academic support system, particularly the behavior of its mentors, contributed to her inability as a student to continue to make reasonable academic progress. HLC asked that Capella discuss how it identifies mentors, monitors how well they work with students and assess how effective such mentors are in facilitating students' progress in completing their learning plans. They asked that Capella include any relevant faculty policies, institutional protocols or other documents that support our position. And to comment on learner's particular circumstances.

Background/History:

- Winter 2003 through Summer 2005– Learner enrolled in SoHS PhD program and progressed to the proposal stage of the dissertation, HS9997.
- Fall Quarter 2005 – Fall Quarter 2006 – Learner continued in HS9997 for four quarters. After this point, learners must appeal to continue due to the lack of progress.
- 11/6/ 2006 – Learner wrote a letter to her Faculty Chair regarding concerns with her mentor. Also had issued a complaint to the president and SoHS.
- 11/9/2006 – Letter from school sent to learner acknowledging her mentor concerns and that it would be investigated and reviewed by the Dean. However, learner had used harsh and disrespectful language in her email communication to the Faculty Chair. She was informed that she may be in violation of the university Learner Code of Conduct and was being referred to the Academic Standards Committee for further review. Details of the next steps were provided in the letter.
- 11/10/2006 – Learner acknowledged letter and agreed with the warning.
- 11/15/2006 – During Fall Quarter 2006 learner requested to immediately withdraw from Capella University, it was processed effectively. Due to learner withdrawing, the Learner Code of Conduct review was not pursued but was noted in her record.

Resolution:

- All faculty, including mentors, complete faculty development courses associated with their role. A four-week course is required of all graduate faculty in the school who will mentor learners in the comprehensive and/or dissertation process. Each school uses materials for training that relate specifically to the program, the materials include a dissertation manual, faculty mentoring guide, and rubrics for assessing the learner progress and milestone points through their dissertation process. All of the learner's assigned mentors successfully completed the above training and development.

- Learner's claims about unsupportive mentors were found to be unsubstantiated. While the mentors' performance did not raise concern or a need for coaching, the school took the learner's concerns and best interest into consideration and re-assigned mentors on her behalf.
- The learner was still unable to move forward and make progress on her proposal, and requested immediate withdrawal from the institution (11/15/2006).

Additional Context:

- 9/24/2007- Shortly after complaint with HLC was filed, former learner inquired about returning to Capella. She was sent an email informing that per University policy 2.01.01 Admissions, the step to re-enroll at Capella would first begin with submitting an application for admission.
- 12/12/2007 – Former learner re-applied, after HLC complaint. Per an agreement with Legal and approval from the assistant Dean of SoHS, learner allowed to return beginning Winter Quarter 2008. An exception was granted to allow her to enroll back into her original catalog. As outlined in a conference call that day, mentor and committee were assigned and per policy learner would need to appeal the continuation (-C) of 9997
- 12/19/2007 – A Learning agreement was sent to learner, she signed and returned to Capella on 12/27. The agreement, *Dissertation Completion Success Plan* was devised to assist learner in successfully completing and avoiding any further delays in her dissertation. The agreement gave the learner until the end of Summer Quarter 2008 to complete her dissertation proposal.
- 12/20/2007 – Learner was registered for HS9997-C beginning January 7, 2008
- 1/2/2008 – Learner's appeal for 5th attempt of 9997-C approved by the Assistant Dean on basis of established Learning Agreement on file.
- Learner enrolled in Winter and Spring Quarter 2008. During these two quarters, learner did not meet the terms of the Learner Agreement. The mentor went above and beyond expectations of him in the agreement with multiple contacts by phone and email. At the end of April and again in May learner expressed frustration to the detailed feedback she was receiving for her proposal and stopped responding to the mentor. She indicated that she was overwhelmed with work and that it may not be the time for her to be in a doctoral program. She also was not participating in required weekly journal entries.
- 7/8/2008 – Learner emailed her advisor that she did not wish to enroll in the Summer 2008, felt she was wasting her money, wasn't making progress and alleges the mentor wasn't following through on the Learner Agreement. This was unsubstantiated.
- 8/7/2008 – Learner requested immediate withdrawal (2nd withdrawal) from the university, it was processed effectively.

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School: N/A
Program: N/A
Complaint Type: BBB
Date of complaint: 8/31/2007
Date of Capella response: 9/07/2007

Issue:

- Prospect's (not a learner with the university) wife issued a BBB complaint stating that Capella representatives contacted both her and her husband several times. The contacts continued even after both her and her husband stated that they were not interested in pursuing a degree.

Resolution:

- Capella used to acquire leads/prospects from aggregators. If a lead/prospect was interested and wanted further information regarding universities, they would submit their contact information to the aggregator who in turn would forward it to universities for follow up. Once Capella received information from the aggregator, we would initiate an outbound call campaign.
- History:
  - 7/10/07 Inquiry received from aggregator
  - 7/10/07 – Outbound contact – message left
  - 7/11/07 – Outbound contact – no message left
  - 7/12/07 – Contact made, prospect expressed interest in the program and requested further information. Email sent.
  - 7/25/07 – Outbound follow up contact – no message left
  - 8/03/07 – Outbound contact – no message left
  - 10/03/07 – Prospects phone number had been removed from Capella records. Marked as not interested in a program.
  - No record/history of contacting the prospects wife.

Additional Context:

- Prospect had been contacted a total of 5 times. On the third contact, the prospect expressed interest in a program. Capella sent an email and advised the prospect that they will contact him with further information. Capella made two more attempts and had been informed that the prospect was not interested. The Prospects phone number had been removed from his record and his account had been closed. There is no record of Capella contacting his wife. The prospect had filled out a shared lead interest with an aggregator. That means his information may be sent to numerous universities for follow up. Capella did not sell or provide prospect information to other institutions.

Redacted by Senate HELP committee

Program: Professional Studies in Education
Complaint Type: HLC
Date of complaint: 12/20/2006 – HLC did not request a formal response.

Date of Capella response: N/A

Issue:

- Learner had failed her comprehensive examination rewrite on 7/31/06. She expressed concerns that her comprehensive examination committee were not experts in her particular area of study. Learner was disenrolled from the university on 11/29/06 for comprehensive exam failure and failure to appeal.

Resolution:

- 8/02/06 – learner was sent a follow up email from her mentor, David Rothstein. The email provided detail on the appeal process and the option to receive a Master's Degree if the learner decided that they did not want to appeal. The learner was also informed by school leadership and customer care of these options. The learner did not appeal and elected not to pursue the Master's Degree Option.
- 11/29/06 – the learner was disenrolled from the university. A letter had been sent that day to the learner from the Dean of the School of Education.

Additional Context:

- All faculty, including mentors, complete faculty development courses associated with their role. A four-week course is required of all graduate faculty in the school who will mentor learners in the comprehensive and/or dissertation process. Each school uses materials for training that relate specifically to the program, the materials include a dissertation manual, faculty mentoring guide, and rubrics for assessing the learner progress and milestone points through their dissertation process.
- School leadership determined that the learner had a good comprehensive examination committee. Committee members were Redacted by Senate HELP committee The learner failed 2 out of the 4 comprehensive examination questions. The reasons for failure were that they did not site scholarly literature, excessive APA errors, references not listed, and informal writing. 8/08/06 - School leadership and Customer Care facilitated conference call providing further detail regarding the comprehensive examination failure and appeal process. The learner never submitted an appeal. However, because of the circumstance and that she had been withdrawn from her comprehensive examination due to the failure; Capella credited her 7 weeks' worth of tuition ($2,041.20) of the 10 week course.

Statement of Concorde Career Colleges on Documents Released by Senate Committee on Health, Education, Labor and Pensions

Concorde Career Colleges, Inc. (Concorde) is providing context to several of the documents produced by Concorde and included in Chairman Harkin's report on career colleges. Taken out of context, or without additional information, the documents listed below may provide an inaccurate perception of events or current policies of Concorde. Concorde was not provided an opportunity to review Chairman Harkin's report in advance of its release, therefore it is providing context or an explanation based solely on the documents and not on any actual report language. Further, as it has not had access to the report, Concorde is unable to comment on any specific assertions about Concorde or its policies and practices made in the report.

Document CCC000052355:
The statements in this document, a script for use in contacting students who are delinquent on loans, reflect a prior policy of Concorde. Concorde representatives currently are instructed to discuss working out a payment plan to address student loans.

Document CCC000060626:
This form of letter is no longer used by Concorde in its default management activities.

Document CCC000098707:
The subject of this 2006 e-mail exchange reflects a prior practice on the part of some Concorde schools of obtaining a portion of a student's tuition payment in cash from the student, as opposed to federal loans or grants. Concorde ended this practice altogether in November 2008, and the exchange in this e-mail does not reflect Concorde's current policies.

Document CCC000105156:
The e-mail indicates that Concorde staff recognized that it would not be appropriate for recruitment activities to be initiated at unemployment or welfare agencies. Concorde looked into the facts as set forth in the e-mail and ultimately determined that *non-recruiting* staff was meeting with Workforce Investment Agencies, which had offices co-located with unemployment or welfare agencies. These non-recruiting staff members never had any interaction with prospective students. At the time of the e-mail, Concorde reinforced with these non-recruiting staff members the prohibition against recruiting students at welfare and unemployment offices and, going forward, instructed them not to leave brochures or other materials with any staff of unemployment or welfare agencies.

Document CCC000105786:
This 2010 e-mail correspondence regarding the withholding of information from students on the amount of loans for which they were eligible has never reflected the policy of Concorde. The relevant staff member was informed of that policy at the time. Concorde informs all prospective

students of the maximum loan amounts during their introductory meeting with Financial Aid personnel and these amounts are also published in the company's Consumer Information Guide, which is provided to prospective students.

Document CCC000106391:
The originator of this e-mail posed a question to a financial aid director in an attempt to determine when the school could implement federal changes made to a formula for determining the amount of grant funds allowed to be used in specific programs. The change would provide students in the eligible programs with a greater percentage of Pell grant funding, as opposed to federal loans. The financial aid employee's reply appears to have misunderstood the initial question. The financial aid employee incorrectly states that the originator of the e-mail chain said, "It will not affect 90/10 because we will replace grant with loan." In fact, with respect to replacing grants with loans, that is exactly the opposite of what the originator of the e-mail stated, and what the school did. It was not and is not Concorde's practice to decrease Pell eligibility and replace the funds with non-federal loans. Concorde recalculated the Pell eligibility for students affected by this change and made appropriate adjustments.

While Concorde cannot be sure what the financial aid employee who wrote the original e-mail meant, it has explained to the Committee that, prior to 2008, selected schools had encouraged students to pay ten percent of costs directly, independent of federal funding. That practice was discontinued Concorde-wide in November 2008 and was already being phased out at the time of the e-mail in May 2008. In addition, while the financial aid employee indicates that there were Title IV compliance audit findings, that was not the case. Concorde has not had audit findings on this issue in the last four years.

CCC000107536:
This September 2008 e-mail correspondence addresses a policy on institutional loan interest that is no longer practiced within Concorde. This policy was eliminated in November 2008.

DeVry

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June 27, 2012

The Honorable Tom Harkin
Chairman, Committee on Health, Education, Labor and Pensions
428 Dirksen Senate Office Building
Washington, D.C. 20510

Dear Chairman Harkin:

On behalf of DeVry Inc., its family of educational institutions, the students they now serve, and the hundreds of thousands of graduates whose lives they have helped to improve, thank you for the opportunity to comment on the Committee's anticipated report. We also appreciated the opportunity to participate—via testimony, public comment, and both formal and informal conversations—throughout your review of private-sector education. Your Committee staff has been especially responsive and helpful throughout.

The Committee's report is the culmination of a two-year process that involved extensive time and resource commitments from DeVry and its institutions. The 13 documents that we have been told will be released with the final report were part of a 7,600-document submission by DeVry on August 26, 2010, in response to 39 questions from you on a broad array of topics. In addition to this response, DeVry also participated in several public forums. I first gave testimony before this Committee on June 24, 2010; DeVry's President and CEO, Daniel Hamburger, appeared before this Committee on July 21, 2011. Both Mr. Hamburger and I also appeared publicly before regional forums hosted by Senator Durbin that, while not a part of this Committee's official duties, were certainly influenced by its actions.

DeVry's extensive participation in this process underscores our commitment to transparency and to the benefit that fair-minded, fact-based discussions can have for higher education. While we certainly do not agree with all of the findings and public pronouncements of the HELP Committee over the past two years, or with many of what we understand will be the findings of this report, we felt it to be our duty and privilege to participate in the process, even during its most heated moments.

The process itself was too narrowly focused in its best moments; in its worst, it was inflammatory and misleading. While the private sector makes up only 12% of all higher education, it seemed to take up 100% of the Committee's time and resources. Issues such as graduation rates, student debt, tuition, compensation, pricing and recruiting practices can only be examined fairly in the context of all of higher education and the varied populations served by each institution.

And while we appreciate the kind words that you, other members of the Committee, and staff have had for DeVry and its leadership role in the sector, there is no doubt that efforts over the past two years by this Committee to vilify private-sector "bad actors" have also damaged the good actors.

DeVry University was founded in 1931 and has a long history of providing quality, career-focused education. But our 250,000+ alumni, especially the most recent graduates, have been unnecessarily stigmatized and economically disadvantaged as a result of a coordinated effort to tarnish a subsection of post-secondary education. For their sake, I sincerely wish to move beyond the heated rhetoric of the past and move toward outcomes-based solutions for higher education, calmly considered and broadly applied.

The following represents DeVry's response to concerns that we expect will be raised in the report based solely on the anticipated release of 13 documents.

Response to Report and Release of Documents

Executive Compensation
DeVry's compensation philosophy serves the essential purpose of our organization, which is to empower our students to achieve their educational and career goals. Our students come first and their success drives everything we do. DeVry has additional obligations to our other stakeholders, including the employers of our graduates, our employees, our shareholders and taxpayers who enable most of our students to attend the institutions of their choice. But our first obligation is to our students, and our shareholders understand this. They know that only by focusing on serving our students, and on delivering value over the long term, will we ensure our economic viability.

The only way to achieve positive economic outcomes is through positive student outcomes. Our operating philosophy is that quality leads to growth. In other words, our focus on academic quality leads to strong student outcomes, which in turn leads to growth in enrollments, which generates the resources that we invest back into academic quality. This philosophy is a critical component of the individual performance goals of our senior executives. In fact, it is their first individual performance goal: achieve high-quality academic outcomes.

The seriousness with which we take student outcomes can be demonstrated in a variety of ways, and I would like to highlight several examples from our DeVry institutions:

- Becker Professional Education: All 19 of the 2010 Elijah Watt Sells awardees (those with the highest scores nationally on the Uniform CPA Exam) were Becker graduates. 98 of the top 100 accounting firms partner with Becker.
- Chamberlain College of Nursing: In the first quarter of 2012, Chamberlain's bachelor's degree nursing graduates achieved a first-time pass rate on the National Council Licensure Exam (NCLEX) of 94.8%, significantly exceeding the national average of 91.2% for all nursing schools.
- DeVry Brasil: Faculdade Ruy Barbosa is, for the second year in a row, the top-rated law and business school in Salvador and in the top 50 across all of Brazil.
- DeVry University: Since 1975, DeVry University has maintained a commitment to provide all of its students with lifelong career services. During this span, more than 90% of its graduates who are eligible for and seeking employment have been employed in their field of study within six months of graduation. DeVry University graduates from the last 5 years have worked at 96 of the Fortune 100 companies.

- DeVry University's Advantage Academy: This dual-degree program allows students to work toward earning an associate degree while still in high school, at no cost to students or their families. The DeVry University Chicago Advantage Academy has a cumulative 92% high school graduation rate, compared to 58% for all of Chicago Public Schools.
- DeVry: The U.S. Olympic Committee recently named DeVry as an official education provider. DeVry institutions are providing educational opportunities to U.S. Olympic and Paralympic athletes and training hopefuls through 2016.

DeVry's Compensation Committee, guided by external compensation experts and established practices, sets compensation to be competitive in the marketplace and takes into account the compensation practices of DeVry's peers in services, revenue, employees and geographic breadth. That compensation includes salary as well as short- and long-term performance-based equity compensation. The overall approach is quite similar to that which many nonprofit organizations are required to follow, but differs in that it includes equity-based compensation as a component. Equity-based compensation, which is driven by the value of DeVry stock, is 100% at risk in that there is no guarantee that any value will ever be realized by the recipient, although accounting and SEC rules require this compensation to be disclosed in terms of its estimated potential value.

Compensation information is publicly available and transparent. DeVry, as a publicly held organization, is required by the SEC to provide compensation information on its four most highly compensated executives. Information about DeVry's compensation philosophy and program are included in an annual proxy statement, which is filed with the SEC and publicly available. Our proxy statement includes a detailed report from our board of directors' Compensation Committee. All members of DeVry's Compensation Committee are independent under SEC and NYSE standards, and our board is chaired by Dr. Harold Shapiro, president emeritus of Princeton University.

Dr. Shapiro brings a unique perspective to critical policy issues surrounding the future of U.S. higher education. In addition to serving as chairman of a private-sector higher education board and as president of an independent university, he also has served as president of a public-sector institution, the University of Michigan. Dr. Shapiro has stated his strong belief in maintaining a robust, diverse higher education sector with the ability to meet the educational and career needs of all students, and consequently the need to maintain a regulatory framework that encourages this diversity.

Tuition Pricing

Tuition pricing is critical to private-sector institutions like DeVry because, unlike public-sector and independent universities, we receive no taxpayer subsidies. We do make a profit, or what in the nonprofit world is called "operating surplus." Indeed, it is required by the Department of Education that all institutions realize a positive net income in order to remain eligible for Title IV funding.

We also pay taxes (more than $152 million in FY2011) and need to take that into consideration when determining our pricing. There are those who argue that Title IV funding is a form of government subsidy and/or that private-sector institutions could not exist without this source of revenue. It is only fair to point out that very few U.S. institutions of higher education could survive without Title IV, and also to note that this funding goes directly to the student, not to the college or university. Students vote with their feet.

We also do not have tax-exempt endowment contributions with which to purchase buildings or make capital improvements. New faculty, new buildings, new high-tech simulation labs to help our students succeed—all are funded by our operating surplus. These investments are also part of the process of determining tuition.

We approach this process with the utmost seriousness. Without taxpayer subsidies and nonprofit exemptions from paying taxes, our institutional livelihood is entirely dependent on the amount of revenue we receive to maintain our institutional mission. I believe that the documents to be released by the Committee show the comprehensiveness of our process and include recommendations for pricing increases and structures that ultimately were rejected. Our wide-ranging considerations include affordability, academic quality, the need for reinvestment and the competitive marketplace.

The “Net Promoter-Tuition Pricing” document from our Chamberlain College of Nursing (document DEVR0036668) is a good example of the discipline with which we approach pricing. We use our Net Promoter Score student-satisfaction measurement to look first and foremost at the student experience and how we can improve it. Market research showed that nursing students are very conscious of return on investment and know that a nursing degree will pay off during the course of a career in ways that other degrees will not. And while the research showed that there is certainly room to increase tuition, the analysis clearly shows that increased revenues should be used to improve students’ clinical experience.

That is at the core of all our pricing decisions: provide a quality student experience, with good return on their investment of time and resources, at a price that allows us to make the capital investments to grow and remain competitive.

Default Management

DeVry has a long history of providing services to students to limit defaults. This includes the development of practices embraced by the Federal Family Education Loan (FFEL) industry prior to the credit crisis, including grace-period outreach and pre-repayment verification of addresses and telephone numbers. Over the last 15 to 20 years, we have contracted with a number of servicers to provide additional repayment counseling during grace and pre-default periods. These services have evolved as the industry and the participants have evolved. With the loss of FFEL lenders and guarantee agencies, the burden of financial education and delinquency intervention has shifted to schools. The financial structure of our servicing agreements gives the servicers incentives to move students into active repayment, and removes incentives for forbearances—unlike the Department of Education’s current arrangements, which compensate servicers equally for collection or forbearance. In fact, we are using some of the same servicers to improve the performance of the Department’s contracted services.

However, we have always realized that our best and most successful approach to default management is to graduate our students. While DeVry University’s two-year cohort default rate (CDR) is currently 14.2%, the CDR for graduates is less than 3%, even in this difficult economy. This statistic is a testament to the quality of the education our students receive and to the value employers place on our graduates. It is also the reason we invest so many resources in student support services. Our students, many of whom are the first in their families to attend college, frequently have multiple risk factors for not graduating, so we make a significant effort to provide the support services they need to graduate. These include student success coaches who focus on the student's critical first year; Student Central, a one-stop shop for student academic and financial services; 24/7 counseling for students and their families; and career services to help students find employment quickly. As we explore multiple approaches to helping those who are having financial difficulties, we know that the most productive way for us to prevent default is for us to help our students earn their degrees and get started quickly in their chosen careers.

Recruiting Practices

DeVry offers students an outstanding value proposition and a proven track record. We are proud of the quality of our career-focused programs and will match them against the offerings of any other institution—public-sector, private-sector or independent. PayScale.com compiles a yearly analysis of the 30-year return on investment (ROI) for graduates of U.S. colleges and universities. DeVry ranked 213 out of 1,248 schools in 30-year ROI for its graduates, ahead of schools like Emory University (231), Pennsylvania State University (244) and Northwestern University (264). DeVry's 30-year graduate ROI is higher than those of nine schools among the top 50 in *U.S. News & World Report's* 2012 National University Rankings.

In order to compete with institutions of that caliber, we need to get our message out every day. Colleges and universities compete to attract students; this is a strength of our system, not a weakness. And competition is critical to reaching and educating a broader, more diverse student population.

DeVry students have historically been considered "non-traditional." That means they are typically minority, first in their families to go to college, single mothers or recent immigrants. Some are newly graduated from high school, many are older career-changers. Our students tend not to fit the historical stereotype of incoming college freshmen: newly graduated from high school having spent their formative academic years focused on preparing to attend college, being encouraged to pursue higher education and being supported in that effort.

Some of our students may not have had the most successful high school experience, or were not encouraged by their schools or their families to consider higher education. Many of them (about 40%) tried other colleges or institutions before coming to DeVry; most are in their late twenties or older and have low incomes (60% are Pell Grant recipients).

We know from our 80 years of experience that, because of these factors, some of our students lack the confidence of the typical college entrant. We also know that their ability to succeed has less to do with high school grades or test scores than it does with their willingness to commit to the necessary time and effort.

Recruiting non-traditional students differs from recruiting traditional students who have been told their entire lives that they will be going to college. For a traditional student, the question is not "will I go to college?" but rather "where will I go to college?" For non-traditional students, it is often a conversation about overcoming "objections," or "barriers" to their own success.

Not only do non-traditional students often need to be convinced they have the skills and determination to go to college, but they also often need more support services to make it happen. They may not be aware of the return on investment of a college degree; they may not have been exposed to the financing options available to them. They may be surprised to learn that institutions like DeVry have the online and onsite resources to meet their needs for flexible scheduling, or that their military or work experience can count toward college credit. They may not know that a university like DeVry is set up to help them succeed.

The nation will not regain its place as the world leader in college attainment by educating only the “easy” students—those who have been on a college-bound path most of their lives. We will achieve President Obama’s goal of educating more Americans only by reaching out to those who have been told they cannot go to college, telling them that they can, convincing them that they should, and helping them take the first steps. Then we must give them the guidance and support they need to complete their studies, graduate and begin their careers. The days when recruiting college students meant accepting a few while turning many away are, for the most part, over. We must bring more students into the fold; that means empowering and convincing those who never thought they had a chance, as well as those who need a second chance.

Moving Forward
DeVry has proposed to you and to members of the Committee a policy framework comprised of two pillars: 1) metrics of outcomes, and 2) standards of best practice. Outcomes metrics include: Do students learn? Do they graduate? Did they gain employment? Did they repay their student loans? Standards of practice include full information disclosure to students and proper training for admissions advisors. We look forward to continuing our discussion with you as Congress prepares for reauthorization of the Higher Education Act.

Thank you for the opportunity to provide our perspective on the Committee’s report. We may take issue with some of the findings and recommendations the Committee puts forward; we may endorse others given our belief in transparency and accountability across the board. In any event, we assure you that we are committed to expressing our views respectfully and in the spirit of improving the entire higher-education system so that it truly serves the best interests of students, their families and our country.

Sincerely,

Sharon Thomas Parrott

Sharon Thomas Parrott
Senior Vice President
External Relations & Global Responsibility
Chief Regulatory Compliance Officer

June 29, 2012

The Honorable Tom Harkin
Chairman
Committee on Health, Education, Labor, and Pensions
United States Senate
428 Dirksen Senate Office Building
Washington, DC 20510-6300

Re: ECPI University/HELP Committee Report
Comments on ECPI Information

Dear Senator Harkin:

The purpose of this letter is to provide the Senate Committee on Health, Education, Labor and Pensions with information placing into context various documents and items of information received by the Committee from ECPI University (ECPI) that we understand may be released with the Committee's pending report on private sector colleges (the Report). It is our understanding that this letter will be included in the Report.

ECPI is extremely proud of what we accomplish every day for our students. We have been providing essential postsecondary occupational education to multiple communities in Virginia and the Carolinas for forty-six years. Over those decades, tens of thousands of students have graduated from our programs and found quality employment in business, government, and the health professions. We have an outstanding reputation within the military community in the Hampton Roads region where our institution was founded and in every community that we serve. The overwhelming majority of ECPI's students attend school on campus, in our classrooms, although distance learning courses are also available. Our outstanding reputation has been earned over a period of decades -- one student at a time. ECPI works very hard to provide hands-on skills education and we are dedicated to our mission of serving students and helping them transition into rewarding careers

Before we present our substantive comments we wish to make note of the following:

First, it is our understanding that the report will cover the period from 2006 to 2010. Those years were marked by an economy that sent multitudes of Americans back to school for retraining and career enhancement, by significant increases in federal aid available to students (including substantially increased Pell Grants and loan limits), by

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extraordinary increases in the number of veterans seeking career skills training, and by accompanying dramatic increases in the amount of educational benefits available to those veterans. These and other generic factors coalesced during the timeframe under examination in the Report, and the fact that they caused significant increases in the number of students and in the aid available to them comes as no surprise.

Accordingly, to the extent that the Report will focus upon increases in the number of students and in federal student aid, any such increases are attributable to generalized economic, demographic, and public policy conditions. These generalized conditions caused the demand for postsecondary education – especially career skills training – to grow and to peak during the years covered by the Report. Such growth – which occurred at many schools in all sectors of higher education – was by no means attributable to or controlled by ECPI.

It is our understanding that the Report will focus only on for-profit colleges. The Committee should have also examined public and private nonprofit colleges. These other sectors of higher education experienced similar growth trends. Furthermore, a comparative analysis by the Committee of student success among the various sectors, including graduation rates and employment rates, would facilitate a more meaningful evaluation of the issues to be covered by the Report and would reveal the best options for students.

Second, please note that the only purpose of this letter is to comment upon specific documents and categories of information that we have been told would be released with the Report. This letter does not attempt to respond to the Report before it has been shared or issued, and it should not be treated or construed as ECPI's response to the Report or to any component. Similarly, this letter does not attempt to comment on the accuracy of the Report. After all, we have not been provided a draft of the Report in its entirety. Obviously we cannot respond to a report that we have not seen. ECPI respectfully reserves its right to comment upon the Report and any ancillary matters after we have seen it.

Comments on Specific Categories of Information and Documents

1. Retention Data

It is our understanding that the Report will include retention data calculated by the Committee based upon a July 1 – June 30 timeframe and utilizing a formula and definition developed by the Committee. Because that timeframe is much longer than ECPI's or any college's academic year, we are concerned whether such a methodology can fairly or accurately capture and attribute our student outcomes or provide a fair comparison to other institutions of higher education. To at least provide some context for the analysis, we urge the Committee to perform its outcome analysis on all sectors of higher education. As was detailed in my correspondence to you of January 5, 2011, ECPI's student outcomes compare favorably to other Hampton Roads institutions from other sectors of higher education. Out of fairness, and to appropriately inform the public, the Committee should perform its outcomes analysis across-the-board rather than singling out private sector colleges.

2. Marketing

In discussions with Committee staff, we were told that the Report may include percentage data on marketing expenditures such as advertising. However, it is our understanding that employee salaries constitute a significant component of the marketing expenditure figures being relied upon by the Committee. Salaries are readily distinguishable from advertising costs and other straight marketing expenses. We urge the Committee to take steps to ensure accurate labeling and characterization of any information pertaining to marketing expenses.

3. Self-monitoring report.

We are informed by staff that it intends to release excerpts from a self-monitoring report that was developed more than two years ago as part of the peer review process with our accreditor, the Commission on Colleges of the Southern Association of Colleges and Schools. ECPI clarified and resolved the matters discussed in that self-monitoring report to the satisfaction of its accreditor, and the matter is no longer active or pending.

4. Student complaints

We are informed by staff that it intends to release copies of various communications pertaining to complaints from students. Those issues were resolved expeditiously to the satisfaction of the students involved at that time. Although ECPI actively encourages its students to air any grievances and to provide feedback, complaints are unusual. When we do receive complaints, we work hard to address them to the satisfaction of our students expeditiously, as was done in these instances. The materials to be released are not representative or indicative of the student experience at ECPI. Our students are generally satisfied with our programs as indicated by Spring 2012 surveys showing 94 percent of all students would recommend ECPI University. In fact, many of the prospective new students that approach ECPI do so on the basis of references and recommendations from current students and graduates.

This concludes our comments.

Sincerely,

Mark Dreyfus
President

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July 12, 2012

Ms. Elizabeth Stein
Committee on Health, Education, Labor and Pensions
Dirksen Senate Office Building
Suite 428
Washington, D.C. 20510

Re: Education Management Corporation

Dear Ms. Stein:

We are counsel to the Education Management Corporation (EDMC). Based upon your emails and our discussions, it is our understanding that the Senate Health, Education, Labor and Pensions Committee is preparing its final report concerning the investigation of what have been referred to as "for-profit colleges." You have also indicated that as part of that report, a number of documents produced by each company will be made public.

We accepted your invitation to meet with you and review certain documents produced by EDMC beginning in 2010, which the Committee contemplates using in the report. In my letter dated June 12, 2012, and in subsequent emails, we raised issues concerning various documents and information you had indicated might be used in the report. Pursuant to our discussion on July 10, 2012, and in related emails, we believe we have reached agreement on the Committee's inclusion of certain identified EDMC documents and information to be used in the report.

Unfortunately, we have not been provided with a draft copy of the report or told how EDMC's documents or information concerning EDMC would be used in the report, what conclusions would be drawn from them, or which documents will actually be produced as part of the report. Therefore, it is impossible for us at this juncture to respond to any assertions made or conclusions reached in the report with respect to these documents.

Based upon our discussion, it is our understanding that the main purpose of the report is to assist the Committee in considering legislative and regulatory changes. And, though the investigation was not specifically designed to determine legal or regulatory compliance, it is our understanding that no legal or regulatory violations were identified with EDMC's conduct during the investigation. To the extent that the report seeks to suggest that any such legal or regulatory violations have occurred, EDMC objects to the inclusion of any such suggestion. Neither the information requests nor follow-up discussions with your office have focused on investigating whether any such violations ever existed. Moreover, to the extent that any of EDMC's documents or other information is being used to suggest or imply that any such conduct occurred, EDMC has not been given the opportunity to respond to or otherwise challenge those findings. Should the Committee's final report draft contain any such findings, we would request that EDMC be notified immediately so that we may discuss those issues with you prior to the report being issued.

To the extent that the investigation and report draw any conclusions concerning the legal or regulatory framework governing the operation of proprietary higher-education institutions, EDMC believes that the Committee should carefully consider the great value institutions like EDMC bring to education in America.

Title IV of the 1965 Higher Education Act was designed to put a college degree within reach of individuals who otherwise could not afford to go to college. Proprietary institutions that provide quality higher-education opportunities to millions of students who are underserved by "traditional" higher education play a critical role in this effort. However, policy reforms addressing academic quality and student overborrowing for "nontraditional," or "at-risk," students must apply equally to all of our country's colleges and universities—public, nonprofit, and proprietary alike—and must uniformly address the critical issues of accessibility, affordability, transparency, and accountability. At the same time, they must allow our country's educational institutions to quickly respond to a rapidly changing world. The economic future of our country depends on it.

Given the stated purpose of the report, we respectfully request that the Committee reconsider its position and provide EDMC with an opportunity to review and respond to the assertions made and conclusions reached in the report with respect to EDMC and the proprietary sector generally.

Very truly yours,

Antonio F. Dias
Counsel for Education Management Corporation

Enclosures

cc: The Honorable Michael Enzi, Ranking Member (Attention: Investigative Counsel)

WAI-3079157v1

GRAND CANYON UNIVERSITY

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June 26, 2012

The Honorable Tom Harkin, Chairman
Senate Committee on Health, Education, Labor and Pensions
United States Senate
731 Hart Senate Office Building
Washington, DC 20510-6300
Cc: Honorable Mike Enzi

Dear Chairman Harkin:

The focus of the Senate Committee on Health, Education, Labor and Pensions on proprietary educational institutions affords an opportunity for Grand Canyon University to tell its remarkable story, one that demonstrates how an investment-funded model can work to the benefit of students and taxpayers alike.

Grand Canyon provides a high-quality, low-cost, private education to both traditional and working-adult students, and its metrics compare favorably with public and private universities across the country. Students at Grand Canyon's 110-acre campus in Phoenix, Arizona pay an average of $8,000 per year in tuition — about two-thirds less than most private universities, and lower than many public universities. In fact, tuition for students on the campus of Grand Canyon has not increased since 2009, and tuition for online students is among the lowest of all private universities that offer online education.

Academic programs have been added in growth fields such as sports business to already-robust curricula in arts and sciences, business, doctoral studies, teacher education, fine arts, nursing and theology. The two largest programs, in teacher education and nursing, represent two of the country's fastest-growing job areas. Approximately 98 percent of nursing graduates achieved a passing score on the state boards last year (95 percent over the past three years). Meanwhile, the average GPA of an incoming undergraduate student on Grand Canyon's traditional campus has risen to 3.4.

Taxpayers have shared in the university's success: For 2011, the average taxpayer burden for a student at Grand Canyon — when considering defaults on student loans, Pell and other grants received, and federal and state taxes paid — was approximately $969, whereas state universities cost taxpayers in excess of $10,000 per student, according to Arizona Board of Regents financial-aid data.

Grand Canyon is reinvesting its after-tax profits in improvements to the student experience. It is currently undergoing a $313 million renovation and expansion of its campus. A record 7,000-plus students are expected in the fall of 2012. The university has constructed four residence halls since the spring of 2010, in addition to state-of-the-art buildings for its College of Education and College of Arts and Sciences, a Student Recreation Center, a food court and bowling alley, and a 5,000-seat arena for sports events and concerts. This spring, Grand Canyon, which supports 21 NCAA men's and women's sports, won the Learfield Sports Directors' Cup for Division II, a measure of all-sports excellence. In addition, Grand Canyon's award-winning theater program regularly performs sold-out shows at the 300-seat theater on campus.

With an online enrollment of approximately 40,000 students, Grand Canyon has been on the cutting edge of distance learning, which has exploded over the past decade in the United States through online programs offered by proprietary, public and private universities. In 2003, only 12 percent of undergraduate students took online courses; by 2009, that number had risen to 29 percent. A New York Times editorial on May 4, 2012, stated that "American institutes of higher education will embrace online education as a tool to transmit inexpensive and global knowledge."

The movement is well under way at traditional universities. For example, Liberty University has nearly 70,000 online students to complement its on-campus enrollment of 12,000. The University of South Alabama has seen a 55 percent increase in online enrollment in the past year. Arizona State University projects 30,000 online students by the year 2020. The American Graduation Initiative, an effort to create the world's best-educated and most competitive workforce by 2020, depends greatly on the access, affordability, flexibility and innovation delivered by quality online education. A new online learning system developed by Grand Canyon, called LoudCloud, signifies a major investment by the university, and full-time online faculty are another point of differentiation.

Grand Canyon, which was founded in 1949 by Southern Baptists but is now an interdenominational Christian institution, looks for ways to live out its mission in Arizona and beyond. When a devastating tornado struck Joplin, Mo., last year, Grand Canyon spearheaded a Phoenix-wide drive for clothing and supplies — and then drove boxes of donations directly to several Midwestern families in need. Two enormously successful road races held on campus in the past year raised $70,000 for a children's cancer charity. Ongoing efforts with the disabled community and the homeless are representative of Grand Canyon's steadfast commitment to those less fortunate.

The university welcomes the community at large onto its campus for a variety of programs and events throughout the year. An annual Fall Festival in October draws more than 5,000 people, and a popular gift drive helps brighten the Christmas season for needy local families. Grand Canyon also goes out into its multicultural surrounding neighborhoods, rolling up its sleeves in programs that it initiated years ago. And this summer, student mission teams traveled to India, Rwanda, Malawi, Thailand, Costa Rica and Fiji.

Clearly, this is the picture of a successful institution that has never wavered in helping students find their purpose in a variety of ways. In your careful examination of the proprietary sector in higher education, we submit Grand Canyon University as an example of how an investment-funded model is designed to work: as a benefit to all.

Sincerely,

Brian Mueller

Brian Mueller
Chief Executive Officer
Grand Canyon University

Statement of Henley-Putnam University on Charts Released by the Senate Committee on Health, Education, Labor and Pensions

Due to the programs Henley-Putnam University offers, it has drawn students primarily from various branches of the U.S. military as well as from corporations, law enforcement and governmental agencies including the Secret Service, FBI, CIA, and others. Due to their positions, many of Henley-Putnam's active duty military students require leaves of absence (LOA) when transitioning to overseas duty, and in many cases when in active combat situations. The percentage of enrolled students on LOA can range from 25 percent to 40 percent at any time, which increases the time it takes to complete a degree. However, currently the time to completion at Henley-Putnam in years is 3.53, 3.45, and 3.75 for its Bachelor's, Master's and Doctoral degrees, respectively.

The chart entitled "Status of Students Enrolled in Henley-Putnam University in 2008-2009, as of 2010" shows enrollments from 2008-2009 with graduation status from 2010, which means a student would only have been matriculating for one to three years. This is normally not enough time to complete a Bachelor's degree. In addition, Henley-Putnam received accreditation in 2007, which accounts for the low enrollments in 2006 and 2007.

HERZING UNIVERSITY

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July 9, 2012

The Honorable Tom Harkin
Chairman
United States Senate Committee on Health, Education, Labor, and Pensions
428 Dirksen Senate Office Building
Washington, DC 20510-6300

Re: Policy Response to Upcoming Report

Dear Chairman Harkin:

Thank you for the opportunity to present the views of Herzing University relating to the report to be issued by the majority staff of the Committee on Health, Education, Labor and Pensions. While we appreciate having been given the opportunity to review the documents provided voluntarily by Herzing University that the majority staff plans to include in its report, this response was prepared without having had the opportunity to see the actual report. As a result, it is likely that there will be additional areas of disagreement as to interpretation of information or policy recommendations.

Herzing University was founded by military veteran Henry Herzing and his wife Suzanne, a former high school English teacher, in 1965. The institution has remained in family ownership over its 47-year history. Henry Herzing graduated from Northwestern University with a B.S. degree in Electrical Engineering and obtained a Master Degree in Electrical Engineering while serving as Senior Missile Test Officer for the U.S. Navy at White Sands Missile Range. After some experience in the engineering field, he decided to found a school to train adults in emerging computer technology.

By focusing on career-relevant education and a high level of student support, the Herzing system grew over the decades, adding locations in the US and Canada and expanding program options to suit student and employer demand. Herzing University (formerly Herzing College) was nationally accredited until 2004 when its regional accreditation process was successfully completed; the University is now accredited by the Higher Learning Commission and is a member of the North Central Association.

The Herzing system currently consists of twelve campuses in eight U.S. states, an online division, and four campuses (under Herzing College) in Canada. Herzing University (U.S.) offers diploma, associate, bachelor and master degree programs in technology, business, health care, public safety, and design to over 5,000 students. The vast majority of these students are adult learners with prior college experience. Over 80% of these students are over 24 years-old, over 50% are over 30, and almost 20% are over 40. Two-thirds of entering students have already attended another post-secondary institution, i.e. are “transfer students”. Herzing has tens of thousands of graduates and has been committed to supporting their employment success by offering classes and one-on-one support from 29 full-time Career Development staff. This equates to approximately one Career Development staff member to every 100 graduates in 2012. The Career Development staff provides support to students in job-searching, resume-writing and interviewing skills. Herzing University has a long history of high graduate employment rates and other success outcomes; see below for recent examples.

Herzing University is proud of its accomplishments and the success of its students. Among those are the following:

- Despite a challenging economy, over 80% of Herzing December 2011 graduates who were available for employment were employed in their field of study within 6 months of their graduation.
- Herzing University works hard to maintain affordable tuition for its students. Four Herzing University campus locations were on the Department of Education's published list of private, for-profit, 4 year or above institutions with the lowest tuition charges for 2010-2011. (See http://collegecost.ed.gov/catc/Default.aspx#.) In some cities Herzing University tuition is comparable to the tuition charged at state universities (e.g. Madison, WI), although the public colleges and universities receive billions of dollars in tax subsidies while Herzing University receives no such subsidies and pays real estate taxes, sales taxes, and income taxes.
- Herzing University's most recent official cohort default rate was less than the national average for all post-secondary institutions. The 2009 2-year cohort default rate for Herzing was 8.6%, compared to the national average of 8.8%. Herzing University's consolidated 2-year cohort default rate has consistently been under 10%. Its draft 2009 3-year cohort default rate was 13.4%, which is under the 15% threshold for disbursement benefits.
- Nursing student graduates from Herzing University had a pass rate for the NCLEX-2011 of 92.4%. The national average was 88%. (See https://www.ncsbn.org/Table_of_Pass_Rates_2011.pdf).
- The Herzing University/Madison Young Business Leaders delegation to the national 2012 Phi Beta Lambda (PBL) conference won more national awards than any other Wisconsin college or university, including the University of Wisconsin-Madison.

In light of current budget realities, Herzing University appreciates the concern with taxpayer investment and the federal government's need to analyze return on its investment in student-based aid programs. Before responding to specific documents that are included in the report relative to Herzing University, we have two general concerns about how this inquiry was handled by the majority staff of the Committee.

First, we believe that focusing this Committee's efforts entirely on private sector educational institutions is both poor public policy and a missed opportunity to begin preparation for the reauthorization of the Higher Education Act. All educational institutions eligible for student aid programs should be held equally accountable for quality outcomes and their total cost of delivery, and examining data from one sector without an equivalent inquiry into other sectors provides meaningless data without any appropriate context. Therefore the report is of questionable value in that only one portion of the educational landscape (those institutions receiving the lowest net amount of total taxpayer dollars and serving the most high-risk population of students) is being reviewed, while those receiving billions of dollars in direct subsidies (public institutions) or those highly selective institutions which receive billions of dollars in indirect subsidies through avoidance of taxes (non-profits) are not being reviewed for cost or effectiveness.

Second, we understand that Herzing University was selected for this inquiry as an example of medium-sized family-held institutions. We have complied fully with the inquiry, which has cost our institution over $200,000 in IT fees, staff time, and professional service fees. We voluntarily released 5 years of internal documentation, including confidential internal correspondence with our Board of Directors, internal and external email correspondence, and financial and budgetary data with the understanding that this would be background information for a summary report and would not be made public. We believe the decision to include school-specific information and documents in the report is inappropriate and serves no public policy purpose. We understand the need to investigate and draw general conclusions, but compromising the confidential information and potentially damaging the competitive standing and goodwill of a private institution is unnecessary and may make companies reluctant to comply voluntarily with Senate investigations in the future.

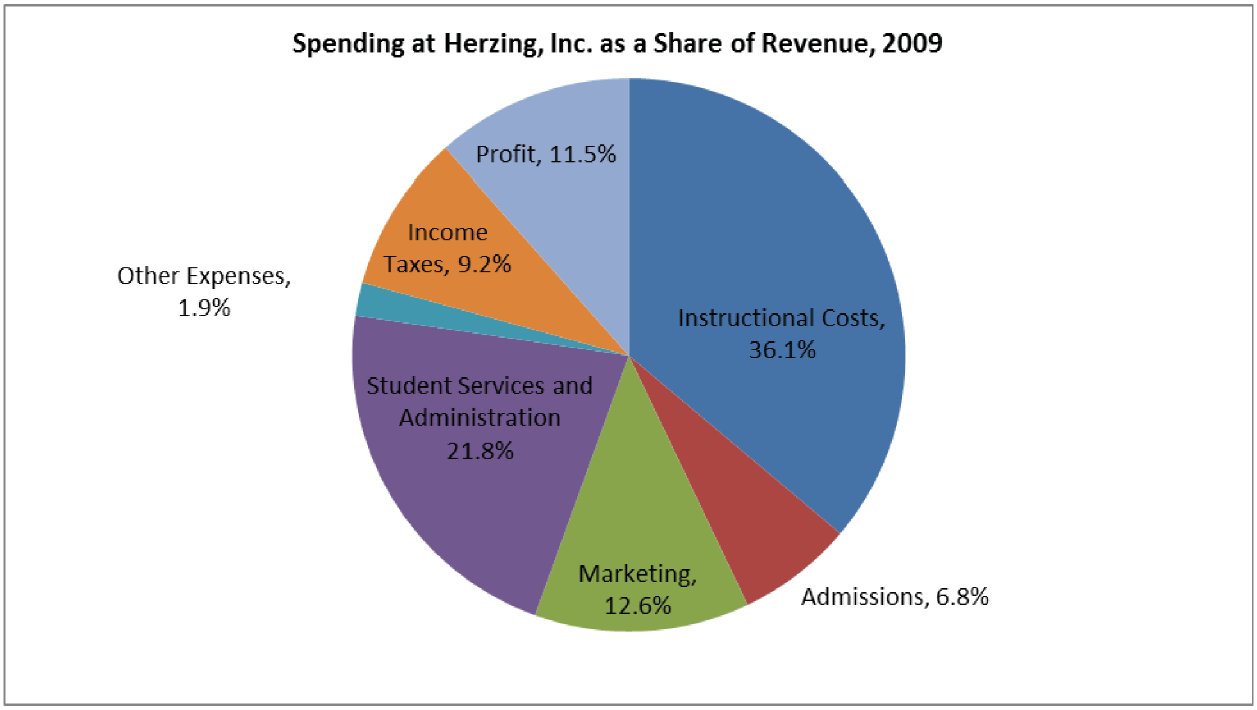
As noted above, Herzing University has not been permitted to see the report or the specific chapter on our institution prior to writing this response. The majority staff did provide an opportunity to review generic versions of the charts and the specific Herzing University documents to be released, and we are basing our response on that information. Based on those documents, we would like to make the following points:

1. Tuition: Comparing private sector tuition to public sector tuition shows expense to an individual but not the total cost to society, i.e. taxpayers. Public sector institutions are more expensive overall in terms of their total cost of delivery and their costs to taxpayers. Due to their high taxpayer subsidies, less cost is passed on to the individual student in the form of tuition, but much more cost is borne by the taxpayers at the federal and state levels. Private sector schools receive no direct subsidies and therefore must cover all costs of delivery through tuition. For example, the tuition paid by the student will be $1,532 to $2,610 for the 2012 – 2013 academic year at the Milwaukee Area Technical College (variation depending on credit levels and programs, see www.matc.edu); however, the average cost of educating one full-time equivalent student in the Technical Division of the Wisconsin Technical College System in 2010-2011 was $18,313, and in some locations it was as high as $28,000. (See: http://www.wtcsystem.edu/reports/data/cost_alloc/pdf/div_technical.pdf). Herzing University (Madison, WI) delivers similar programs for $11,400 including textbooks/eBooks. It is a policy decision to have taxpayers rather than the student pay the great preponderance of the cost of the technical colleges in Wisconsin. While the technical education cost for the student at one of the public technical colleges in Wisconsin is less than at Herzing, it is only because of a direct taxpayer subsidy averaging approximately $16,000 per student, or almost $5,000 more than the total cost of tuition and books at Herzing.

   Despite the lack of subsidies for our students, four of our campuses made the Department of Education's list for being in the lowest 10% of private, for-profit, 4 year and above college tuition. In addition, our Madison campus tuition (listed above as $11,400 for two full-time semesters) is about the same cost as the UW-Wisconsin's new 2013 tuition level, which does not include the cost of books.
   (See http://www.jsonline.com/news/education/uwmadison-tuition-would-top-10000-if-increase-okd-kj5lae6-156998885.html and http://www.jsonline.com/news/education/uw-system-regents-approve-a-55-tuition-hike-cl5mqh4-157857585.html.)

2. "Profit" and Expenditures: The report includes charts purporting to show the "profit" earned by the companies that provided information. The percentage designated as "profit" for Herzing University in the report is actually pre-tax operating income and does not reflect that approximately 40% of this amount goes back to the government (local, state, and federal) in income taxes. In addition, Herzing pays over $500,000 annually in real estate and sales taxes which are included under expenses, which are not incurred by public or non-profit institutions.

   See the below chart for a more accurate breakdown of profit and expenditures for Herzing University for fiscal year 2009.



The year 2009 yielded an unusually high margin due to the surge in adults returning to school after the recession. A considerable investment is made annually in capital expenditure, representing almost 50% of net income. Reviewing a 10-year period yields a more accurate representation of general profitability and reinvestment levels, which are as follows:

<u>2001-2010 Profit Margin (Pre- and Post-Tax) and Reinvestment:</u>

- Average Operating Income for this 10-year period was 11.8% (prior to shareholders covering the majority of taxes due to Subchapter S corporate structure).
- Average Net Income was 7.3% (this conservatively assumes a 38% tax rate for all federal and state taxes born by the shareholders; the institution must distribute money to the shareholders to cover these taxes).
- Annual investment equal to almost 50% (48.8%) of Net Income was reinvested in the University in the form of capital expenditures, such as new computer labs, facility expansion, simulation labs for nursing, library resources, etc.

The Department of Education has specific financial responsibility metrics that institutions are expected to meet, and Herzing University is proud that in most years since adoption we have received the highest score possible of 3.0 on those metrics. In order to achieve that highest score, it is necessary to have a net income ratio of at least 6%, which requires a net income before taxes of at least 10%. Our 10-year net income average is just above that recommended threshold. Our accreditors also expect that we are running a sustainable and fiscally responsible educational institution. Our financial health is reviewed by our accreditors each year as part of the annual institutional data update and our audited financial statements are reviewed each time they do an on-site visit. It is in everyone's interest (the public, students, etc.) that educational institutions are fiscally sound.

3. Completion/Withdrawal of Students: The chart provided in the report is misleading in several respects. The "Completion" column may create the impression that Herzing University has a very low graduation rate. However, it is important to note that the timeframe reviewed is 1-2 years of a student being in school, and this is too short a timeframe for almost any of the students to complete a 2-year associate or 3-4 year bachelor degree program. The fact that 4% of our bachelor degree students completed a degree in less than 2 years demonstrates that a number of students entered the university with previously earned transfer credits. Student retention and completion is important, and we are continually exploring new and innovative ways to retain students and to support their achievement of their educational credential. However, it is important to note that adult learners are more mobile and change schools more often than traditional students; 2/3 of our students are transfer students.

   In addition, the students served by Herzing typically have multiple risk factors that increase the tendency to "stop out" (interrupt their studies), transfer, or drop out. Providing similar data for institutions in other sectors could help put these data into context. Community colleges, which average approximately a 25% completion rate on their 2-year programs, complain of the same unfair comparisons on completion, as they serve a similar older, mobile population. They ask that the number of their students who "transfer out" be considered in their completion rate. The graduation rate for first-time, full-time students who began their studies in fall 2008 was only 13% at Milwaukee Area Technical College, and only 40% for students beginning their studies in 2005 at the University of Wisconsin-Milwaukee. This compares to a graduation rate for Herzing University-Madison of 59% for the fall 2005 cohort.

   The statistics included here also unfairly reflect on Herzing University's innovative 3 semesters per year system which helps students complete their degrees more quickly. Herzing considers the summer term a regular semester and is required to withdraw students who wish to take the summer off and re-enter them for the fall semester. Students taking the summer off at nearly any public or non-profit university would still be considered active. We have a considerable percentage of our students (about 10% of withdrawals) that take time off and re-enter later, and this model is not counting as completers those student withdrawals who re-enter and complete beyond the period tracked.

4. "90/10 Rule": The "90-10" rule states that an institution cannot receive more than 90% of its revenue from Title IV federal student aid programs; the regulation only applies to private sector institutions. Although this regulation is often considered a proxy for "quality", this rule in reality has no relation to an institution's quality. Evidence of this is the fact that Herzing's individual locations in different cities and states vary greatly in 90/10 rates although they operate under the same standards and culture, have the same entrance requirements, and have instruction from similarly credentialed and experienced faculty in similar facilities with similar resources. The differences among these locations that affect 90/10 are the following:

   a. How aid-eligible the student body at that given location is (i.e. what their socio-economic level is). The educational institution has no control over how aid-eligible its students are or how much students borrow; the Department of Education requires institutions give students all the aid they are eligible for, even if it exceeds the institution's tuition level. Thus lowering tuition cannot help (in fact only hurts) an institution's 90/10 ratio.

b. Whether students are eligible for a state grant in the given state; the Akron campus 90/10 ratio was in the 70's until the state grant was eliminated for its students, causing the 90/10 rate to rise when there was no other change at the campus.
c. What programs are offered at the campus; ironically, low-cost programs will lead to a 90/10 problem because students will be eligible for enough aid to cover most or all of the costs. Higher cost programs such as nursing programs cannot be covered fully through federal financial aid and therefore help decrease an institution's 90/10 rates.

In a time of concern about educational costs and the desire to motivate institutions to lower tuition, <u>90/10 practically necessitates tuition increases for an institution to remain viable</u>. As such, it has hurt students, institutions and taxpayers. The single best remedy for tuition cost would be to eliminate 90/10 and allow institutions fair purview and control over student borrowing. Being held accountable for the outcomes of student loan default and potentially for debt to income ratios without any control over student borrowing is a misalignment of accountability and control.

5. <u>Student Satisfaction and Complaint Resolution</u>: Herzing University had approximately 20,000 new students start classes with us over the five-year period examined here. Considering the institution's size, one would expect a certain number of student complaints to be made. We believe that we have had only a minimal number of formal complaints due to Herzing's student-focused culture and the open-door policy of its staff and faculty. It is unclear what the policy point is here of sharing a handful of specific complaints; is this to imply there are no student complaints at the public and non-profit institutions? Certainly not every student at every institution is "happy" with each instructor and the grades they receive, nor are all students at other institutions in agreement with annual tuition increases. Key is that an institution demonstrates student focus, addresses concerns promptly, and has a culture of continuous improvement.

   As for process, Herzing has procedures for addressing formal complaints, including appropriate appeal procedures. Campus leadership is required to respond to and address each formal student complaint. If the student is not satisfied with the response from the Campus leadership, each student has the opportunity to escalate the complaint to the Vice President of Operations and ultimately the University President. If the student is still not satisfied, he or she can ask for an Appeal Board of three faculty or staff not involved in the complaint to review the issue. Its decision is binding on the University.

   The University also has a Quality Assurance Guarantee that states that a student can repeat any class in which he or she received a "C" or better. Therefore a student who attended and put in the requisite effort in a class, but felt he or she did not learn what he or she expected, can repeat the class at no charge under this policy.

   The complaints highlighted in the report mainly address increases in student tuition. A thorough annual review is performed by the Home Office Leadership team as to what would be an appropriate tuition adjustment. The Leadership team reviews total projected costs for the coming year, including all of the additional expected compliance costs, and then decides if there is any adjustment necessary to the student tuition. Every attempt is made to first reduce the cost of delivery while maintaining a student-centric experience. Included in the cost of attendance are also academic services like tutoring and employment search assistance. Each campus maintains Career Development staff that help the students write resumes, learn job search strategies, and offer opportunities to practice their networking and interviewing skills. Job leads are posted, and in many cases, e-mailed to the students, and students can set up appointments for individual assistance.

Not included in the report are our overall student satisfaction rates and the many positive student stories from Herzing alumni about how their student experience and learning at Herzing changed their lives. Herzing measures student satisfaction by asking students "would you recommend Herzing University to your family or friends", and for fall 2011- spring 2012, on average 88.7% of our students answered "Yes." Comments from these surveys are reviewed and action items for improvement are created in annual plans accordingly.

Conclusion:

Herzing appreciates the concern with value for taxpayer investment and would welcome an across-the-board, results-oriented approach to reviewing government investment in education. A comprehensive study would compare all institutions across higher education. Unfortunately, this report only looks at examples from the private sector, which represents 12% of the students in higher education, while providing no total taxpayer cost or educational outcome comparison with public and non-profit institutions that represent 88% of students and the vast majority of taxpayer investment. Thus the data has limited to no context and does not provide any answers to the key policy questions related to return on taxpayer investment, accessibility for students to higher education, and affordability of higher education.

Herzing is proud of its long history of serving students by changing their lives through education and invites anyone to visit one of our campuses and talk to our students about their learning experience. Until meaningful and fair comparisons are established to compare like institutions (those similar in student body make-up), institutions serving primarily adult learners and those with more risk-factors will not be fairly reviewed for their contribution to individuals or society. Herzing would applaud a fair study of all higher education institutions, normed for like student populations, to compare cost effectiveness and educational outcomes. The goal of such a study should be less to expose specific institutions but rather to identify best practices that could be adopted by other institutions to raise quality and efficiency across all of higher education in the service of all students.

Sincerely,

Renee Herzing
President

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June 28, 2012

The Honorable Tom Harkin
Chairman
United States Senate Committee on Health, Education, Labor, and Pensions
428 Dirksen Senate Office Building
Washington, D.C. 20510-6300

Re: Charts and Documents Identified for Possible Inclusion in HELP Committee Report

Dear Chairman Harkin:

ITT Educational Services, Inc. ("ITT" or "the School"), met with majority staff of the Health, Education, Labor, and Pensions Committee ("Committee") on June 13, 2012, to review charts and documents that the School understands you intend to include in your forthcoming committee print ("the Report"). At that meeting, ITT raised concerns about a number of those charts and documents. ITT explained that the Report should not include many of the charts and documents because they contain proprietary, business-sensitive, and personally identifiable information.

This letter elaborates on the concerns ITT raised to majority staff of the Committee ("majority staff") on June 13, 2012. It explains which charts and documents identified for inclusion in the Report should be redacted or not included in the Report. Each of the documents for which the School requests redactions or exclusion from the Report was marked "Confidential" when produced and submitted with a request that it not be disclosed beyond the Committee or made public. The School asks that you, as Chairman of the Committee, take seriously the responsibility to protect the confidentiality of these business documents, especially where, as here, they were produced voluntarily to the Committee.

The School further asks that, in the spirit of transparency, this letter be included in the Report.

Identified Charts

ITT objects to the inclusion in the Report of the draft charts that majority staff shared on June 13, 2012. These charts seriously distort the data produced to the Committee.

The improper use of produced data is particularly apparent in the charts majority staff have drafted to show purported student outcomes, profits, and tuition costs at the School. These charts are troublingly inaccurate and misleading, and they disregard clear warnings about the limitations on the use of data that ITT voluntarily produced to the Committee. The Report should not include the charts.

Chart: Outcomes of Students at ITT Educational Services

The draft chart showing the "Outcomes of Students at ITT Educational Services" (the "Outcomes Chart") is fundamentally flawed. It improperly analyzes data produced by the School and uses a methodology not recognized by accreditors to reach conclusions that misrepresent the completion and withdrawal rates of students at the School.

We understand from majority staff that they compiled the Outcomes Chart using data that the School produced in response to Request 6 of the first tranche of the Committee's August 5, 2010, document request. That request sought the voluntary production of:

> [A] list of each student (identified by randomized numbers) who was enrolled on July 1, 2007 or who enrolled between July 1, 2007 and June 30, 2009 together with the student's date of enrollment, and date of completion or graduation, or date of last attendance in class or date of estimated completion or graduation. Please also provide the type of degree being pursued (certificate, associate's, bachelor's, graduate).

Letter from the Hon. Tom Harkin to Kevin Modany, at 2–3 (Aug. 5, 2010). We understand that majority staff extracted out a subset of this data reflecting all students who enrolled in the School from July 1, 2008–June 30, 2009. We further understand that majority staff then reconfigured that data set to look at "where the students were" as of May 2010. This time-limited, student-tracking approach generated the purported "completion" and "withdrawal" numbers listed in the Outcomes Chart. Those numbers, however, are misleading.

The completion and withdrawal numbers in the Outcomes Chart are misleading for at least three reasons. First, as we explained in our August 26, 2010, transmittal letter, the data requested and used by majority staff to generate the numbers "cannot be used to determine the percentage of students enrolled at ITT who either graduate or withdraw and do not ultimately complete a program." Letter from Michael D. Bopp to the Hon. Tom Harkin, at 4 (Aug. 26, 2010) ("Transmittal Letter"). A reason for this, as we explained, is that "a student who enrolls more than once at an ITT school" or "who transfers from one school to another" "may appear on more than one line" of the produced data. *Id.* at 4–5. These limitations in the data requested by the Committee make it impossible to calculate completion or withdrawal rates in the manner purported in the Outcomes Chart.

Second, the completion and withdrawal numbers in the Outcomes Chart are flawed because majority staff calculated them on the basis of an arbitrary and biased time frame. The majority staff's decision to assess the completion and retention rates of July 1, 2008–June 30, 2009 enrollees only up to May 2010 lacks a reasoned justification. No academic accreditor uses such a limited time frame for making completion or retention assessments.

Moreover, measuring the progress of the School's students in such a strict linear fashion does not account for the School's unique student demographics. Because ITT serves students who often opt for nontraditional academic schedules, it simply cannot be assumed, as the majority staff does, that all students begin, continue, or complete their studies in a limited, traditional time frame. Additionally, the majority staff's numbers are skewed by their scrutiny of a time frame plucked from the very heart of the recent economic downturn. The slow economy negatively affected many of the School's students and their families, making it harder for those students to pursue or complete academic programs. As a result, the withdrawal rate at the School—and most other educational institutions—increased some during that time frame.

Third, the majority staff also inflates the School's withdrawal numbers in the Outcomes Chart by counting against it the many students who suspend their studies on account of military duties, medical developments, or other societal requirements. By comparison, the Accrediting Council for Independent Colleges and Schools ("ACICS") does not count these students in its withdrawal calculations because it recognizes that such withdrawals are beyond the control of educational institutions. This is especially true for ITT, which serves a number of military personnel and students with family commitments. These students should not be characterized as "drop outs" simply because they are compelled to leave the School to fulfill important prior obligations.

For these reasons, the School objects to the inclusion of the Outcomes Chart in the Report. The Outcomes Chart is grossly misleading, and it should not be characterized or publicized as a fair measurement of student outcomes at ITT.

Chart: Profit at Publicly Traded For-Profit Education Companies, 2007–2010

ITT also objects to the inclusion in the Report of any chart based on the draft "Profit at Publicly Traded For-Profit Education Companies" chart shared by majority staff on June 13, 2012. As shown to the School, this chart is deeply flawed and misleading. Although the chart states that it shows "profit" at private sector schools, it actually shows only "operating profit," which is the amount a company earns after deducting its expenses, but *before paying its taxes*. As the Committee itself has noted, private sector schools pay a great deal in taxes. Last year alone, the School paid approximately $196.4 million in income taxes. This fact is not represented in the draft "profit" chart.

Chart: Tuition and Fees at For-Profit College X and Public College Y (Same Degree)

ITT objects as well to the "Tuition and Fees at For-Profit College X and Public College Y" chart described by majority staff on June 13, 2012. Although we have not seen this chart with specific data for the School, we object to its planned comparison of tuitions and fees for a certain degree program at the School with those of a comparable program at a public institution. Such a comparison is misleading.

The comparison is misleading because it fails to account for the substantial taxpayer subsidy received by public institutions. Public institutions are able to charge less in tuition and fees because taxpayers foot a large portion of the bill through direct subsidies and indirect subsidies (*e.g.*, public institutions do not pay taxes). Failing to account for these subsidies presents a misleading picture that incorrectly implies that public institutions are running similar programs on substantially less money. The Report accordingly should not include the "Tuition and Fees" comparison chart.

Identified Documents

As requested by majority staff, ITT details below its objections and proposed redactions to the documents identified for inclusion in the Report.

Document 1 (ITT-00002264–ITT-00002276): This document is a contract for services between the General Revenue Corporation ("GRC") and the School for cohort default prevention services. The Report should not include this document. The detailed contract information in this document represents core confidential business information. The information in Parts III–VI on pages ITT-00002266–ITT-00002274 is clearly business-sensitive and proprietary, and its public disclosure will cause the School and GRC harm. The document also includes employee information on pages ITT-00002275 and ITT-00002276, and it is filled with references to the School and GRC that should not be publicly disclosed. With regard to employee information, the School understands that the Report will name only CEOs, and that supporting documents attached to the Report will exclude the names of all employees with a job title below Vice President. While the School appreciates the redaction of some employee names, the decision not to redact the names of Vice Presidents and more senior executives is unjustified. The Report should disclose only the names of employees who are listed in the School's public filings. This approach would prevent unnecessary disclosures of employee information without affecting the substance of the Report.

Document 2 (ITT-00002277–ITT-00002280): This document is the second amendment to a cohort default management services agreement between the School and GRC. The Report should not include this document. Every page of this document contains significant business-sensitive, confidential, and personally identifiable information. If released, this information would cause harm to the School and GRC, revealing to competitors proprietary information developed at significant cost. If the Report discusses aspects of this document, it should cite to the document for support, rather than including any part of the document as a publicly disclosed attachment.

Document 3 (ITT-00002281–ITT-00002282): This document is the first amendment to a cohort default management services agreement between the School and GRC. The Report should not include this document. Like Document 2, this document contains a significant amount of business-sensitive, proprietary, and employee information. The release of this information would cause the School and GRC harm. If the Report discusses aspects of this document, it should cite to the document for support, rather than including any part of the document as a publicly disclosed attachment.

Document 4 (ITT-00002284–ITT-00002299): This document is a cohort default management services agreement between the School and GRC. The Report should not include this document. The School objects to the inclusion of the document for the same reasons stated in its objection to the possible inclusion of Document 1. Each page of the document contains extremely sensitive business information, the release of which would cause the School and GRC substantial harm. The document also shows employee information on page ITT-00002298. If the Report discusses aspects of this document, it should cite to the document for support, rather than including any part of the document as a publicly disclosed attachment.

Document 5 (ITT-00002316–ITT-00002338): This document is a series of charts produced by GRC that summarizes data related to the School's cohort default management solutions. The Report should not include this document. The document includes business-sensitive and proprietary information. It describes in detail the data underlying the School's unique approach to helping students avoid delinquency or default on their loans, as the Obama Administration has encouraged for all students facing challenges in repaying their educational loans and as is required, in some instances, by the Department of Education. *See* 34 C.F.R. § 668(N), App. A. The School developed this approach through a process of significant trial and investment, and its public disclosure would give an unfair advantage to the School's competitors who have not made similar investments in default prevention. The document also is easily misinterpreted. The numbers shown in the columns of the first table on page ITT-00002316, for instance, could be misread as weekly or monthly figures, when they in fact show yearly figures. Additionally, the document contains a number of handwritten notes and potentially personally identifiable information on pages ITT-00002328, ITT-00002329, ITT-00002331, ITT-00002333, ITT-00002334, and ITT-00002335. If the Report discusses aspects of this document, it should cite to the document for support, rather than including any part of the document as a publicly disclosed attachment.

Document 6 (ITT-00003045–ITT-00003049): This document is the application form for the Champagne Scholarship offered to the School's students. The Scholarship is offered through the Champagne Scholarship Fund, a 501(c)(3) entity that is unaffiliated with the School. The School does not object generally to the inclusion of this document in the Report. The School's acceptance of the inclusion of this document in the Report, however, is premised on its understanding that the document will be used as an example of the School's efforts to help make its educational programs more affordable for deserving students. The School is concerned by the suggestion of majority staff that the Champagne Scholarship is in some way a "90/10 strategy." There is absolutely no basis for this suggestion. As explained in the document, the Champagne Scholarship is a merit-based award intended to "encourage higher education for working adults" by awarding $3,000 each calendar year to recipients selected on the basis of a seven-part application that includes a significant written component and two letters of recommendation. ITT is proud of the Champagne Scholarship and the many remarkable students who benefit from it.

Document 7 (ITT-00003876–ITT-00003879): This document is the record of a student complaint submitted and resolved in 2006. The Report should not include this document. As we explained to majority staff, it is misleading and unfair to present only selected student complaints. Like the complaints for any educational institution, complaints regarding the School often unfairly portray the quality of educational offerings and are not representative of typical student experiences. These problems are exacerbated when the complaints are presented out of context—as they have been in past speeches and reports related to the investigation of private sector schools. *See, e.g.*, Statement of Hon. Tom Harkin, *For-Profit Education Companies*, 157 Cong. Rec. S3153–S3160 (May 19, 2011). The problems with including selected complaints in the Report also are not cured simply by including as accompanying documents the School's responses to those complaints. As discussed with majority staff, complaints are advocacy pieces. They present emotional and strongly worded arguments intended to draw a reaction. The School's responses to complaints, by contrast, are clinical documents, written to address student concerns succinctly without advocating on behalf of the School's position. As a result, the responses usually do not fully review the School's position and views on issues underlying complaints. In this document, moreover, the official "Resolution Summary" and "Resolution Narrative" in the Complaint Report are not even shown. The document thus truly offers only one side of the story. Additionally, as a general matter, student complaints and School responses are laden with student and employee information. This information should not be publicly disclosed. Every page of this document, for example, contains student and employee information that could cause significant harm to the referenced student and employees if disclosed. Lastly, it is simply unfair to include in the Report any complaints submitted voluntarily by the School when many other schools declined outright to share any student complaints with the Committee. Including selected complaints about the School essentially would punish the School for cooperating in good faith with the Committee. This result would unjustly harm the School and possibly undermine the Committee's ability to conduct future investigations. The Report accordingly should not include this document or other student complaints voluntarily produced by the School.

Document 8 (ITT-00004186–ITT-0004219): This document is the record of a student complaint submitted and resolved in 2006. The Report should not include this document.

For the reasons discussed in the School's objection to Document 7, it would be unfair and misleading to suggest that this document is representative of student experiences at the School. Additionally, nearly every page of this document contains student and/or employee information, including student names and personal data on pages ITT-00004186, ITT-00004190, and ITT-00004191. The Report should not disclose this information.

Document 9 (ITT-00004287–ITT-00004298): This document is the record of a student complaint submitted and resolved in 2006. The Report should not include this document. For the reasons discussed in the School's objection to Document 7, it would be unfair and misleading to suggest that this document is representative of student experiences at the School. Every page of this document also contains employee information that should not be made public.

Document 10 (ITT-00004357–ITT-00004367): This document is the record of a student complaint submitted and resolved in 2006. The Report should not include this document. For the reasons discussed in the School's objection to Document 7, it would be unfair and misleading to suggest that this document is representative of student experiences at the School. Additionally, nearly every page of this document also contains employee information, and page ITT-00004361 contains business-sensitive information. The Report should not disclose this information.

Document 11 (ITT-00004629–ITT-00004630): This document is the record of a student complaint submitted and resolved in 2006. The Report should not include this document. For the reasons discussed in the School's objection to Document 7, it would be unfair and misleading to suggest that this document is representative of student experiences at the School. Page ITT-00004629 of this document also contains employee information that should not be made public.

Document 12 (ITT-00004639–ITT-00004640): This document is an enrollment agreement executed in 2002. The Report should not include this document. Although every student is entitled to receive a copy an enrollment agreement at the time he or she enrolls at the School, the School objects to the inclusion of this document in the Report because it is a decade old and does not reflect all of the terms or policies stated in the current enrollment agreement used by the School. The document also has been reduced in size to fit a smaller page, making the type size misleadingly small and not representative of the true type size. It thus would be misleading to include the document in the Report.

Document 13 (ITT-00005047–ITT-00005066): This document is the record of a student complaint submitted and resolved in 2006. The Report should not include this document. For the reasons discussed in the School's objection to Document 7, it would be unfair and misleading to suggest that this document is representative of student experiences at the School. Additionally, nearly every page of this document contains student and/or employee information, including a student name on page ITT-00005059. The Report should not disclose this information, which would cause harm to the mentioned student and employees if released to the public.

Document 14 (ITT-00005085–ITT-00005094): This document is the record of a student complaint submitted and resolved in 2007. The Report should not include this document. For the reasons discussed in the School's objection to Document 7, it would be unfair and misleading to suggest that this document is representative of student experiences at the School. Furthermore, every page of this document contains student and/or employee names and information that should not be made public.

Document 15 (ITT-00005144–ITT-00005151): This document is the record of a student complaint submitted to, and resolved with, the Better Business Bureau in 2007. The Report should not include this document. For the reasons discussed in the School's objection to Document 7, it would be unfair and misleading to suggest that this document is representative of student experiences at the School. Every page of this document also contains employee names and information that should not be disclosed to the public.

Document 16 (ITT-00005216–ITT-00005221): This document contains the records of two student complaints submitted and resolved in 2007. Pages ITT-00005216–ITT-00005218 and ITT-00005221 show the record of a resolved complaint of one student, and pages ITT-00005219–ITT-00005220 show the complaint of another student's parent. This second complaint is not accompanied by any response issued by the School and presents a charged and one-sided version of the facts underlying that complaint. Because the record of this second complaint is incomplete, and for all the reasons discussed in the School's objection to the inclusion of Document 7, the Report should not include this document. It would be misleading to suggest that the parental complaint shown in the document is representative of student experiences at the School, and it would be extremely unfair to include that complaint without at least the accompanying School response. The Report also should not include this document because every page of it includes student and employee names and contact information. This information should not be disclosed beyond the Committee.

Document 17 (ITT-00006208–ITT-00006211): This document is the record of a student complaint submitted and resolved in 2007. The Report should not include this document. For the reasons discussed in the School's objection to the inclusion of Document 7, it would be unfair and misleading to suggest that this document is representative of student experiences at the School. Page ITT-00006209 of this document also contains employee information that should not be made public.

Document 18 (ITT-00006239–ITT-00006242): This document shows a "student complaint summary" noting the resolution of a student complaint and a series of emails between School employees discussing that resolution. The document does not contain or discuss the underlying student complaint. The School does not object generally to the inclusion of this document in the Report. If the Report includes the document, however, the School asks for the redaction of the personally identifiable information on each page of the document, especially the student name and identification number on pages ITT-00006240 and ITT-00006242.

Document 19 (ITT-00007386–ITT-00007398): This document is the record of a student complaint submitted and resolved in 2008. The Report should not include this document. Although the document contains numerous favorable student statements about the School and the efforts of its employees, it still should not be included in the Report for the reasons discussed in the School's objection to the inclusion of Document 7. In particular, the few critical statements in the student's initial complaint—all of which were resolved to the student's satisfaction without necessitating a formal response from the School—attract disproportionate attention and are not representative of student experiences at the School. Moreover, every page of the document contains student and employee identifying information, including a student name on page ITT-00007387. This information should not be made public.

Document 20 (ITT-00007682–ITT-00007746): This document is the record of a student and parental complaint submitted and resolved in 2009. Although you previously referenced certain parts of this document in a speech on the Senate floor, *see* Statement of Hon. Tom Harkin, *For-Profit Education Companies*, 157 Cong. Rec. S3153–S3160 (May 19, 2011), no part of this document should be included in the Report. For the reasons discussed in the School's objection to the inclusion of Document 7, it would be unfair and misleading to suggest that the complaint contained in this document reflects a typical experience of students at the School. Indeed, as shown in the letter of the Ohio State Board of Career Colleges and Schools and the School's response, the complaint was unfounded and the student experience described therein was contrary to the experience of 155 similarly situated students. *See* ITT-00007708–ITT-00007713. Moreover, the document contains business-sensitive information at pages ITT-00007683–ITT-00007702, ITT-00007724–ITT-00007731, and ITT-00007736–ITT-00007743, including an outdated enrollment agreement that should not be disclosed for the reasons explained in the School's objection to the inclusion of Document 12. The document also shows student and employee names and personal information on nearly every page. It is for these reasons that the School marked the document "Confidential" and requested that it not be released beyond the Committee.

Document 21 (ITT-00007716–ITT-00007746): This document is a subset of the pages discussing the student and parental complaint included in Document 20. For the reasons stated in the School's opposition to the inclusion of Document 20, the Report should not include this document.

Document 22 (ITT-00008037–ITT-00008044): This document is the record of a student complaint submitted and resolved in 2008. The Report should not include this document. For the reasons discussed in the School's objection to the inclusion of Document 7, it would be unfair and misleading to suggest that this document is representative of student experiences at the School. Pages ITT-00008037–ITT-00008038 and ITT-00008040–ITT-00008043 of this document also contain employee names and identifying information that the Report should not disclose to the public.

Document 23 (ITT-00009376–ITT-00009387): This document is the record of a student complaint submitted and resolved in 2009. The Report should not include this document. For the reasons discussed in the School's objection to the inclusion of Document 7, it would be unfair and misleading to suggest that this document is representative of student experiences at the School. The document also contains an outdated enrollment agreement at pages ITT-00009379–ITT-00009380 that should not be disclosed for the reasons explained in the School's objection to the inclusion of Document 12. Additionally, nearly every page of the document contains employee information that should not be released. If made public, this information would cause harm to the identified employees.

Document 24 (ITT-00009637–ITT-00009784): This document is the record of student complaints filed by two students in 2010. The lengthy document includes papers submitted to the Better Business Bureau, correspondence between School employees and the complaining students, accreditation and credit-transfer information, enrollment agreements, student credentials and transcripts, student standardized testing scores, student medical records, student financial information, and student coursework. The Report should not include this document. First, the parts of the document containing the filed complaints and School responses should not be included in the Report for the reasons discussed in the School's objection to the inclusion of Document 7. Second, the outdated enrollment agreements in the document should not be included for the reasons explained in the School's objection to the inclusion of Document 12. Third, the many parts of the document containing student and employee information should not be disclosed to the public because doing so would cause the identified students and employees great harm. This is especially true for the personal student information shown on pages ITT-00009724–ITT-00009737 and ITT-00009753–ITT-00009784. It is for all these reasons that the School marked the document "Confidential" and requested that it not be released beyond the Committee.

Document 25 (ITT-00009785–ITT-00009787): This document is the record of a student complaint submitted to, and resolved with, the Better Business Bureau in 2007. The Report should not include this document. For the reasons discussed in the School's objection to the inclusion of Document 7, it would be unfair and misleading to suggest that this document is representative of student experiences at the School. Page ITT-00009787 of the document also contains a student and employee name that should not be disclosed to the public.

Document 26 (ITT-00010049): This document depicts a so-called "pain funnel," a marketing tool developed and marketed by the Sandler Sales Institute. The document bears Sandler's trademark and does not mention the School. The Report should not include this document. The document is not attributable to the School and does not reflect School policy. Indeed, the School vigorously condemns the "hard-sell" recruiting policies represented in the document.

Although this document is not attributable to the School, it previously was referenced and released to the public in your floor statement of February 7, 2011. *See* Statement of Hon. Tom Harkin, *For-Profit Colleges and Universities*, 157 Cong. Rec. S600 (Feb. 7, 2011). That floor statement linked the document and others to the School, stating that "in their training, ITT went beyond rhetoric and created what they called a 'pain funnel.'" 157 Cong. Rec. at S601. The clear implication of this statement was that the "pain funnel" represented ITT corporate policy and was a recruiting tool approved through official ITT channels. But that simply is not the case. As we made clear in a February 10, 2011, letter: "ITT agrees that it is inappropriate to use high pressure sales techniques to recruit students. The conduct suggested by the documents referenced in your statement was not sanctioned by ITT and does not reflect ITT's standards." Letter from Michael D. Bopp to the Hon. Tom Harkin, at 1 (Feb. 10, 2011). In a contemporaneously issued press release, ITT reiterated this point, writing:

> The training documents referenced by Senator Harkin do not in any way reflect our company's core principles. . . . The conduct suggested in those documents is completely unacceptable and contrary to the standards that we set, and we sincerely regret if any recruitment activities were conducted in that manner. We do not in any way condone recruitment practices, such as the ones referenced in the documents, that involve high-pressure sales tactics.

ITT Technical Institute Statement Regarding Senator Harkin's Characterization of Standard Practices, at 1 (Feb. 10, 2011; 3:38 p.m. EST). In its press release, ITT also emphasized that the use of the "pain funnel" was the work of rogue individuals and that it was not an approved corporate recruiting method:

> Those documents were not authorized for use in accordance with the company's practices and procedures and were utilized by ITT Technical Institute personnel outside of their company authority. . . . We hold our employees to very high standards. We require that all materials used to communicate with prospective students and other customers be reviewed

> and approved by company executives. None of the documents cited by Senator Harkin were approved under this process.

Id. Furthermore, ITT noted in its press release that it was fundamentally unfair to judge the conduct of ITT and the actions of its thousands of employees by the acts of a few misguided individuals:

> We sincerely regret any suggested use of high-pressure sales tactics by individual employees that occurred. Such conduct is contrary to the standards and principles followed by the ITT Technical Institute, and does not represent the efforts of our more than 10,000 employees at 130 ITT Technical Institute campuses across the US, who work day in and day out to improve the lives of our students. Our employees are dedicated to helping students succeed in their pursuit of a high-quality postsecondary education and are committed to doing so while adhering to company policies that are intended to foster student success and comply with all applicable laws and regulations.

Id. These remarks are all still valid.

Moreover, as promised in the letter of February 10, 2011, the School investigated the origin of the document and engaged in an extensive effort to ensure that no ITT employee, at any level, ever again employs the type of high-pressure tactics suggested in the document. *See* Letter from Michael D. Bopp to the Hon. Tom Harkin, at 1 (Feb. 10, 2011). The investigation determined that a campus-level Director of Recruitment brought the document with him after he was hired from another institution and that a Regional Director of Recruitment distributed the document to other campuses. Neither Director was employed by the School at the time it determined this information. If they had been, they would have been terminated promptly. Concurrent with the investigation, the School also pulled from distribution all training materials from all of its campuses for review by School management and the School's Internal Audit division. Only those materials that were approved by School management and Internal Audit were subsequently reissued. The School also implemented a policy requiring management approval of all new training materials.

To review, the Report should not include this document because the document: (1) is not an ITT document, but rather was created by Sandler Sales Institute, and thus cannot be attributed to ITT; (2) was not approved for use in recruiting by ITT management, and was used only by few individuals at the campus level; and (3) ITT has consistently condemned the sort of hard-sell recruiting tactics reflected in the document and has implemented policies to ensure they are never used again. Including the document in the Report as representative of ITT recruiting materials would disserve the thousands of hardworking School employees who diligently utilize only the School's approved admissions and training materials and who comport themselves to the letter of the School's code of conduct.

Document 27 (ITT-00010050): This document is entitled "ITT Technical Institute Questionnaire." As with Document 26, this document was referenced in your February 7, 2011, floor statement. *See* 157 Cong. Rec. at S601. Despite this prior reference, the Report should not include this document. For the reasons discussed in the School's objection to the inclusion of Document 26, it would be improper for the Report to attribute the document to the School or to suggest that it was ever endorsed by ITT management. The document was never approved by ITT and contains inappropriate hard-sell tactics that ITT does not utilize. Rather, the document was created and used only for a short period of time by a few individuals at a single campus. These individuals acted outside of their authority and faced disciplinary actions where appropriate.

Document 28 (ITT-00011550–ITT-00011555): This document is entitled "Phone Objections," and appears to be a list of common objections from perspective students paired with possible responses. The Report should not include this document. Like Document 26 and Document 27, this document reflects unapproved training material used at one campus of the School. The document was removed from use through the review and approval process discussed in the School's objection to the inclusion of Document 26. It thus would be misleading and improper to include the document in the Report or associate it with the School.

Document 29 (ITT-00014590–ITT-00014591): This document is a series of points entitled "Ways to combat 'drops' in Marketing during the class building period." The Report should not include this document. This document is another example of recruiting materials not authorized by ITT management or used widely at ITT's campuses. Accordingly, for the reasons discussed in the School's objections to the inclusion of Document 26 and Document 27, it would be improper and incorrect for the Report to attribute this document to the School. As with Document 27, this document appears to be an unauthorized set of training materials utilized by a single campus. The School does not now, and never did, approve these materials and regrets their use. Including the document in the Report thus would be misleading and unfair to the School.

Document 30 (ITT-00015566–ITT-00015569): This document is an undated and unlabeled outline entitled "Phoning Techniques." The outline contains blank spaces filled in with handwritten comments. The Report should not include this document. The School objects to the inclusion of this document in the Report as fundamentally misleading for the reasons discussed in its objections to the inclusion of Document 26 and Document 27. The document was created and used by only a few campus-level employees and should not be attributed to the School. The document was never approved by the School, and the School condemns the hard-sell tactics contemplated in the document.

Document 31 (ITT-00016826–ITT-00016830): This document is a training transcript for School admissions employees. The Report should not include this document. As we discussed with majority staff, the document contains significant proprietary information. The School invests a considerable amount of time and money in the creation of its official training materials, subjecting training materials to multiple levels of review for quality and compliance. This document contains specific and unique responses to the concerns of prospective students that the School has developed over time. The release of these responses to the School's competitors would place it at a competitive disadvantage.

Document 32 (ITT-00020084–ITT-00020088): This document is another training transcript for School admissions employees. It specifically provides approaches for addressing common concerns of prospective students. The Report should not include this document. The training approaches described in the document contain proprietary and business-sensitive information that should not be made public for the reasons discussed in the School's objection to the inclusion of Document 31.

Document 33 (ITT-00022941): This document appears to be the notes of an individual recruiter at an individual campus entitled "Plan for hitting start goals." The Report should not include this document. The document appears to be a summary created by an individual admissions representative following a weekly performance review. The School encourages all Directors of Recruitment to hold weekly meetings with admissions representatives to discuss their performance and identify possible areas of improvement. As one would expect, areas of possible improvement vary significantly between representatives and for any individual representatives over the course of time. It therefore would be misleading to attribute the details of one summary of one representative's weekly performance review to the School. At the same time, the weekly performance review program through which the document was created is a unique program, developed by the School through a process of trial and investment. The document thus reflects a proprietary program and should not be released to the School's competitors.

Document 34 (ITT-00023885): This document is an employee counseling form dated November 9, 2009, provided to an admission representative at ITT's Seattle campus. The Report should not include this document. Taken in isolation, the document has a tendency to mislead, and, moreover, in ITT's view, the document is irrelevant. A specific counseling form for an employee at a single campus is just that: an isolated snapshot in time of the performance of one of thousands of ITT employees. The individual employee's counseling form also will necessarily contain variances in evaluation reflecting the unique aspects of the employee's performance and the discretion given to campus managers to implement performance standards. Its relevance to education policy is uncertain. Moreover, in looking to those performance standards, the Committee should be mindful of the fact that those standards are not a metric rubric to be applied with rigidity. They rather are to be applied with discretion and adjustment to varying factual scenarios. In addition, the document contains employee information that should not be released to the public. For these reasons, the Report should not include this document.

Document 35 (ITT-00023887–ITT-00023888): This document is a "Letter of Concern" dated April 24, 2007. For the reasons discussed in the School's objection to the inclusion of Document 34, the Report should not include this document.

Document 36 (ITT-00023893–ITT-00023912): This document is a collection of presentations regarding recruiting techniques given at an individual campus. The School understands that the Report likely will make reference to the "pain" remarks in this document. *See* ITT-00023912–ITT-00023913. The Report, however, should not include this document. Including the document in the Report, and attributing it to the School, would have a misleading result. As with Document 26 and Document 27, this document is not, and was never, approved by the School, and the School condemns the hard-sell tactics discussed in it. Also like Document 26 and Document 27, this document appears to stem from a few individuals who vastly exceeded their authority, acting in complete violation of ITT's code of conduct. Additionally, the Report should not include the document because it contains various employees' information.

Document 37 (ITT-00025676–ITT-00025678): This document is an admissions document focused on addressing the concerns of prospective students. The Report should not include this document. As with Document 31, this document contains proprietary and business-sensitive information pertaining to the School's admissions-training program. As we discussed with majority staff, the School has developed the program through a process of significant trial and investment, and its disclosure to the School's competitors would cause the School substantial harm. Moreover, to the extent this document is marked for possible inclusion in the Report under the theory that it references hard-sell tactics, the School respectfully suggests that such a reading of the document misapprehends it. To be sure, the word "fear" is used in the document, *see* ITT-00025678, but it is used in the context of helping students overcome their fears and better their lives. This usage is not something to condemn.

Document 38 (ITT-00025689–ITT-00028553): This document shows the analysis of a campus-level Director of Recruitment and performance data for various admissions employees at the Director's campus. This document was referenced in your February 7, 2011, floor statement. *See* 157 Cong. Rec. at S601. Despite this reference, the Report should not include this document. Like Document 26, this document contains various suggested tactics to increase enrollment, including deplorable hard-sell tactics. Again, for the reasons discussed in the School's objection to the inclusion of Document 26, the School objects to the inclusion of this document because it is not representative of the School's policies or procedures. Rather, the document is another example of inappropriate actions by isolated individuals. At the time the document came to the School's attention, the campus-level Director who wrote the analysis and compiled the data in the document already had been terminated by the School. Had he still been employed by School, he would have been promptly terminated the moment this document came to the attention of ITT management. As a separate point, the Report should not include the document because it contains a number of employee names. These names should not be made public.

Document 39 (ITT-00028362–ITT-00028400): This document shows a presentation entitled "Increasing Your Scheduled to Conduct Ratio or 'Setting Appointments That Show.'" The Report should not include this document for the reasons discussed in the School's objection to the inclusion of Document 26 and Document 27. This document is not an official ITT document, and it contains hard-sell recruiting tactics that ITT rejects. Inclusion of this document in the Report would be misleading.

Document 40 (ITT-00028551–ITT-00028553): This document shows an email between School employees regarding certain campus-level admissions developments. The document commends the campus's admission teams' success in scheduling admissions appointments for prospective students. ITT does not object generally to the inclusion of this document in the Report. ITT's acceptance of the inclusion of this document in the Report, however, is premised on its understanding that the Report will not seek to present this document as promoting hard-sell recruiting tactics. This document does not in any way implicate hard-sell tactics—tactics which ITT does not employ and indeed condemns. There is nothing improper about celebrating success in scheduling appointments for prospective students to visit a campus in person, to obtain information about the campus's education offerings, and to obtain a first-hand perspective on whether the campus and program are right for them. If Report includes this document, ITT requests that the names of the employees contained in the document be redacted.

Document 41 (ITT-00036911–ITT-00036913): This document is an informal written agenda for a department meeting of a "Criminal Justice and Composition" program at an individual campus. ITT does not object generally to the inclusion of this document in the Report, provided that this document is placed in the appropriate context: It is an informal document which reflects the conduct of a single ITT campus and cannot be attributed to ITT. ITT also requests that the employee name on page ITT-00036913 be redacted.

Document 42 (ITT-00041048–ITT-00041053): This document is an unexecuted and incomplete draft "2008 Performance Planning and Evaluation Form" for a Director of Recruitment at an individual School campus. The Report should not include this document for three reasons. First, the document contains proprietary and business-sensitive information that, if released, would cause ITT competitive harm. ITT takes great pride in providing its employees with meaningful review and consistent feedback calculated to allow them to expand their professional skillsets. In a large organization, these structural tools are highly effective in increasing efficiencies when properly deployed and calibrated, and accordingly, an effective set of employee management protocols are quite valuable. ITT spends a great deal of time, money, and effort in developing effective performance metrics and feedback mechanisms. Releasing these performance metrics and associated feedback mechanisms therefore would place ITT at a competitive disadvantage. Second, the document is very much in draft form. It is unexecuted and appears to contain entire sections that are totally incomplete. *See* ITT-00041051–ITT-00041052. The individual performance metrics discussed in the document also may well be draft metrics, subject to revision. It thus would be misleading to make general use of the document as an example of School policy. Third, the document contains the names of employees. These names should not be released.

Document 43 (ITT-00052133–ITT-00052136): This document shows a presentation regarding the selection of financial aid assistants ("FAAs") to help various individual campuses of the School contact students who have outstanding accounts receivable balances. The School also uses a similar employee selection and assignment program to lend help to campuses that are short-handed in other areas, such as career services and registration. The Report should not include this document. The volunteer FAA assignment program described in the document is a unique program developed by the School through a process of trial and investment. Its public disclosure accordingly would give an unfair advantage to the School's competitors who have not developed a similar program. The document also contains a number of employee names and contact information. Any discussion of the document in the Report thus only should cite to the document for support, rather than including any part of it as a publicly disclosed attachment.

Document 44 (ITT-00052388–ITT-00052396): This document shows a presentation about the state of ITT's current scholarship programs. ITT does not object generally to the inclusion of this document in the Report. ITT's acceptance of the inclusion of this document in the Report, however, is premised on its understanding that the document will be used as an example of ITT's efforts to assist students who have served our country or who are exceptionally needy in paying for the cost of their education. ITT is alarmed by troubling language used by majority staff to suggest that ITT's scholarship programs are mere mechanisms to avoid 90/10 restrictions. As we explained to majority staff, this suggestion is erroneous as a normative matter and borders on the offensive. ITT takes great pride in educating military personnel and veterans and in assisting them in transitioning back into civilian life. Similarly, the fact that ITT offers limited scholarships to the most disadvantaged students is laudable. ITT is working to ensure that every member of our society can receive an education. Both President Obama and Secretary Duncan have repeatedly emphasized this important goal. ITT should be commended for this program, not condemned.

Document 45 (ITT-00056795–ITT-00056801): This document appears to be a "2008 Performance Planning and Evaluation Form" for a Director of Finance at a single ITT campus. The Report should not include this document. The document contains business-sensitive information and, for the reasons explained in the School's objection to the inclusion of Document 42, its release will cause ITT competitive harm. ITT also objects to the release of this document on the grounds that, taken in isolation, the document is misleading. The performance evaluation contains a discretionary adjustment whereby the employee is given a higher rating than is justified by the performance metrics designed for her position. The reviewing official justifies the adjustment by explaining that the employee took over the Finance Department two months after her predecessor was terminated for violating company policy and that the employee made great progress in reforming the department. ITT is concerned that these comments will mislead if taken out of context and portrayed as representative of ITT nationally. Like any large institution, ITT is forced to confront the occasional bad actor, and that is all this document indicates—that there was apparent misconduct at a single ITT campus. Indeed, the key aspect of this document regarding ITT's corporate culture is that ITT as a company does not hesitate to take aggressive action—including termination of employees—to ensure that employees comply with ITT's rigorous Code of Ethical Conduct. If the Report includes this document, the names of the employees contained in the document should be redacted.

Document 46 (ITT-00060529–ITT-00060531): This document is an announcement of the Champagne Scholarship Fund. ITT does not object generally to the inclusion of this document in the Report. ITT's acceptance of the inclusion of this document in the Report, however, is premised on its understanding that the document will be used as an example of ITT's efforts to assist exceptionally needy students in paying for the cost of their education. As discussed in the School's remarks regarding Document 6 and Document 44, ITT is proud of the benefits provided to students through the Champagne Scholarship, and it objects to any suggestion that the Scholarship is merely a vehicle for avoiding 90/10 restrictions.

Document 47 (ITT-00060718–ITT-00060745): This document shows a September 29, 2009, presentation entitled "Q3 Financial Aid Update." The presentation sets out a variety of details regarding all aspects of ITT's financial aid and scholarship programs. The Report should not include this document. ITT takes great pride in its systems for effectively managing financial aid, and for ensuring that its students and prospective students are fully aware of all the financial aid programs potentially available to them. These systems were developed over time and at great expense to the School. Accordingly, they are proprietary. Because the document contains intricate details of these systems, its release to the School's competitors would place the School at a competitive disadvantage. Any discussion of the document in the Report thus only should cite to the document for support, rather than including any part of it as a publicly disclosed attachment.

Document 48 (ITT-00064242): This document contains a chart entitled "How many Phone Calls is Good," that contains various suggested time allocations for admissions representatives. The Report should not include this document. The document was not created or approved by School management, and its association with any School employee is unclear. It thus would be misleading and improper to attribute the document to the School or draw inferences from it about School policies.

Document 49 (ITT-00065475–ITT-00065477): This document is a section of the ITT Procedure Manual entitled "Career Services Graduate Employment Definitions CS-2." The document sets forth in detail ITT's policies and procedures to track the in-field and related field employment of ITT alumni. The Report should not include this document. The School objects to the release of this document because it contains proprietary, business-sensitive information, the release of which would cause ITT competitive harm. This document is a portion of the ITT Procedure Manual in which the School sets out procedures on all relevant topics. ITT spent significant amounts of time and money developing these materials, which were produced to the Committee under an express claim of confidentiality. ITT invested substantial resources developing these "Graduate Employment Definitions" and their release would cause the school significant competitive harm. For these reasons, the Report should not include this document. Any discussion of the document in the Report only should cite to the document for support, rather than including any part of it as a publicly disclosed attachment.

Document 50 (ITT-00065349–00065503): This document appears to be a set of frequently asked questions regarding "Employment Classification." The Report should not include this document. As discussed in its objection to the inclusion of Document 49, ITT expends considerable resources in formulating these training materials and policies. Accordingly, ITT objects to the release of the document on the grounds it contains business-sensitive information, which, if released, would cause ITT competitive harm. Any discussion of the document in the Report only should cite to the document for support, rather than including any part of it as a publicly disclosed attachment.

Document 51 (ITT-00080730): This document is in internal email between a campus-level official and the ITT headquarters Regulatory Affairs Manager. The document moots and evaluates a proposed mechanism (above and beyond accreditor requirements) to convey tuition increases to students. Ultimately, this mechanism was not adopted. The Report should not include this document. The School strongly objects to the release of this document as it contains sensitive corporate-level internal deliberative material. This material is business-sensitive because, if it was disclosed, it would give competitors insight into ITT's strategic thinking on methods for conveying tuition increases to students. It bears emphasis that—in a show of extraordinary cooperation—ITT voluntarily produced this document and other internal deliberative materials to meet the Committee's apparent need for information. The School did so under an express claim of confidentiality, and with every expectation that the Committee would work with ITT to meet the Committee's legitimate needs for information while ensuring that ITT's sensitive internal deliberations were not made public. ITT is disappointed that its confidentiality designations have been ignored. The disregard for ITT's claims of confidentiality may have profound implications for the future willingness of parties to voluntarily produce sensitive internal deliberations to the Committee. For these reasons, the Report should not include this document. Any discussion of the document in the Report only should cite to the document for support, rather than including any part of it as a publicly disclosed attachment.

Document 52 (ITT-00080791–ITT-00080792): This document is a "Private Education Loan Application and Solicitation Disclosure" for a private education loan from Library Bank. This document is not an ITT document and has no direct relationship to the School. Accordingly, ITT objects to any attribution of the document to ITT.

Document 53 (ITT-00119308–ITT-00119312): This document is an internal ITT accounting spreadsheet. The Report should not include this document. The School objects to the inclusion of this document because it contains highly confidential and business-sensitive accounting and performance-related information. For the reasons discussed in the School's objection to the inclusion of Document 51, the inclusion of this document in the Report would be highly inappropriate.

Documents 54 (ITT-00123921–ITT-00123922): This document is an email forwarding Document 55, ITT's "2010 Military Marketing Plan." Both of these documents discuss ITT's efforts to recruit military students in 2010. The Report should not include this document. The document contains business-sensitive information that, if released, would cause ITT competitive harm. The School invests a considerable amount of time and money in its unique marketing program. ITT voluntarily produced its internal marketing materials under an express request for confidentiality and with the understanding that the Committee's need for information would be balanced against causing ITT competitive harm. The fact that these materials are not current marketing plans is of no account. The School, like most companies, builds its marketing plans off of prior year plans, and therefore the 2010 marketing plan provides considerable insight into ITT's current marketing plan. This document accordingly should not be included in the Report. Additionally, the document contains employee information that should not be made public. If the Report discusses aspects of this document, it only should cite to the document for support, rather than including any part of the document as a publicly disclosed attachment.

Document 55 (ITT-00123927–ITT-00123933): The Report should not include this document for the reasons discussed in the School's objection to the inclusion of Document 54.

Documents 56 (ITT-00124630–ITT-00124631): This email and attached documents reflects the administrator of the Little Rock campus informing ITT headquarters that an ACICS visit report cited the campus for ethical lapses. The Report should not include this document. As indicated in the document, the conduct of the campus administrator cited in the ACICS report was antithetical to the standards of conduct expected of School employees, especially campus administrators. Indeed, as shown in the document, the administrator tendered his resignation as soon as the ACICS report was published and before the School could take disciplinary action of its own. It accordingly would be misleading to include this document in the Report or suggest that the conduct of the administrator reflects practices or policies of the School. Additionally, the document contains employee names and information that should not be disclosed to the public.

Document 57 (ITT-00124632–ITT-00124638): This email and attached documents reflects the administrator of the Little Rock campus informing ITT headquarters that an ACICS visit report cited the campus for ethical lapses. The Report should not include this document for the reasons discussed in the School's objection to the inclusion of Document 56.

Document 58 (ITT-00124829–ITT-00124830): This email and attached documents reflects the administrator of the Little Rock campus informing ITT headquarters that an ACICS visit report cited the campus for ethical lapses. The Report should not include this document for the reasons discussed in the School's objection to the inclusion of Document 56.

Document 59 (ITT-00133682–ITT-00133699): This document shows a presentation prepared for the ITT Board of Directors and presents forward-looking options to deal with the Department of Education's harmful "gainful employment" regulations. The Report should not include this document. The document is filled with highly sensitive, forward-looking, proprietary information. Releasing this information would place ITT at a profound competitive disadvantage. Again, it bears emphasis that ITT took the extraordinary step of voluntarily producing this document with the hope that the Committee would protect the School's sensitive, forward-looking information. Unlike other companies, ITT has produced a great deal of sensitive internal information and has done so in good faith. ITT should be rewarded for its level of cooperation, not harmed. For these reasons, the Report should not include this document.

Document 60 (ITT-00139934–ITT-00139935): This document is an internal email between high-ranking ITT executive officers, including the then-CEO Rene Champagne. The email contains a discussion regarding the setting of future tuition rates, and also contains internal analysis of an ITT earnings call. The Report should not include this document. ITT objects to the release of this document, which contains sensitive, forward-looking deliberations at the highest levels of the School, and which, if released, would cause ITT lasting harm. Internal, forward-looking discussions of strategy among ITT's highest-ranking officials are some of the most sensitive internal documents. Their release would provide a competitor with insight into ITT's future strategic plans, allowing that competitor to obtain a substantial advantage over ITT going forward. Again, it bears emphasis that ITT took the extraordinary step of voluntarily producing internal deliberations among ITT's highest-ranking executives with the hope that the Committee would protect ITT's sensitive forward-looking information. For these reasons, and the reasons discussed in the School's objections to the inclusion of Document 51 and Document 59, public release of this document would be manifestly improper.

Document 61 (ITT-00140384): This document is an email between ITT employees discussing potential opportunities for expanding the number of military personnel educated at ITT. The Report should not include this document. This document contains business-sensitive information, and its release would harm ITT's competitive position as explained in its objections to the inclusion of Document 60. The School also is concerned based on the prior report, *Benefitting Whom? For-Profit Education Companies and the Growth of Military Educational Benefits*, that the Report will misconstrue this document to support the narrative that ITT and other schools are aggressively recruiting military students for 90/10 purposes. As discussed in the School's objection to the inclusion of Document 44, ITT takes great pride in educating veterans and military personnel.

Document 62 (ITT-00144035–ITT-00144040): This document is a "Military Recruitment Proposal" which is clearly denominated a "draft" document. The Report should not include this document. ITT also objects to the release of this document for the reasons stated in its objections to the inclusion in the Report of Document 54, Document 55, and Document 61.

Document 63 (ITT-00144495–ITT-00144497): This document is an internal email among ITT corporate-level officials discussing common reasons for students to drop out and possible solutions. The Report should not include this document. ITT objects to the release of this document on the ground that it contains business-sensitive information, which, as explained in its objection to the inclusion of Document 60, would harm the School if released.

Document 64 (ITT-00144499–ITT-00144500): This document shows an email between School employees regarding aspects of the School's effort to inform members of the military about its educational offerings. The Report should not include this document. The document contains forward-looking, business-sensitive, and proprietary information regarding the School's planned approach to reaching military members. The School developed this approach at significant cost, and its release to the School's competitors would cause the School significant harm. Additionally, the document contains a number of employee names and contact information. If the Report discusses aspects of this document, it should cite to the document for support, rather than including any part of the document as a publicly disclosed attachment.

Document 65 (ITT-00146556–ITT-001465559): This document is a summary of transaction details for the Program for Education and Knowledge Access ("PEAKS"). The Report should not include this document. The document contains highly sensitive business and propriety information, the release of which would cause substantial harm to the School. The document specifically shows information regarding projected business arrangements and revenue figures, "loan performance scenarios," and default-rate "assumptions." Because of the inclusion of this extremely sensitive and forward-looking information, the School marked this document "Confidential for Internal Discussions Only." Additionally, the School objects to any suggestion that this document or any aspect of the PEAKS program reflects an "institutional lending program." As explained in a letter sent February 22, 2011, and reiterated to majority staff on June 13, 2012: "[A]n 'institutional lending program' is generally defined as a program in which the school is *itself* the lender or directly guarantees the loan. . . . ITT does not provide, through the PEAKS Program or any other program, interest-bearing loans to students from its own funds. As with almost every other educational institution, ITT has a variety of third-party lenders to which it refers students for their educational needs." Letter from Michael Bopp to Elizabeth Stein, at 1 (February 22, 2011) (emphasis in original). The PEAKS program thus is not an institutional lending program. For these reasons, the Report should not include or reference this document. The School produced the document in an unredacted form with trust that the Committee would treat the document as confidential and guard against its release. That trust should be rewarded, not breached by the release or reference of this document in the Report.

Document 66 (ITT-00146861–ITT-00146863): This document shows a series of emails between School employees regarding changes in the Federal Family Education Loan ("FFEL") program and the School's monitoring and management of its cohort default rates ("CDR"). The Report should not include this document. The document contains forward-looking and business-sensitive information regarding anticipated CDRs related to the operation of the FFEL program. The release of this information to the School's competitors would cause harm to the School. The document also contains employee names and contact information that should not be made public. If the Report discusses aspects of this document, it should cite to the document for support, rather than including any part of the document as a publicly disclosed attachment.

Document 67 (ITT-00147688–ITT-00147689): This document shows an email from a Deutsche Bank employee to a School employee regarding the PEAKS program. For the reasons discussed in the School's objection to Document 65, among others, the Report should not include this document. The document contains especially sensitive business information regarding assumptions about the projected operation of the PEAKS program under a range of factors. The School would be seriously harmed by the release of this speculative, but critically confidential information. The Report accordingly should not include or reference this document.

Document 68 (ITT-00152244–ITT-00152245): This document shows a series of emails between School employees regarding the selection of financial aid coordinators ("FACs") to help various individual campuses of the School contact students who have outstanding accounts receivable balances. The School also uses a similar employee selection and assignment program to lend help to campuses that are short-handed in other areas, such as career services and registration. The Report should not include this document. The volunteer FAC assignment program described in the document is a unique program developed by the School through a process of significant trial and investment. Its public disclosure accordingly would give an unfair advantage to the School's competitors who have not developed a similar program. The document also contains a number of employee names and contact information. If the Report discusses aspects of this document, it thus only should cite to the document for support, rather than including any part of the document as a publicly disclosed attachment.

# # #

Please feel free to have your staff contact me in connection with this letter.

Sincerely,

Michael D. Bopp

cc: The Honorable Michael B. Enzi
Ranking Member
U.S. Senate Committee on Health, Education, Labor, and Pensions

EXHIBIT A

KAPLAN

ANDREW S. ROSEN
Chairman and CEO

May 26, 2011

The Honorable Tom Harkin
Chairman
Committee on Health, Education, Labor,
and Pensions
U.S. Senate
Hart Senate Office Building
Washington, D.C. 20510

Dear Chairman Harkin:

I am writing to set forth Kaplan, Inc.'s perspective on the issues raised in your remarks on the Senate floor last Thursday, May 18, and in hearings this past year before the Senate Committee on Health, Education, Labor, and Pensions. I request that this response be inserted in the Congressional Record.

If I may paraphrase what I see as the overall theme of your remarks, it is this: that many for-profit schools care only about profits and use high-pressure tactics to induce unsuspecting students to sign up for programs of dubious value that leave them with mountains of debt, to the detriment of the students and the taxpayer alike. I write to assure you that this is not true of Kaplan. In particular, as explained below:

- Kaplan has taken dramatic steps to demonstrate its commitment to students above profit—by, among other things, allowing students to withdraw after an initial 4 or 5 weeks (or, if they are unlikely to succeed, requiring them to withdraw) without incurring any tuition obligation or debt.

- Kaplan has achieved extraordinary results for its students. We graduate the high-risk students we serve at twice the rate of public and non-profit institutions, and at a fraction of the cost to the taxpayer. Our graduates find jobs in their chosen field and are overwhelmingly satisfied with their education.

- Kaplan students are not defaulting at excessively high rates relative to their demographics or in excessively high dollar amounts. Indeed, students at for-profit colleges as a whole account for less than one quarter of the total defaulted

> debt—a significantly smaller share than either the public or non-profit sectors, and broadly in proportion to their percentage of borrowing.

These are some of the reasons why a healthy for-profit higher education sector is an essential element of the nation's educational strategy—a point that I will briefly address at the outset.

1. For-Profit Education Is an Essential Element of the Nation's Educational Strategy.

President Obama has set a goal of leading the world in the percentage of college graduates by 2020—we now rank #12.[1] As the Department of Education stated last year: "The President's goal cannot be achieved without a healthy and productive higher education for-profit sector." The public and private non-profit sectors alone cannot do the job. They do not have the capacity to serve all who must be served if the President's vision is to become a reality. And so the for-profit sector is critical to the nation's overall educational strategy.

Mr. Chairman, we agree with what you said in your Report of June 24, 2010:

> For-profit schools are an important part of the mix of postsecondary institutions. They increase access to higher education by providing needed capacity as well as innovative options that can make it easier for students to complete their postsecondary education while managing work and family obligations.[2]

From time to time, there seems to be an undercurrent in the discussion about for-profit institutions that they have inherent conflicts that prevent them from playing a healthy and productive role in higher education. That is no more true of education, I submit, than it is of any other field. There is nothing wrong with relying upon free-market principles to create the necessary capacity—and the necessary innovation—to serve the non-traditional students whose needs are not met by the non-profit and public sectors. It has been suggested that for-profit institutions have an obligation to maximize profits at the expense of service to students. That is not the way we think at Kaplan. We are in the field of education for the long-term, and we are certain that establishing a reputation for quality education is more in our interest than merely pursuing short-term profits. Below I offer some evidence that we are succeeding, and that our students and taxpayers alike are well-served by our efforts.

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[1] Organization for Economic Co-Operation and Development, *Education at a Glance 2010,* Table A1.3a, available at http://dx.doi.org/10.1787/888932310092.

[2] *Emerging Risk?: An Overview of Growth, Spending, Student Debt and Unanswered Questions in For Profit Education*, U.S. Senate Health, Education, Labor and Pensions Committee (June 24, 2010), at 1.

2. **Kaplan Does a Better Job of Graduating Non-Traditional Students than Public and Private Non-Profit Institutions—at a Fraction of the Cost to the Taxpayer.**

   a. **Kaplan's Graduation Rate Is Twice the National Average for the Students It Serves.**

There has been a lot of discussion about the dropout rate and graduation rate at for-profit institutions. But what I have not heard is any mention of the fact that *nationwide, at all two and four-year institutions—public and private, for-profit and non-profit—fewer than half of college students graduate, and fewer than one-third graduate on a normal schedule.*[3] Those are the numbers for *all* students, including those at elite universities whose 90+ percent graduation rates significantly skew the average upwards. As shown below, among the non-traditional, high-risk students that Kaplan and many other for-profit institutions serve, the national graduation rate is even lower— far lower, in fact, than Kaplan's.

Kaplan serves non-traditional students who face many more obstacles than the typical college student. At Kaplan, almost 40 percent of our students are single parents, and over 75 percent come from low-income backgrounds. They are primarily adult learners, with an average age of more than 30 years. Three-quarters are women. Many work full-time or part-time. More than half have dependents. The Department of Education has identified seven "risk factors" that decrease the chance that a student will actually graduate from college. Nationwide, the average undergraduate has 1.5 of these seven risk factors; the average Kaplan undergraduate student arrives with four.

For-profit schools like Kaplan not only attract a higher percentage of these at-risk students; they do a superior job of graduating them. Below is a graph that compares the graduation rate of undergraduate degree students (Associate's and Bachelor's degrees) at Kaplan with the national average at all colleges and universities (public, non-profit, and for-profit).[4] It shows that *among undergraduate students with two or more risk factors—the kind of student that*

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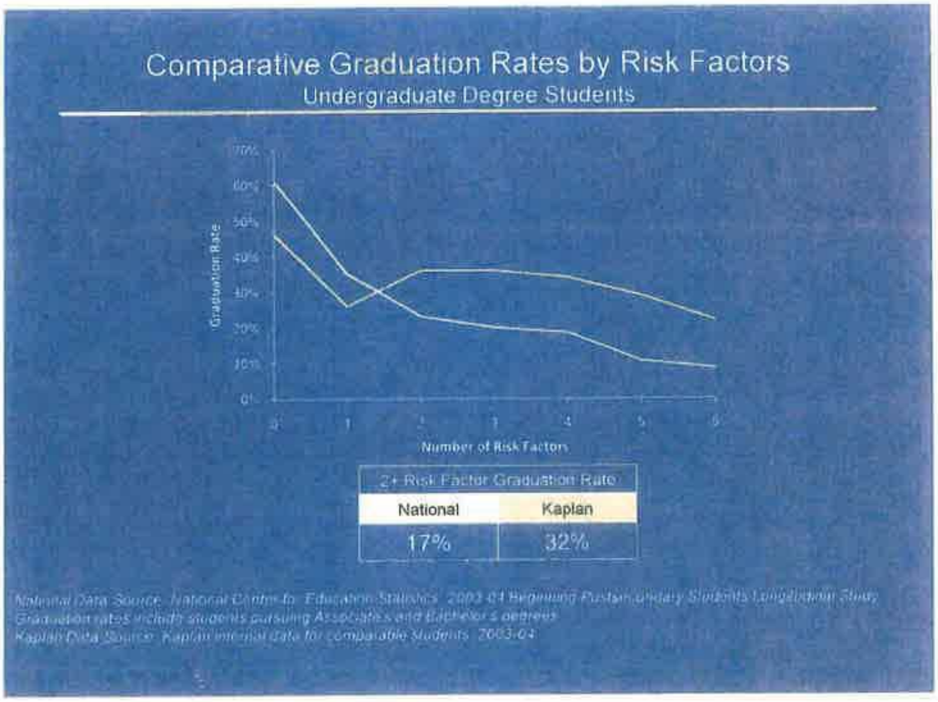
[3] Our analysis of data extracted from IPEDS Data Center indicates that the average graduation rate (using the standard measure of graduation within 150 percent of normal time) for all two and four-year institutions, weighted by enrollment, is 44 percent—25 percent at two-year institutions and 53 percent at four-year institutions. (http://nces.ed.gov/ipeds/datacenter/login.aspx). The Department of Education's most recent report indicates that 31 percent of students at two-year institutions and 57 percent of students at four-year institutions graduated within 150 percent of normal time, and that only 18 percent of students at two-year institutions and 36 percent of students at four-year institutions graduated on a normal schedule. That report does not provide a combined graduation rate for two and four-year institutions. *See Enrollment in Postsecondary Institutions, Fall 2009; Graduation Rates, 2003 & 2006 Cohorts; and Financial Statistics, Fiscal Year 2009* (NCES 2011-230), U.S. Department of Education, Table 10.

[4] The analyses reflected in the two graphs in the text are based on a 2003 student cohort interviewed at years one, three and six after college entry.

Kaplan serves— Kaplan students graduate at a rate that is almost two times the national average (32 percent at Kaplan versus a national average of 17 percent).



The story is the same among students in programs that are two-years long or shorter— students pursuing Associate's degrees and certificates. Here again, as the next graph shows,[5] *students with two or more risk factors graduate from Kaplan at a rate that is almost two times the national average* (58 percent at Kaplan versus 30 percent at public institutions).[6]

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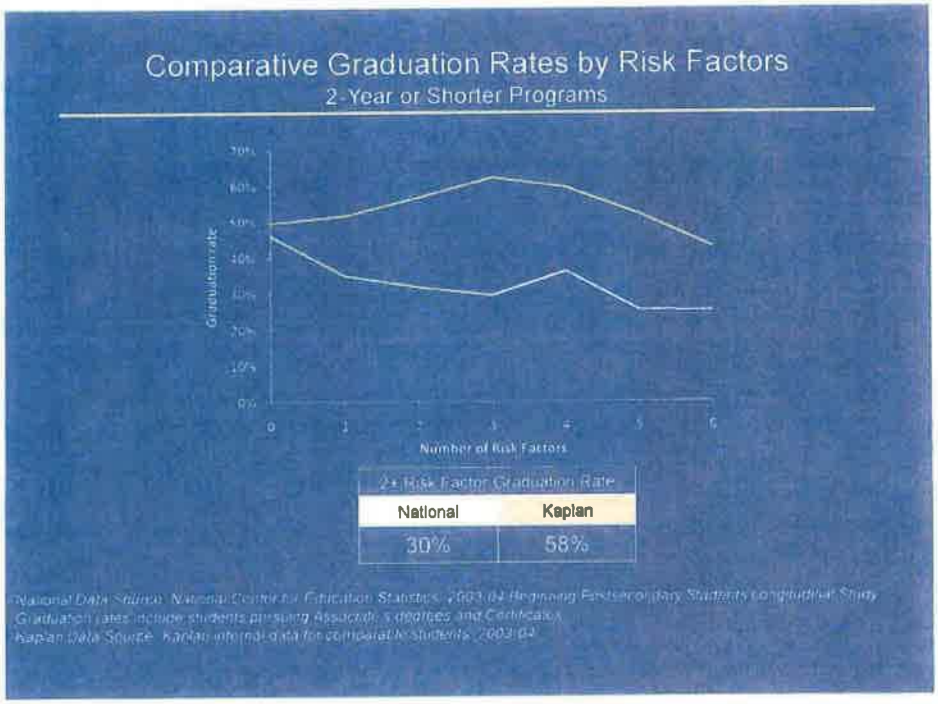
[5] We included only public institutions in this comparison because independent non-profit institutions, for the most part, do not offer Associate's degree and certificate programs.

[6] Other studies reach the same result. *See* Robert J. Shapiro and Nam D. Pham, Taxpayers' Costs to Support Higher Education: A Comparison of Public, Private Not-for-Profit, and Private For-Profit Institutions, at 19 (showing substantially higher graduation rates at 2-year and less-than-2-year for-profit institutions); Roger Lytle, Roger Brinner and Chris Ross, *Parthenon Perspectives on Private Sector Post-Secondary Schools* (March 12, 2010), at 13 (showing significantly higher percentage earnings growth among graduates at 2-year and less-than-2-year proprietary schools).

The Honorable Tom Harkin
May 26, 2011
Page 5



For-profit institutions are often compared to community colleges. We agree that many community colleges are doing an admirable job serving the same kind of non-traditional students whom we serve. The Obama Administration has singled out a number of community colleges in recent months for their extraordinary work, and we too salute those schools. But the graduation rates at some of the community colleges that the Administration has singled out are as low as two and four percent.

In short, the graduation problem is not one that is confined to the for-profit sector. In fact, as these graphs show, the graduation story at Kaplan is one of success, not one of failure. Last year, more than 43,000 individuals graduated from Kaplan Higher Education schools. And, just this past February, Kaplan University produced another 5,600 new graduates. If every student with two or more risk factors went to an institution with Kaplan's graduation rates, our country would have an additional 800,000 graduates per year, and we would be well on our way to achieving President Obama's goal of increasing the percentage of Americans with college credentials.

b. For-Profit Institutions Cost the Taxpayer a Fraction of What Public and Non-Profit Institutions Cost

It has been said that for-profit institutions are much more costly to the federal government than public institutions, when you consider the amount of defaulted debt owed by students who attend for-profit institutions. But for-profit institutions are far *less* costly to the taxpayers when *all* of the costs to the federal, state and local governments are considered. Community colleges and other public colleges and universities are heavily subsidized by state and local governments. Non-profit colleges and universities also receive government grants of various kinds. A recent study prepared by Robert J. Shapiro (Undersecretary of Commerce for Economic Affairs under President Clinton) and Nam D. Pham compared all of the government support, direct and indirect, provided to private sector for-profit colleges, public colleges, and private non-profit colleges. The study concluded that *over the course of a four-year program, public colleges receive six-and-a-half times as much money from the taxpayers on a per-pupil basis ($15,540) as private sector (for-profit) institutions do ($2,394). Even private non-profit colleges receive more taxpayer support on a per-pupil basis than for-profit colleges—in fact, almost three times as much ($7,065 versus $2,394).*[7]

In short, Kaplan graduates non-traditional students at twice the rate of the public and non-profit sectors, at a fraction of the cost to the taxpayers.

3. **Kaplan Students Are Satisfied with the Education They Receive and the Outcomes They Achieve.**

Across the board, our students are achieving the learning outcomes they, and we, expect—and the vast majority are satisfied with the quality of the education they are receiving. Our surveys show that our students feel challenged and work harder than they expected they would have to work to meet faculty expectations. *More than 80 percent of Kaplan University graduates last year reported that they would refer others to Kaplan University.* More than 70 percent said that they have plans to seek additional education. Similarly, *more than 80 percent of students enrolled in our on-ground campuses reported this year that they would recommend Kaplan to a friend.*

We also know that we are helping our graduates advance in their careers. For Kaplan Higher Education students enrolled in our 70 on-ground campuses, *Kaplan had an overall average job placement rate of 74 percent in 2010 and 82 percent in 2009, despite a challenging economic environment.* These figures are no accident: we employ 292 career services staff at our campuses and online university. They provide resume review, job search assistance, interview preparation, career coaching, and career fairs with potential employers. At Kaplan University, where most students are not looking for new jobs, but are looking to advance in their existing careers, our surveys tell us that *75 percent of our graduates feel that their education at Kaplan prepared them "adequately," "more than adequately," or "exceptionally well" for their current job.*

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[7] *See* Robert J. Shapiro and Nam D. Pham, Taxpayers' Costs to Support Higher Education: A Comparison of Public, Private Not-for-Profit, and Private For-Profit Institutions, at 46. The study was paid for by Kaplan; the analysis was solely that of the authors.

4. **Kaplan Students Are Not Defaulting at Excessively High Rates or in Excessively High Dollar Amounts.**

It should not be surprising that default rates at for-profit institutions are higher than at public institutions. Students at for-profit colleges have higher debt levels than students at public institutions, because the government directly subsidizes students at public institutions, without expecting repayment. Nor should it be surprising that default rates are higher at for-profit institutions than at independent non-profit institutions. All other things being equal, one would expect a higher default rate among the high-risk, relatively low-income population we serve. The Government Accountability Office has found that default rates are a function of student demographics, not quality of programs, stating in an August 2009 report that "[v]ariations in default rates across school sectors may reflect the characteristics of the students who attend the schools, according to academic research studies. . . . [T]here are multiple demographic characteristics of borrowers that correlate with higher default rates."[8]

The two-year cohort default rate at Kaplan University is 17.5 percent, and the two-year cohort default rate at Kaplan Higher Education campuses ranges from 9.8 to 24.3 percent. These rates are similar to default rates at other institutions that serve significant percentages of low-income students. However, the two-year cohort default rate *for our graduates* is 3.1 percent at Kaplan University and 9.7 percent at the rest of Kaplan Higher Education. These are the students who get the full value of a Kaplan education and, accordingly, incur the most debt. They meet their loan obligations at a rate consistent with other, publicly funded, institutions. Furthermore, debt levels of those who leave school early, and who account for the vast majority of defaults, are relatively low. *In fact, the average debt among Kaplan non-graduates who default is $4,400. The average debt of our graduates who default is less than twice that amount—$7,700.* These are not insignificant amounts, but neither are these students burdened with "mountains of debt."

Nor is the federal government exposed to large losses in its student loans. Even *defaulted* debt is not *unpaid* debt. According to the Office of Management and Budget, when you consider the interest payments on student loans, the Department of Education collects $113 for every $100 of *defaulted* debt.[9] In other words, even when a borrower goes into default, the government ends up collecting at least enough money to more than cover the principal amount owed.

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[8] GAO Report GAO-09-600, *Proprietary Schools: Stronger Department of Education Oversight Needed to Help Ensure Only Eligible Students Receive Federal Student Aid*, at 19 (August 2009).

[9] This amount includes principal, interest, and fee collections and does not reflect deductions for collection costs that are billed to defaulted borrowers. *See* Office of Management and Budget, Federal Credit Supplement, Budget of the U.S. Government, President's FY2012, Table 5 (Direct Loans: Assumptions Underlying the 2012 Subsidy Estimates).

5. **Students at For-Profit Colleges Account for a Significantly Smaller Share of Defaulted Debt than Either the Public or Non-profit Sectors.**

According to Department of Education data, students attending for-profit institutions in 2008-09 accounted for approximately 20 percent of the students receiving financial aid that year. Students attending for-profit institutions received 23 percent of Federal student loan and grant *dollars.* And for-profit students accounted for 24 percent of the defaulted dollars.[10] The chart below compares the percentage of total dollars defaulted that is attributable to each of the three higher education sectors to the percentage of total dollars that entered repayment from the three sectors in 2009.

Sector	2009 % of Dollars Entering Repayment	2009 % of Dollars Defaulted
Public	46%	44%
Private	35%	32%
For-profit	18%	24%

As these figures show, for-profit college students do not account for the lion's share of dollars defaulted; they account for the smallest portion—in line with their share of the total loan dollars entering repayment. In fact, *the percentage of total defaulted dollars attributable to for-profit students (24 percent) mirrors almost exactly the percentage of total grant and loan dollars that is given to for-profit students (23 percent). And the for-profit students' share of defaulted dollars is only 6 percentage points higher than their share of loan dollars entering repayment—a difference that is easily explained by the demographic characteristics of students attending for-profit schools.*[11]

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[10] U.S. Department of Education 2009 "GE-Data-Model."

[11] In past remarks, you have stated that: "Proprietary colleges account for only 10 percent of students enrolled in higher education, but those students receive 23 percent of Federal student loans and grants, and account for 44 percent of defaults." Statement of Senator Tom Harkin (D-IA), September 30, 2010. The 10 percent figure, however, understates the percentage of students enrolled in proprietary schools. It is based on the number of degree seeking students at a single point in time, rather than the total number of students who attend college annually. It fails to include students in vocational certificate programs and students who stop and start their studies in the course of the year. The 23 percent figure is actually the percentage of federal financial aid *dollars* that goes to proprietary school students, not the percentage of the total number of loans and grants, and the 44 percent figure is the percentage of the *number*, not the dollar amount, of student defaults attributable to the proprietary sector.

6. Kaplan Has Taken Dramatic Steps To Address the Committee's Concerns.

None of this is to suggest that at Kaplan we are content with the current picture. We believe that we can do better on every front. We have recently taken dramatic steps that we are convinced will reduce student debt and default rates, increase graduation rates, and protect students against the kinds of practices that have been the subject of attention by the Committee.

The best way we could think of to address all of the concerns that have been raised is to offer all students a free "trial" period during which they—and we at Kaplan—can decide whether Kaplan is right for them. If the student leaves at the end of that period, she owes us nothing—and the government pays us nothing. We call this program the Kaplan Commitment.

The Kaplan Commitment builds upon an important observation: most of our dropouts occur relatively early in the process. Even before the Kaplan Commitment was implemented, we spent a lot of time and effort in the early period identifying those students who cannot succeed. Most of those who drop out early have done so because we have determined that they cannot do the work that is required. The Kaplan Commitment allows those who cannot do the work—or who for any reason decide that our program is not for them—to leave *without paying any tuition or incurring any debt*.

With the Kaplan Commitment, students have a 4 or 5-week conditional acceptance period during which they are enrolled in actual classes in their programs. During this period, they can decide, without any financial risk, whether Kaplan is right for them—and Kaplan can conduct academic assessments to determine whether students are likely to succeed. Only those students who are progressing adequately are fully accepted into a program and charged tuition for the initial classes. What this means is that *not a penny of federal aid—in the form of grants or loans—is drawn for any student unless the student (a) successfully completes the first 4 or 5-weeks of the program and (b) decides to continue*.

We began implementing the Kaplan Commitment in November 2010, and our experience has been interesting: two-thirds of those who have left within the initial trial period have done so because we have determined that they are unlikely to succeed. As a result of the Kaplan Commitment, we expect that the graduation rate among those who incur any expense will increase—because a mutual decision will have been made after a trial period that the program is a good match for them. We also anticipate that this will reduce our students' default rate, because graduates are less likely to default.

The Kaplan Commitment should also alleviate concerns about overly aggressive recruitment practices (although, as explained below, we have taken other steps to make sure that the recruitment process conforms to best practices).[12] If a student feels that she made a mistake

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[12] At various times, you have quoted from a document produced by Kaplan to the Committee that spoke of raising "fear, uncertainty, doubt" about competitors' offerings and another document that referred to

by enrolling—either because of misunderstandings or perceived pressure during the admissions process, or because she does not feel that she can handle the work, or for any other reason—she can simply withdraw at any time during the initial period without incurring any debt at all.

The Kaplan Commitment will be costly, but we believe that it will make our company stronger in the long run—because it will enable us to better serve the at-risk population that looks to us for educational opportunities. We want to be a recognized leader in education. And that long-term goal is, we assure you, far more important to us than short-term profits.

Even before implementing the Kaplan Commitment, Kaplan took steps to tighten its admission standards and ensure that students who are admitted have a chance to succeed. In 2009, Kaplan Higher Education stopped enrolling "Ability To Benefit" students—that is, students who lack a high school diploma or its equivalent. Since 2008, all Kaplan Higher Education campuses have required all incoming students to take an entrance exam (Wonderlic Scholastic Level Exam) to gauge their academic capability and their ability to complete their studies successfully. In 2008, Kaplan University adopted a new assessment system to evaluate prospective students. The Academic Readiness Assessment measures a student's likelihood of completing college coursework without the need for foundational coursework. Some students are denied admission, some are required to take a specific set of foundational coursework, and others move directly to college-level studies. Combined with the Kaplan Commitment, these actions are aimed at enhancing the likelihood that students who incur tuition obligations are able to succeed in their programs of study and find jobs in their chosen fields.

The Kaplan Commitment comes on top of the commitment we have made to provide full disclosure, up front, of all expected costs, graduation rates, and loan and funding options and responsibilities. We also have a system for verifying that all newly enrolled students have received complete and accurate information regarding their enrollment decision. With full disclosure of the relevant facts up front, and the free trial period provided by the Kaplan Commitment, there should be no one who can say that she incurred financial obligations because of misrepresentation or undue pressure.

7. Conclusion

At Kaplan we serve students who face more than their share of challenges. But with the solid foundation that we have built over the last decade—and the additional measures we have taken in recent months—we fully expect to achieve results that will continue to outpace institutions serving a similar student population. In fact, we expect that we will be able to

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uncovering prospective students' "pain." These documents were developed by a third-party vendor, were not officially sanctioned, and had very limited circulation within Kaplan before they were removed from use when subjected to review by Kaplan officials in the central office. They do not reflect Kaplan's approach to recruiting.

achieve results that compare favorably with those of institutions that serve a much more traditional student population.

I am consistently moved at our graduation exercises by the pride and sense of accomplishment that I see in our students' faces. Frequently the voices of celebration in the audience are those of our graduates' children, who look upon their parents as role models for the proposition that hard work and study really matter. Our graduates – often from limited means – have taken their place as important contributors to the American story.

Mr. Chairman, your staff got a glimpse of what a Kaplan degree means to our students when they visited our campus in Des Moines, Iowa last October. They came upon a woman crying in the library. The woman, who was retiring from the Army, explained that she had just seen the Associate's degree that she was about to receive, and for which she had worked so hard. Her tears, it turns out, were tears of joy. This student is typical of the tens of thousands of Kaplan students who received their degrees last year.

As your Committee continues its work, I hope that there will be more recognition of the contributions that Kaplan and other for-profit higher education institutions have made in the past, and of the significant measures that we have taken to ensure that in the future our programs reflect the aspirations of your Committee and serve the interests of our students and the taxpayers alike.

Sincerely,

Andrew S Rosen

Andrew S. Rosen

cc: The Honorable Richard Durbin
The Honorable Michael Enzi

STATEMENT SUBMITTED BY KAPLAN, INC.

Kaplan appreciates the opportunity to submit a statement to be included with the Majority report being issued by the HELP Committee. Because we have not been given an opportunity to review the report itself, however, we are not in a position to respond to it. We are only able to provide a comment on Kaplan's experience with the Committee, and to register our concerns as to certain supplementary materials that we understand will accompany the report.

From the beginning of this Committee's inquiry into the proprietary higher education sector, Kaplan has been a model of cooperation. Kaplan has made itself available to respond to the Committee's every request for documents and information, and our leaders have offered to appear before the Committee to discuss the key issues facing higher education today. Under these circumstances, we are understandably disappointed at the limited manner in which our participation has been utilized, and in the impression that these proceedings, and the final report, have been carefully managed to support a general narrative about the higher education sector without due regard for the specific facts about Kaplan.

KAPLAN'S PRIOR SUBMISSION ON CRUCIAL POLICY ISSUES

Over a year ago, Kaplan sent Senator Harkin a letter (dated May 26, 2011) from Andy Rosen, our Chairman and CEO. Mr. Rosen's letter provided key information on the critical policy issues facing this Committee, including the achievements of Kaplan students and the facts about the relatively low measures of student indebtedness at Kaplan, as well as data about the innovative benefits that Kaplan has introduced to its students, such as the Kaplan Commitment.

Kaplan requested that the letter be made a part of the record in connection with the Committee's proceedings. The letter contains important facts and policy considerations for the Committee -- elements that may well be absent from the Majority report, but are crucial for a productive understanding of the higher education sector.

Accordingly, we now renew our request for that letter to be added to the record, and have attached a copy of the letter as Exhibit A to this statement. The letter, along with this statement, also will be made publicly available at a Kaplan website.

FLAWED CHARTS
PERTAINING TO KAPLAN

It is Kaplan's understanding that the Majority report will be accompanied by charts and graphs purporting to summarize data about the companies that provided information to the Committee. Kaplan has not been consulted regarding any such materials pertaining to our schools.

We are concerned that the charts created by the Committee will be based on inaccurate data or have been selectively crafted to support a narrative -- presumably, that proprietary schools invariably provide poor student outcomes at a disproportionate cost relative to traditional, publicly-subsidized schools -- that is simply not accurate when applied to Kaplan. Errors and misstatements of this nature could have been avoided by engaging with Kaplan when these materials were created.

This is particularly troubling because at every turn, Kaplan has endeavored to assist the Committee and has provided the information requested of us, in the specific ways and formats requested by the Committee. It should not be difficult to generate accurate charts and a fitting narrative based on that information. However, these charts fall well short of that standard.

We do not know on which sources the Committee relied to create the charts that pertain to Kaplan, or how the Committee arranged the data from those sources; but the charts do ***not*** tell an accurate story about Kaplan's students or a Kaplan education. For example:

Chart regarding Net Income

As an initial matter, the Committee created a chart to illustrate the net income ("profit") of Kaplan Higher Education Corporation from 2006 to 2009. ***This chart materially overstates the net income of the company during that time, by an average of more than 40% per year***.

Kaplan provided its audited financial statements to the Committee. Those audited financial statements demonstrate that the actual net income of Kaplan Higher Education Corporation for each year was far less than the amounts included in the chart:

Audited Financial Statements		Committee Chart	
2006	$53 million	$75 million	(overstatement: 41.5%)
2007	$71 million	$84 million	(overstatement: 18.3%)
2008	$84 million	$126 million	(overstatement: 50.0%)
2009	$134 million	$212 million	(overstatement: 58.2%)

It appears that these errors in the Committee's chart were caused by treating operating income as "profit." However, as the audited financial statements expressly show, operating income, as that term is commonly used in business accounting, does not include significant expenses such as interest or taxes. This is particularly noteworthy because, unlike publicly-subsidized institutions, Kaplan pays taxes. This chart fundamentally misstates the company's "profit."

Chart regarding Relative Value

The Committee also created a chart to compare the cost of degrees from Kaplan University and from publicly-subsidized state schools (the University of Iowa and Eastern Iowa Community College). The chart fosters the impression that a Kaplan University degree invariably costs more. That is not the case.

The chart selectively chooses to compare the cost of the most expensive 4-year degrees offered by Kaplan University ($66,417) with an average cost of a 4-year degree from the publicly-subsidized school ($43,816).[1] That is misleading. It is further misleading that the chart takes no account of the Advanced Start degree program and other programs offered by Kaplan University, in which students who have earned credits at other nationally or regionally accredited institutions -- a meaningful segment of our student population -- can receive credit for their prior learning and significantly lower the cost of completing their 4-year degree. For example, the Advanced Start degree programs at Kaplan University cost approximately $36,000, a comparison that would be distinctly in favor of Kaplan University but is absent from the chart.[2]

More fundamentally, comparing the tuition costs of proprietary schools with publicly-subsidized schools is a misleading exercise to the extent it ignores the true cost to the taxpayer for each student attending the institutions. Publicly-subsidized schools, such as community colleges and state universities, receive federal support, state appropriations and other funds, in addition to the tuition they charge; they are also exempted from paying taxes. On the other hand, "for-profit" schools rely almost exclusively on tuition to fund their operations, and they pay state and federal taxes. When the full economic picture is considered -- as opposed to just a top-line comparison of tuition prices -- the total cost to the taxpayer is significantly less for a Kaplan University education than for an equivalent program at a community college or public university.[3]

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1 http://www.uiowa.edu/admissions/undergrad/costs/estimate-costs.htm

2 http://davenport.kaplanuniversity.edu/pages/tuition.aspx

3 *See, e.g.*, R.J. Shapiro and N.D. Pham, "Taxpayers' Costs to Support Higher Education: A Comparison of Public, Private, Not-For-Profit, and Private For-Profit Institutions" (Sonecon, Washington, DC, 2010).

<u>Charts regarding Student Outcomes</u>

Finally, the Committee created three charts to summarize outcomes of students who enroll at Kaplan schools. No one from the Committee asked for our assistance in analyzing the data underlying these charts, or explained to us how these charts were formulated. This is ill-advised for two principal reasons:

- First, because there was no universal standard set of definitions and rules that all schools followed in providing this data regarding student progress and outcomes, the data is inherently different from school to school, and apples-to-apples comparisons are impossible in the absence of imposing such a series of uniform definitions. For example, Kaplan applies stringent standards to its own student records that treat students not attending class as "drops" or "withdrawals," even if they are on an approved leave of absence or if they soon re-enroll (as often occurs); however, other schools may not consider a student "dropped" or "withdrawn" until and unless the student does not return to school for an extended period of time. This makes Kaplan outcomes appear less favorable than other schools, even though the underlying data is actually more favorable at Kaplan.

- Second, without a thorough understanding of these specific definitions and database codes utilized by each school, it would be impossible to create a uniform set of principles that treated each school fairly and accounted for the different ways of tracking and submitting this data.

Accordingly, our review of these charts indicates that they significantly understate the performance of Kaplan students, both for on-campus and online students.

Additionally, it is important to note that these charts indicate they are based on outdated data (2009) and therefore do not come close to accurately representing student outcomes at Kaplan schools today. ***In particular, these charts do not reflect the positive impact that the Kaplan Commitment has had on student outcomes***.

Kaplan introduced the Kaplan Commitment nearly two years ago (in November 2010). By allowing newly-enrolled students to experience our college-level learning environment for up to five weeks without obligation and without incurring any tuition costs, the Kaplan Commitment greatly benefits our students and our schools: students who find that Kaplan is not a good fit for them, or who are unlikely to succeed, have the opportunity to leave without taking on debt; while the students who choose to remain are far more likely to complete their programs of study and ultimately enter the workforce with a college degree.

Of course, the federal government and taxpayers benefit as well, because the students who leave during the Kaplan Commitment trial period do not require financial aid.

This highlights a fundamental problem inherent in the Committee's report: it is based largely on information about the higher education sector as it existed years ago, not as it exists today.

This is particularly true about Kaplan, because of the Kaplan Commitment and many other initiatives we have implemented to improve the student experience and student outcomes. We implemented these changes because we believe it was the right thing to do; not because we had to comply with regulations, and certainly not because we wished to become more profitable: the Kaplan Commitment alone has meant that we voluntarily declined to charge students for millions of dollars in tuition for which they otherwise would have paid.

DOCUMENTS PERTAINING TO KAPLAN

When this inquiry began two years ago, Kaplan pledged our willingness to assist the Committee. Kaplan endeavored at every turn to be a respectful and helpful participant in the process. Again, it is disappointing that the Committee apparently has chosen to include in its report a tiny fraction of the documents provided by Kaplan, and to use those materials to portray Kaplan in an inaccurate and unflattering manner.

Kaplan believes strongly that the education sector -- just like any other sector overseen by Congress -- has room to improve, and should always strive to improve. Kaplan in particular, by launching the Kaplan Commitment and other innovations, has changed the game. We are continually creating the most engaging, supportive student experience possible, to produce graduates with the skills our economy needs. The documents collected here by the Committee (many of which are several years old) do not reflect any of that. Many of these documents are expressly labeled as draft discussions of concepts that were never implemented; others refer to events or activities that have not been used for years, or were prepared by third-party vendors and utilized on an isolated basis, if at all; others were unapproved and contrary to Kaplan's policies; and few, if any, of these materials depict current practices at Kaplan, such as the Kaplan Commitment.

There is a compelling story to tell about the Kaplan education of today. These documents do not even attempt to do so.

<u>Documents regarding Student Loan Default Rates</u>

Kaplan intends for all of our students to complete their programs, find good jobs, and repay any student loans they obtained to finance their education. We also recognize that many students withdraw before graduation, and may face a struggle to repay their student loans.

This is why Kaplan has default management personnel, who are tasked with assisting our current and former students to avoid default on their student loans. This is also why Kaplan provides financial literacy classes to our students, and counsels them to consider carefully the consequences of accepting all of the student loans they may be eligible to receive from the federal government. We consistently advise our students to take out the least possible amount of financial aid they need to complete their programs of study. After all, federal student loans are a significant commitment that may take years to repay, and are not dischargeable under federal bankruptcy law.

Under these circumstances, it is unremarkable that Kaplan has a default management department, and that these employees counsel students to help them avoid default. This counseling can include making the students aware of their rights under the federal student loan programs, such as the right to seek a temporary forbearance of loan repayments in certain situations. Kaplan did not create those rules, and it is misleading to suggest that assisting students to follow those rules and avoid defaulting on their loans is in some way improper.

Documents regarding the 90:10 Rule

Federal regulations require Kaplan schools to obtain no more than 90% of their annual revenue from tuition paid for by federal financial aid. The student populations served by Kaplan schools are heavily dependent upon federal financial aid -- much more so, for example, than are students who attend traditional, publicly-subsidized state schools. Accordingly, to follow these federal regulations, Kaplan must: (a) carefully monitor its schools' revenue throughout the year to ensure that they do not exceed the 90:10 threshold; and (b) explore options by which our students and their families can contribute to their tuition without relying on federal financial aid. Schools ought not be faulted for striving to comply with the federal regulations that govern their operations.

Documents regarding Student Complaints

Kaplan's goal is for all of our students to have a positive experience at our schools while successfully completing their programs of study. No interest would be served by a disaffected or poorly-served student population. This is why each Kaplan school has procedures in place (clearly set forth in the school catalog) by which students can raise any concerns and have them resolved. We also have student-relations teams, as well as a dedicated financial aid ombudsman's office, to help students who may need additional assistance.

If the intent of this group of documents is to imply that Kaplan schools are beset by student complaints, that intent is misplaced. These documents represent a few instances of dissatisfied students, but no institution serving tens of thousands of students annually could be free of isolated instances of negative commentary. It is noteworthy that almost half of these documents date back to 2006; only a few are from the several years since, during which time Kaplan substantially increased the number of employees providing student services. Relative to the size of our student population, we have had few student complaints, and our people and procedures work to resolve those issues quickly and in a manner satisfactory to the student.

This is certainly the case for the handful of complaints included by the Committee. In each instance, the Kaplan school reached out to the student and sought to address the student's concerns. Wherever reasonably possible, they succeeded; although, as the more recent items demonstrate, there are some sources of anxiety -- namely, the recession-racked economy -- that our student relations teams have been unable to resolve on their own.

Documents regarding Admissions

Kaplan introduced the Kaplan Commitment in November 2010. By providing students with several weeks to take real classes and determine whether or not a Kaplan school is the right choice for them – without incurring any tuition obligation -- the Kaplan Commitment fundamentally altered the admissions model for our schools.

This is not to suggest that the prior admissions model was either perfect or inadequate. We believe that the culture at Kaplan always has embraced the highest ethical standards, but that has not prevented every possible mistake. When the original (August 2010) GAO report included footage of a Kaplan admissions representative making irresponsible statements to a prospective student, we acknowledged that our control structure should have prevented it -- in fact, the employee in question had been separated from the company weeks before we were even aware of the GAO report -- and we resolved to do better. Since then, we have developed more robust ways to monitor and quality-check our admissions process consistently, though the Kaplan Commitment focuses that process on finding the right students to succeed long-term at our schools, not just on increasing the numbers of enrollments.

With the Kaplan Commitment, any student who enrolls but later has second thoughts, or discovers that the work is too challenging, can leave during the trial period without incurring any debt. The Kaplan Commitment is a unique benefit to our students and to federal taxpayers. It also underscores that the old, pre-Kaplan Commitment materials collected by the Committee have no relevance to the way that student admissions are conducted at Kaplan schools today.

Documents regarding Military Enrollments

Kaplan has been consistently recognized for providing innovative, convenient and valuable programs of study to students in the armed forces and their families. We are proud of the achievements of our military students and alumni. Kaplan is committed to delivering the best possible experience to this important group of students, regardless of how their tuitions are counted.

KEISER UNIVERSITY *Office of The Chancellor*

1900 W. Commercial Blvd.
Suite 180
Ft. Lauderdale, Florida 33309
Telephone: 954-776-4476
Fax: 954-229-1616

RESPONSE TO US SENATE HELP COMMITTEE – BETH STEIN, CHIEF INVESTIGATIVE COUNSEL
(To: Beth_Stein@help.senate.gov Copy: Kia_Hamadanchy@help.senate.gov)

VIA ELECTRONIC AND FEDERAL EXPRESS OVERNIGHT MAIL

June 29, 2012

Committee on Health, Education, Labor and Pensions
Attn: Ms. Beth Stein, Chief Investigative Counsel
428 Senate Dirksen Office Building
Washington, D.C. 20510

Re: Keiser University Data

Dear Ms. Stein:

It was a pleasure meeting you and your staff earlier this week. We appreciate the opportunity to provide clarification and additional information regarding data provided to the U.S. Senate HELP Committee to be released pursuant to discussions at the June 26, 2012 meeting in Washington, D.C.

1. **Table: Outcomes of Students at The Keiser School, Inc.**

A. The draft outcomes table shared by your office depicts Keiser University's withdrawal rate for the period July 1, 2008 - June 30, 2009 at 65.0% for Associate degree programs, 57.2% for Bachelor degree programs, and 63.7% combined. The following should also be considered: Students who changed majors or changed campuses were assigned new identifiers reflecting their new programs or new campuses. These students were identified with a Last Date of Attendance (LDA) during the reporting period but did not constitute withdrawals as they were continuing students under new identifiers. Also, many withdrawn students re-entered following June 30, 2009, including those on wait lists, whereby the University withdrew students awaiting entry into their program core, and those who were withdrawn due to changes in full-time status, although they returned to continue their degree. By considering an 18-month period following June 30, 2009, and adjusting the data for returning students and students with new identifiers, the following revised rates reflect the actual withdrawal rates of students within the original cohort (please see attached supporting data):

Associate degrees: 43.1%
Bachelor degrees: 41.9%
All Undergraduate degrees: 42.9%

B. As discussed at the June 26, 2012 meeting, please combine data from the "Students Complete" and "Students Enrolled" columns, as well as the columns that reflect the percentages for this data.

2. **Chart: Average 3-Year Default Rates, 2005-2008**

Please note that Keiser University's published 2009 3-Year Draft Cohort Default Rate (CDR) is 20.3%. The University's 2009 3-Year Revised CDR based on accepted challenges is 19.9% (1,123 defaults/5,617 students). The University's 2010 3-Year Projected CDR is 17.45%.

Thank you for the opportunity to clarify these matters. We hope this information will assist your office with its interpretation of Keiser University data.

Sincerely,

William Ritchie

William Ritchie, Ph.D.
Vice Chancellor of Academic Affairs
Keiser University
1900 W. Commercial Blvd., Suite 180
Ft. Lauderdale, FL 33309
Tel: (954) 776-4476
writchie@keiseruniversity.edu

Attachment

Copy: Mr. Kia Hamadanchy, Counsel, U.S. Senate HELP Committee
Dr. Arthur Keiser, Chancellor, Keiser University
Mr. Peter F. Crocitto, Jr., Executive Vice Chancellor, Keiser University
Mr. James Waldman, Counsel, Keiser University

June 27, 2012

VIA E-MAIL ONLY

Senator Tom Harkin
Chairman, Committee on Health, Education, Labor, and Pensions
428 Senate Dirksen Office Building
Washington, DC 20510

Dear Senator Harkin:

Nearly two years have passed since I received your initial letter requesting information and documents from Lincoln Educational Services Corporation on behalf of the Senate Committee on Health, Education, Labor, and Pensions. I remember visiting the HELP Committee's website shortly after receiving that letter and reading the Committee's mission: "the evolving global economy and the need for a highly skilled workforce create new challenges for American workers. The HELP Committee is ensuring our country's workforce is prepared to meet the challenges of the 21st Century through a lifetime of learning for our citizens."

The HELP Committee and Lincoln could not be more aligned.

Since 1946, Lincoln has been a leading provider of vocational training by preparing our students to meet the needs necessary to address our country's skills gap. We applaud the efforts of the HELP Committee in fulfilling its mission of preparing our country's workforce to meet the challenges of a new century through a lifetime of learning. We believe that this should be the mission for all institutions of higher learning . . . from vocational schools and community colleges to liberal arts colleges and graduate schools.

We appreciate the opportunity to have this letter included in the HELP Committee's report on the postsecondary sector. As you know, we were not provided the opportunity to review a copy of the final report prior to its publication, making it impossible to comment on its contents. With that said, I thought it would be helpful to discuss how Lincoln continues to make a positive contribution to this country's workforce as well as the challenges facing higher education today.

Lincoln opened its first school in Newark, New Jersey in 1946 to train veterans returning from World War II in the skilled trades. Today, we continue to offer these programs as they afford students with an opportunity for a challenging and rewarding career. As you know, there will always be a need for automotive technicians, welders and medical assistants, to name but a few. These are jobs that many take for granted but also jobs that require a tremendous amount of training in order to be successful. Job training that has been incorrectly referred to as inferior to traditional liberal arts universities and community colleges and has been vilified by some because it is being offered by "for profit" institutions instead of "traditional" colleges and universities. This is a great disservice, not only to the millions of students who have graduated from vocational and technical schools across this great country, but also to the hard-working and dedicated faculty and staff of these institutions who have worked around the clock to ensure that our students are prepared to meet the challenges of the 21st Century.

200 Executive Drive, Suite 340 • West Orange, NJ 07052 • Phone: 973.736.9340 • Fax: 973-736-1750 • www.lincolnedu.com

Lincoln has provided postsecondary training to hundreds of thousands of men and women over the last 65 years. Some of our students first attended traditional colleges prior to enrolling at Lincoln. Others were initially pointed toward a local community college by their high school guidance counselors. Neither route is surprising since most people incorrectly assume that the path to success must run through "traditional" postsecondary institutions.

But if the mission is to ensure that our country's workforce is prepared to meet the challenges of the 21st Century, we are going to need to continue to produce men and women with expertise in skilled trades. Students have recognized Lincoln's institutions as a top choice to learn hands-on skills. They do not care whether an institution is considered "traditional" or "for-profit." They want a quality education that leads to a career.

Our students immediately see the efforts of our faculty and staff to make them a part of the Lincoln community. We have a pre-orientation process to acclimate students to our institutions. During their enrollment, our student services, education and financial aid personnel assist with answering any questions and addressing any concerns that may arise. Throughout their time at Lincoln, our career services personnel are educating students about job opportunities and assisting them with finding gainful employment upon graduation. If there is any dissatisfaction with the quality of their education, or in any facet of time spent at Lincoln, each student is provided with multiple avenues to voice their concerns.

Nearly 80% of our students enroll in programs that can be completed in less than one year. Our faculty work alongside our students in order to provide them with the real-world experience necessary to become an active participant in our country's highly skilled workforce. In addition, many of the programs offered at our campuses require students to complete an externship or clinical component prior to graduation. This externship component is a critical portion of the curriculum that allows students to use the skills learned in the classroom in a real-life setting.

We believe that providing a quality education at an affordable cost that leads to gainful employment for its graduates should be the standard by which all institutions are measured. Unfortunately, many postsecondary institutions, both "traditional" and "for-profit" are having trouble passing this test during a challenging economic climate.

For example, the American Bar Association last week released job outcome data for law school graduates from the class of 2011. Slightly more than half (55%) found full-time, long-term jobs that require bar passage nine months after they graduated. This comes less than a week after the National Association for Law Placement reported that only two-thirds of new graduates landed any type of job requiring their law degree. According to the nonprofit group Law School Transparency, the national underemployment rate for the Class of 2011 is 26.4%.

Yet the costs to attend law school are increasing at an alarming rate. Law School Transparency reported that the debt law students stand to incur for the class of 2015 will be $210,796. For the class of 2016, the amount increases to $216,406. These projections assume students will rely on federal loans to pay the full cost of tuition and living expenses. These estimates also account for interest, tuition increases and inflation.

With student placement rates decreasing and only 55% of graduates gainfully employed in their chosen profession, one would assume that law schools would be reducing their class sizes to improve outcomes. Yet, according to the Chicago Tribune, many law schools cannot trim their class sizes because they cannot afford to lose tuition revenue. "Schools have fixed costs, such as faculty and staff salaries, that cannot easily be reduced," says the March 23, 2012 article. "Costs went up during the boom times of the last decade as [law] schools added programs and professors to be more competitive."

We know that law schools are certainly not alone. Outcomes are decreasing for students attending traditional universities, vocational and technical schools, community colleges and graduate schools across the United States, while tuition and fees and student debt have skyrocketed. And, just like law schools, these institutions have fixed costs that cannot easily be reduced.

We also know that these challenges are not limited to vocational and/or technical schools. Nor are they limited to "for-profit" institutions. These issues are systemic throughout higher education. Yet it is our understanding that the report will focus only on for-profit institutions and not traditional colleges and universities. This narrow focus has the potential of hurting hundreds of thousands of graduates who are about to enter or who are currently in the workforce. Graduates who take great pride in their school and credit their success, in part, to the education they received along the way.

Can Lincoln improve its outcomes? Absolutely. We strive to improve our results every single day. Just like law schools, community colleges and liberal arts colleges, there is a constant struggle between providing quality, affordable education for our students, with the understanding that this education should lead to gainful employment in their chosen field of study upon graduation. We take great pride in the success stories of our graduates and continue to invest in new programs and facilities in order to help our students reach their full potential.

We expect our institutions to exceed the standards for compliance with oversight agencies at the local, state and federal level, as well as our accrediting agencies, and we take great pride in our results. These efforts were best exemplified in 2011 when four of our institutions underwent Title IV, HEA Program Reviews conducted by the U.S. Department of Education. These rigorous audits were performed by the Department of Education in order to ensure federal student aid is appropriately disbursed to those eligible students based on federal regulations. It should be noted that none of the four institutions received a final determination with any financial liabilities.

Graduates of vocational and technical schools are truly skilled in their field and should be applauded for their contributions to our economy. Our graduates prove each and every day that technical training does lead to successful and rewarding careers.

On behalf of Lincoln's 3,500 employees and our hundreds of thousands of graduates, I want to thank the members of the HELP Committee for the opportunity to share our thoughts today. We have been educating students for over 65 years and will continue to do our part to ensure our graduates fulfill the HELP Committee's mission.

Sincerely,

Shaun E. McAlmont
President and Chief Executive Officer

cc: Senator Michael B. Enzi, Ranking Member, HELP Committee

NATIONAL AMERICAN UNIVERSITY
CENTRAL ADMINISTRATION

LOCATIONS

COLORADO
Centennial
Colorado Springs
Colorado Springs South
Denver

KANSAS
Overland Park
Wichita
Wichita West

MINNESOTA
Bloomington
Brooklyn Center
Burnsville
Minnetonka
Roseville

MISSOURI
Independence
Lee's Summit
Weldon Spring
Zona Rosa
(Kansas City)

NEBRASKA
Bellevue

NEW MEXICO
Albuquerque
Rio Rancho

OKLAHOMA
Tulsa

SOUTH DAKOTA
Central Administration
(Rapid City)
Distance Learning
(Rapid City)
Ellsworth
Rapid City
Sioux Falls
Watertown

TEXAS
Allen
Austin
Lewisville
Mesquite
South Austin

June 28, 2012

Ms. Elizabeth M. Stein
Chief Investigative Counsel
U.S. Senate Committee on Health, Education, Labor & Pensions
428 Senate Dirksen Office Building
Washington, DC 20510

Re: National American University

Dear Ms. Stein:

Thank you for meeting with representatives of National American University (NAU) on June 20, 2012. We thought it was a productive meeting and appreciated learning about the status of the report concerning proprietary post-secondary institutions which the U.S. Senate Health, Education, Labor and Pension (HELP) Committee is expected to release in the near future.

NAU also appreciates your invitation to submit information which we would like to have included in the appendix to the upcoming report. NAU accepts the Committee's invitation and presents below information regarding four topics likely to be covered in the report.

Student Outcomes: All the proprietary institutions were asked to provide data about their student populations, including data on enrollment, withdrawals and graduations. NAU complied with this request as best it was able given the shortness of time allowed and the fact that NAU did not always have data retrievable in the format requested. Because of this, NAU cautioned the Committee about potential pitfalls in using the data provided. Additionally, NAU provided supplemental data that avoided the data-retrieval challenges.

Fortunately, and most importantly, the supplemental data provides an accurate picture of student academic progress at NAU. The data followed all degree-seeking students from the date they first entered NAU (e.g., Fall Quarter 2002, 2003, 2004, etc.) and documented their status as a student at NAU as of August 1, 2010. This allowed NAU to determine which students were still enrolled, which had dropped out and which had graduated. The data was then used to calculate the graduation rate for each Fall Quarter cohort, yielding the following results by year:

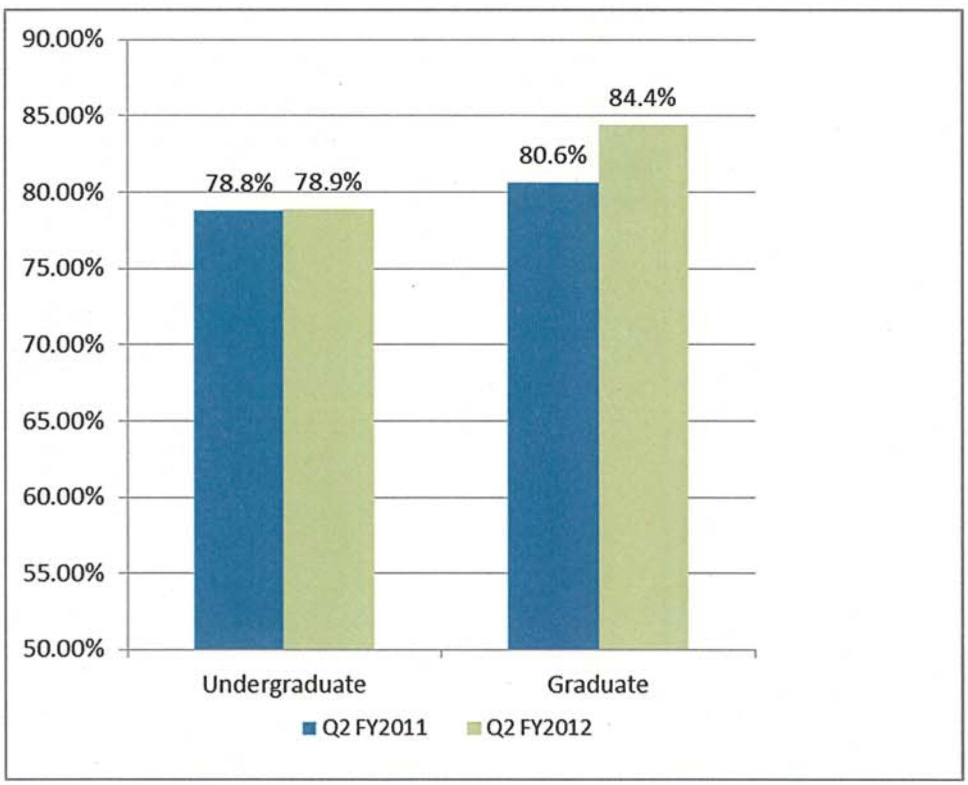
5301 S. Highway 16, Suite 200 • Rapid City, SD 57701
(605) 721-5200 • (800) 843-8892 • (605) 721-5241 FAX • www.national.edu

Year	Total Students	# Students Graduated	% Graduated
2002	1153	536	46.5%
2003	1101	429	39.0%
2004	1026	295	28.8%
2005	1047	245	23.4%
2006	1117	180	16.1%
2007	1073	112	10.4%

In submitting these results, NAU pointed out that a graduation rate of 46.5% is highly favorable given that this rate does not account for students still enrolled at NAU as of August 1, 2010 or students who transferred to another institution and have either graduated from that institution or are still students working toward graduation.

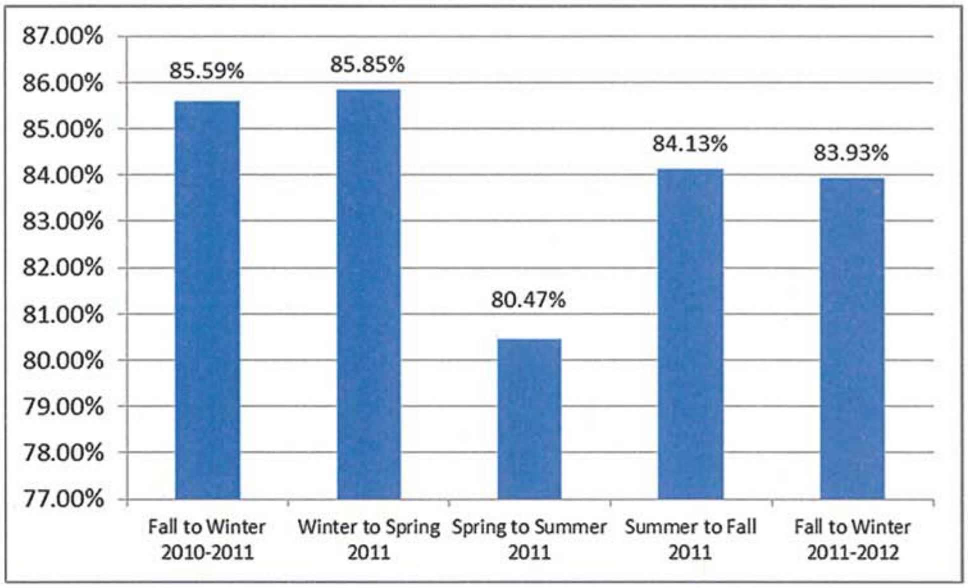
NAU's high course completion and term-to-term persistence rates are consistent with its favorable graduation rate. As shown in the graph below, NAU's undergraduates successfully complete nearly 80% of the courses they begin. The percentage for graduate students is in excess of 80%.

Successful Course Completion



Similarly, a high percentage of NAU students continue some level of course work from one term to the next. As shown in the chart below, NAU students have a term-to-term persistency rate in the mid-80's, with the exception of the Spring-to-Summer rate which is slightly in excess of 80%.

Term-to-Term Persistence



The above charts and graphs demonstrate a high level of commitment and academic achievement on the part of NAU students. This is quite remarkable given the many challenges faced by NAU's students, the majority of whom are raising a family and/or working full-time. NAU hopes that the Committee will publicly recognize and applaud this accomplishment. NAU believes that our non-traditional student population deserves no less.

Student Recruiting Practices: With respect to NAU's recruiting practices, NAU wishes to have the Committee aware of the important role played by NAU's Admissions Representatives and by NAU's Admissions Code of Conduct.

NAU submitted documentation showing the wide-ranging job responsibilities of its Admissions Representatives. Their duties include enrolling potential students, facilitating an appraisal of the academic capabilities of degree-seeking applicants; assisting applicants with registration for foundational coursework if the pre-enrollment appraisal shows that a prospective student is in need of remedial instruction; assisting new students through the enrollment application process; and serving as the liaison between newly enrolled students and the University, until the student has been assigned a learner services representative or other academic advisor. Often, the Admissions Representatives maintain contact with the students they help enroll throughout their academic career at NAU.

In carrying out their duties, NAU's Admissions Representatives adhere to the principles and standards in the University's Admissions Code of Conduct. The Code of Conduct was officially adopted by the University in August 2010 after extensive internal review over many months. It is modeled after the Statement of Professional Ethics and Practice developed by the American Association of Collegiate Registrars and Admissions Officers. All admissions staff must sign the Code and, by doing so, agree to provide "prospective students and their families with accurate interpretations of University admissions criteria, transfer credit policies, cost and educational offerings." Moreover, throughout the admissions process and, then, when providing assistance to enrolled students, admissions staff must follow the ethical principles found in the Admissions Code of Conduct. This means dispensing "complete, accurate, understandable, and truthful information at all times."

Student Tuition: Limiting tuition increases should be a top priority of every post-secondary institution, whether a non-profit or for-profit institution. It certainly is NAU's goal, and with good results. For example, during the period between 2008 and 2009, NAU held its annual tuition increases to 3.7%. During this same period, average college tuition increased nationally 4% and 5%.

To achieve these positive results, the University's tuition-setting process takes into account many cost factors. They range from curriculum-related expenses, instructional costs, student service expenditures, staff compensation, and capital and operational investments, all of which are incurred to achieve higher levels of student satisfaction and achievement. Input on these and other factors are sought from mid-level management (and others) throughout NAU when a tuition increase is under consideration.

This process generates comments and recommendations, which often appear in email chains, touching on all these factors. Wide-ranging responses are to be expected – and desired. In considering such comments, two points must be kept in mind. First, the responses are mid-level management comments; NAU's Board of Governor's determines whether there will be a tuition increase and, if so, how much. Second, as documented in NAU's narrative to the Committee in September 2010 and as again noted above, NAU's tuition increases have been very reasonable, resulting in NAU having a tuition that compares favorably with other competitive schools.

Finally, some attention has been given to the University's August 2008 decision to offer a 4.5 credit format in many of its programs. As explained in NAU's 2010 narrative to the Committee, this change occurred after a lengthy and deliberative process by the University, which found that students would benefit from the additional course hours and time spent in class, as well as making it easier to transfer credits from the University to other institutions that operate on a semester system. As a result of this change, the University did not raise tuition for Winter Quarter 2008 or Spring Quarter 2009, increased the number of Academic Excellence Scholarships that it awarded and allowed currently enrolled students the opportunity to remain in the 4.0 credit hour format.

Revenue Growth and Profit Margin: To the extent NAU's profit margin is discussed in the upcoming report, it is important for the Committee to recognize that the margin varies quite widely from year-to-year. This is largely due to annual variations in the level of capital and operational investments. In those years when NAU makes an extraordinary investment, the margin is low. These investments are typically made to improve or expand curriculum, improve or expand student services and, more generally, to improve the quality of each student's academic experience at NAU.

For example, between 2006 and 2008, the University opened new campuses in a number of states and also invested heavily in programmatic expansion of its Nursing and Allied Health programs. Accordingly, NAU's profit margin was at a relatively low level during these years. But these investments also paved the way for a larger, more academically robust institution, resulting in a much higher profit margin in 2009 and 2010. Finally, the Committee should be aware that NAU again made significant capital and operational investments in FY2011. While NAU believes these investments will ultimately result in greater academic effectiveness and better service to its non-traditional student population, the immediate result was a reduction in NAU's FY2011 profit margin, which was substantially less in FY 2011 than in FY's 2009 and 2010.

NAU again thanks the Committee for the opportunity to offer explanatory information and expresses its willingness to provide further information, if the Committee so desires.

Thank you.

Sincerely,

Dr. Samuel D. Kerr
Provost

SDK:amb

RASMUSSEN COLLEGE – EST. 1900 –

June 27, 2012

The Honorable Tom Harkin
Chairman
Committee on Health, Education, Labor and Pensions
United States Senate
428 Senate Dirksen Office Building
Washington, DC 20510

Dear Chairman Harkin:

The Committee on Health, Education, Labor and Pensions, which you Chair, has compiled a profile of our private College based on the documents we voluntarily submitted to the Committee in the summer of 2010. While narrowly focused on one sector of higher education—the private sector—the fact remains that postsecondary education is a heterogeneous industry with "good" and "bad" actors in all sectors. Given the singular focus of this Committee on private-sector education, and while ignoring problems or concerns more broadly in all of higher education, we thought it would be helpful to provide an update and policy response to the Committee's Final Report on how Rasmussen College has continued to change and evolve in the two years since the document request. We have begun a number of initiatives to further our commitment to students and to be good stewards of the federal taxpayer money given to our students.

Rasmussen College has been a part of the higher education community for over 100 years, and much has changed since our founding in 1900 as a business college in downtown St. Paul. While our footprint and scale may have grown nationally, our College has remained decidedly "local." My grandfather first purchased the College in 1945, and the continuum of family ownership exists today as I assumed Presidency of the College in 1997. We received outside personal investors to help launch the College's nascent online operation in 2003, but our Board and management still remains committed to the founding ideals of Walter Rasmussen and my grandfather and father. Our long-term shareholder base additionally enables our College to make investment decisions to ensure student success for the next generation.

Working to improve student success

As you know, there is a tension between providing maximum access to students and driving higher rates of graduation. Since the College's founding in 1900, our mission was to have an open enrollment policy, i.e. anyone with a high school degree (or equivalent, as we never accepted "ability-to-benefit" students) could enroll. This policy provided broad access to students so they would have the opportunity to attain a regionally accredited degree at Rasmussen College. Starting in the summer of 2009, we began to experience declines in the rate at which students were persisting from one quarter to the next. This timing directly correlated with the expansion of the Pell program and a weak labor market driven by the credit crisis. The College saw significant enrollment growth.

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Unfortunately, many of the students who entered into the institution were uncommitted, driven by funding advantages and a poor economy, and our “open enrollment” process did not provide a screen of those students. A large number of these students struggled to perform in the classroom. We only allow students one quarter of poor academic performance before they go on academic warning. As a result, the number of students forced out—and dropping out—of our institution increased to an unacceptable level.

To help ensure we were enrolling committed students with a good likelihood of being successful, our College began moving to a qualified enrollment process in the fall of 2010. Implementing such a change across all twenty-two of our campuses took a year and was completed in the summer of 2011. We are denying access to roughly 20% of students who historically would have entered the institution, and to date, over 4,500 students who wanted to enter Rasmussen College have been denied (to put this in context, our overall enrollment is approximately 15,000). While our changed admissions policy may have negative implications for access, it was the right decision for us, the taxpayers, and the students to only allow admission to those students who had a greater likelihood of success and could achieve the goal of graduation. Over the last three quarters, we have seen a significant improvement in the rate at which students are progressing from one quarter to the next and a material improvement in the numbers of students persisting at the institution, providing some early validation on this strategy.

The core of our qualified enrollment approach is a College Experience Course, which is required of applicants to ensure that prospective students fully understand their obligations as students and can sample what it is like to attend Rasmussen College. Throughout this course, students gain knowledge and confidence about navigating online coursework, career opportunities within a chosen field, financial responsibility, as well as the skills, habits, and commitments needed for a regionally accredited institution. In addition to denying students through our pre-enrollment module, we also expanded background checks (more than a sign-off) on students to cover more than 60% of our programs to ensure that there is nothing in a student’s personal history that would prevent him or her from getting a job in a chosen field of study. Additionally, students must have all of their financial aid paperwork complete so there is no uncertainty on how they will be funding their education. Finally, we instituted a cutoff based on testing for remedial needs where a student is denied admission because we judge the need for remediation coming out of the K-12 system to be too severe. The remediation needs of our incoming students remain a critical issue, and we encourage you to look at ways that our K-12 system and higher education system can collaborate to help ensure more high school graduates are college-ready.

Along with this change in admissions standards, we have made changes in our curriculum to increase student success. Our entire curriculum was redesigned to provide milestones of success for students through the introduction of “stackable credentials” where students take a defined sequence of courses to earn a certificate, diploma, and associate’s degree during their pursuit of a bachelor’s degree. Each student builds a “My Degree Plan” to have visibility on the courses they will be taking and when they will hit these milestones, which in turn builds confidence. This new curriculum was built in fall 2010/spring 2011, approved by the various regulatory bodies in 2011, and then implemented in January 2012. Interestingly, many students who had left the institution have come back to continue their pursuit of a Rasmussen College credential under this model. Our biggest challenge remains the first quarter as our adult students struggle with the transition into college. We have reviewed and modified our courses with the highest withdrawal/failure rates and are piloting a new personalized approach to remediation this summer. Finally, we have rolled out a standard business process around student success featuring same-day reach-out by faculty when a student does not attend class and standardized risk profiling of students upon enrollment.

Working to establish positive return for educational investment

Along with these strategies to improve persistence, we have been working to ensure a good return on our students' educational investments and reduce student debt levels. Last year, we reduced our price per credit in selected programs by up to 20%. For the 2011-2012 academic year, we did not increase tuition and increased scholarships for students based on success and for public service employees. We would like to reduce our tuition more, but are limited in our flexibility by the 90/10 rule. For your reference, the restrictions on access and price reductions have resulted in a significant decline in the College's profit margins with our after-tax margin now at under 10%.

To reduce the aggregate cost of the program where the price per credit was not changed, we have attempted to shorten the path to a better job by introducing more certificates and diplomas. For example, we have historically offered a medical assisting associate's degree. The medical assisting entry-level job can be obtained with a medical assisting diploma, which is roughly 25% less costly than the associate's degree. We now have a medical assisting diploma so that students can become a medical assistant at a lower price with less debt. Of course, the tradeoff in this move is that general education is missing from the curriculum, which our employer communities continue to tell us is a valuable component for them.

We also want to emphasize the lack of public subsidies as it relates to our tuition levels. Since we do not receive operating revenue from our states and local taxpayers, the comparison of tuition between our College and that of a publicly subsidized community college is misleading. Many studies have shown that the total cost to the taxpayer is far less for privately capitalized institutions than publicly subsidized institutions so the difference in tuition simply represents a difference in funding models and how much of the expense is being paid for by taxpayers.

Around the area of student debt, in addition to lowering prices, we have also emphasized financial literacy throughout pre-enrollment and enrollment. Our College Experience Course contains a financial literacy module and quizzes on understanding student loans separate from, and in addition to, entrance counseling. In 2011, we introduced new documents in the enrollment process to provide students with a clear understanding of the total cost of the degree and the debt they would incur. We have continued to improve this process, and students must sign a one-page financial worksheet in plain language that shows the expected program cost, debt, and monthly repayment amount, similar to the "Know Before You Owe" document that your team has promoted. As you know, we are legally required to give students all debt to which they are entitled. Since we do not lend to students ourselves, we are thus limited in our ability to control the debt since the limits are set by Congress. We have been accepted as an "experimental site" through the Department of Education to test a new approach to financial aid which would allow us to limit the debt given to the student. We would strongly encourage you to sponsor legislation which would allow schools to make judgments on what loans to give a student if you want the schools to be responsible for the rate at which students pay back the debt.

As an institution of higher education, Rasmussen College is committed to continual improvement. We are not perfect but are striving to be better. We want to achieve higher rates of student success and reduce the cost of degree attainment. At the same time, however, we want to stay consistent with our mission of providing access to students who may not have historically pursued a college degree or who have unsuccessfully tried another type of institution. More than ever in today's labor market with the shift in our economy to one focused on knowledge and services, the earnings capacity of an individual is driven by his or her skills. As a country, we need more students to receive postsecondary education with a focus on careers. Rasmussen College stands ready to continue working with you to make this happen.

Sincerely,

Kristi Waite

Kristi Waite
President

TRIDENT UNIVERSITY INTERNATIONAL

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June 29, 2012

The Honorable Tom Harkin
Chairman
Committee on Health, Education, Labor and Pensions
United States Senate
428 Dirksen Senate Office Building
Washington, DC 20510

Re: Response to Report on For-Profit Education Institutions

Dear Chairman Harkin:

Trident University International (TUI), formerly TUI University, submits this letter in response to various issues we understand may be raised in your forthcoming public report regarding for-profit education institutions. TUI appreciates the opportunity to submit this letter and your agreement to include it as part of the report. However, along with the other colleges and universities that cooperated with your investigation, we unfortunately have not been given an opportunity to review the report in its entirety or even the text of sections that relate to TUI in advance of submitting this response. Had we been given an opportunity to do so, our response may have been more fulsome in some areas, and perhaps even agree with some of your findings and conclusions.

TUI appreciates the countless hours and resources expended by the Committee's Majority staff in reviewing the hundreds of thousands of pages produced by some 30 colleges and universities during the investigation. The challenges associated with such an undertaking -- particularly gaining a clear understanding of student data given the nature of the data and unique make-up of students attending for-profit institutions -- cannot be overstated. We also are concerned that the staff has not obtained up-to-date information on TUI's student enrollments, and may not have addressed other activities at the institutions to properly contextualize the findings in the report. Below we address two issues specific to TUI which we believe merit more detailed explanation.

TUI's Withdraw Rate

Your report apparently will include a chart specific to TUI entitled "Outcomes of Students at TUI Learning LLC." On this chart, you state that the percentage of Bachelor's students "withdrawn" from TUI during a three-year period is 51.3 percent. Upon reviewing this chart, it appears that the number of withdrawn students has been combined with the number of students on defer status to arrive at a disproportionately high withdraw rate for the university.

Accordingly, the information as presented is misleading and inaccurate. Proper analysis of student enrollment and withdraw data demands a deeper level of analysis requiring distinction between students who formally withdraw and those who merely cease to attend without the intent to withdraw. This distinction is critical and warrants some clarification.

Students at TUI are placed on defer status when they pause their enrollment in subsequent sessions. This however, does not reflect that the student has formally withdrawn or permanently dropped out of the University. As you are aware, TUI serves primarily a military student population. By the nature of their military service, students at TUI have inconsistent enrollment patterns, stopping and returning based on their deployment circumstances. As we have explained previously, a student may pause their enrollment in one session and return during another session, with the cycle repeating until a degree is obtained. TUI accommodates this pattern of enrollment to better serve our military student population and to honor our obligations under the Memorandum of Understanding with the Department of Defense Voluntary Education Partnership and commitment to the various branches of the armed services. In light of these facts, we believe it would be more accurate to state that our true withdraw rate for the period in question was actually 8.8 percent.

Accreditation

Relative to TUI's accreditation status, following two site visits, TUI was placed on public sanction in July 2011, and required to 'show cause' why its accreditation should not be terminated as of March 2012. The action by the Western Association of Schools and Colleges (WASC) reflected the findings that TUI had not: 1) verified that each student had met General Education (GE) requirements for the baccalaureate prior to conferral of the degree; 2) identified the scope of the problem rapidly and accurately; and 3) informed WASC of the problem.

Since July 2011, TUI has taken unprecedented immediate and long-term actions, the type and scale of which confirms TUI's recognition of the scope and seriousness of the issues raised by the Commission. As a result, following the special site visit in November 2011, the WASC Commission commended TUI for "...responding swiftly and resolutely to the Show Cause sanction and for assuming full responsibility for recognizing the shortcomings of past conduct." In its March 2012 Action Letter, the WASC Commission also removed TUI from 'Show Cause' status, imposed probation for one year, and required another special visit for the fall of 2012. The purpose of the follow-up visit will be to confirm the continuing improvements implemented by TUI and to bring to closure the Educational Effectiveness Review phase of the reaccreditation cycle. TUI is confident that the fall 2012 visit will be very positive, resulting in reaccreditation and in removal of all sanctions.

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Thank you for the opportunity to address issues affecting TUI that may be raised in your forthcoming report. TUI expended significant time and resources to respond to the Majority's requests for documents and information in order to cooperate with your investigation. We nonetheless felt compelled to provide this response to ensure that the record will be complete with respect to TUI, its history, mission and record of serving the educational needs of our students, including the men and women of our active-duty armed services.

Sincerely,

Lucille H. Sansing

Lucille H. Sansing, Ph.D.
President and CEO

cc: The Honorable Michael B. Enzi, Ranking Member

STATEMENT OF UTI REGARDING DOCUMENTS RELEASED BY COMMITTEE

Universal Technical Institute, Inc. ("UTI") submits the following comments and requests that they be included in the Committee's Report to provide context concerning the documents that the Committee intends to release concerning UTI.

The Committee intends to make public as part of its report, approximately two dozen individual student complaints and several miscellaneous documents, in an apparent attempt to discredit UTI's admissions practices and raise questions about the quality of its educational programs. The Committee has made no effort to put these complaints and documents in context, by making clear, for instance that many of the individual complaints were resolved by UTI, or found lacking in merit, or that all schools, public and private sector, regularly receive complaints.

Specifically, the individual student complaints concerning UTI that the Committee intends to release include a number of complaints as far back as 2006 and 2007 that are isolated and stale. These few individual complaints are not at all indicative of the experiences of the vast majority of UTI students. Several of the complaints that the Committee intends to release were resolved with UTI taking some specific action to respond to the issues raised by the complaining students. In other cases, the complaints were referred to the Better Business Bureau which found that UTI had engaged in good faith attempts to resolve the consumer's complaint. Several of the complaints are anonymous and extremely vague. Others contain wholly unsupported allegations. At least one of the complaints is entirely incomprehensible. The complaint, made by a cosigner on a loan made to a UTI student states that the student should have received "Fannie Mae" loans and grants to cover the entire cost of attendance. Finally, other complaints touch on topics that do not appear to have any relevance to the Committee's investigation. Indeed, one complaint takes issue with the quality of the food truck at a UTI location. Even when one views the jumbled and out of context complaints that the Committee intends to publish, it is very clear from the documents that UTI has a well-established process to investigate consumer complaints and take corrective action if warranted. Indeed, several of the individual complaints were sent to UTI's Chief Executive Officer, who personally followed up to see that the issues raised in the complaints were fully looked into and addressed.

Fundamentally, it is unfair and misleading for the Committee to publish these scattered and long-dated individual complaints without providing context. For example, the complaints are dated from 2005 through 2010. During that period, more than 100,000 students attended UTI. It is hardly surprising that a tiny handful of students during that period raised some issues with UTI. The vast majority of students who attended UTI from 2005 through 2010 were very satisfied with the training that they obtained. Over the 2005-2010 period, UTI has received numerous letters and comments from students praising the quality of training that they received at UTI. Other students and former students have credited their career success to the training they received at UTI. In addition, numerous employers have recognized the high quality of a UTI education. Indeed, the success of our graduates has afforded UTI the opportunity to partner with many leading original equipment manufacturers (OEM) in the auto, diesel, motorcycle and marine industries, significantly enhance the learning opportunities for our students and expanding their career options.

UTI is proud of its demonstrated record of student success. For the most recent report period, 85% of our graduates have secured employment in their chosen field. Furthermore, for the same report period our consolidated student completion rate was 65%, which compares favorably with student outcomes of other providers from comparable educational training programs. The publication of scattered individual student complaints which for the most part are entirely unsupported is therefore extremely misleading in view of UTI's demonstrated record of success in training and placing students. We appreciate the opportunity to include this rebuttal in the record.