The Keiser School, Inc.

Introduction

The Keiser School, Incorporated ("Keiser") offers 2-year and 4-year degrees primarily in Florida. Like many others in the sector, in recent years, Keiser has experienced significant growth in student enrollment, Federal funds collected, and profit realized. The company recently converted to non-profit status as the result of a largely undisclosed transaction, whereby the for-profit entity lent an affiliated non-profit the funds for the purchase.

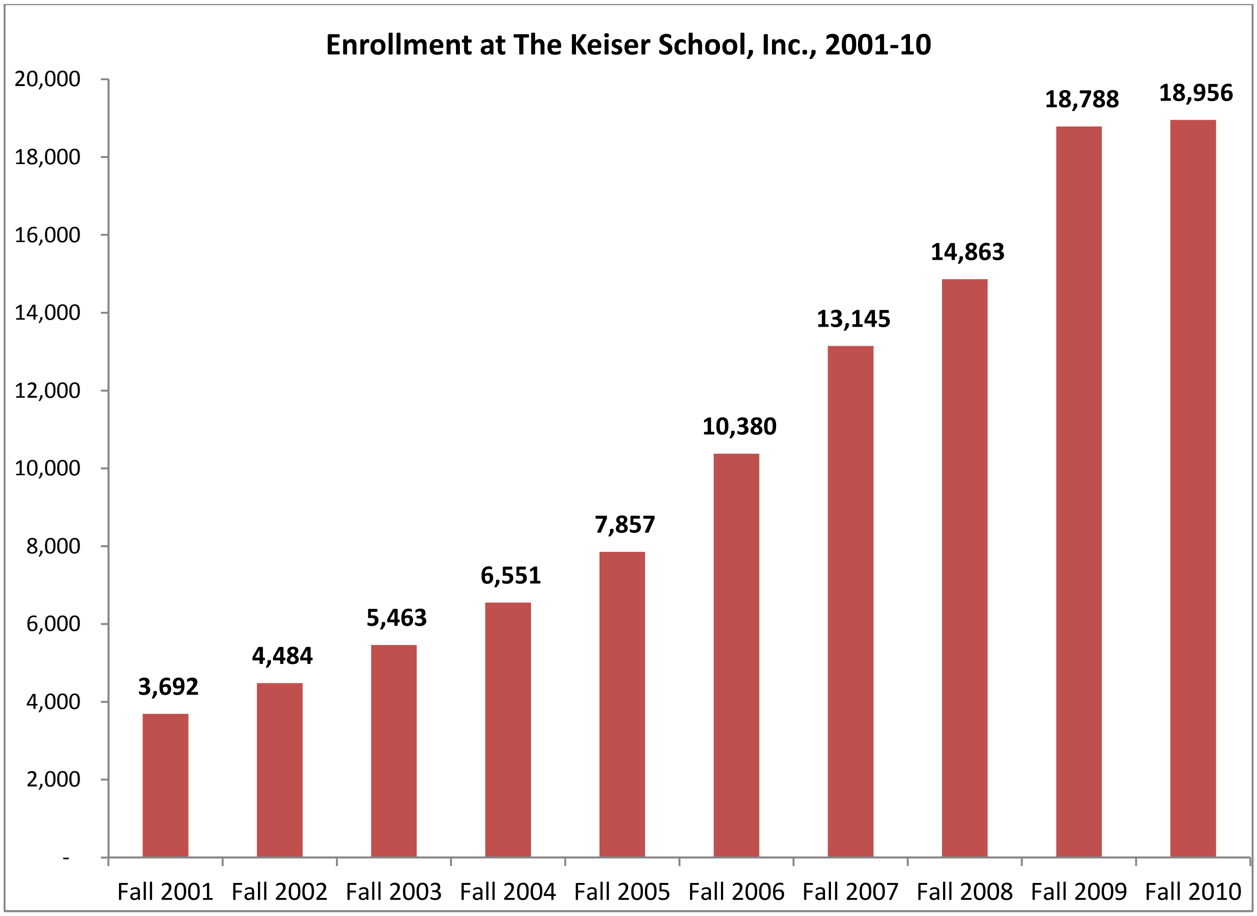
Company Overview

Keiser was a privately held for-profit education company headquartered in Fort Lauderdale, FL. It was started in 1977 by Arthur Keiser and his mother Evelyn with the idea of preparing students for jobs in Florida's business and healthcare communities. In January 2011, Keiser converted to non-profit status. Keiser has 14 campuses, along with an online division, and offers programs in a wide variety of fields.[2330] Keiser is regionally accredited by the Commission on Colleges of the Southern Association of Colleges and Schools to award Certificates and degrees at the Associate, Bachelor's, Master's, and Doctoral levels.

Keiser also operates the Southeastern Institute, a for-profit college with four campuses that offer programs in medical assisting, medical billing and coding, paramedic training, human resource administration, and pharmacy technology. The Southeastern Institute is accredited by the Accrediting Commission of Career Schools and Colleges. Keiser did not provide any information regarding the Southeastern Institute to the HELP Committee.

The current Chancellor of Keiser University is Arthur Keiser. Despite the universities conversion to non-profit status, Dr. Keiser continued to serve as the chairman of the Association of Private Sector College and Universities, the main trade association that represents for-profit colleges, until July 2012, and has been at the forefront of the industry's lobbying efforts.

[2330] A list of campuses can be found at Keiser, Campuses, http://www.keiseruniversity.edu/campuses.php (accessed May 7, 2012).



The company has grown significantly as enrollment has increased more than fivefold since 2001, growing from 3,692 students to 18,956 students in 2010.[2331] This growth in enrollment has led to a growth in revenue. Revenue at Keiser nearly doubled from $141.8 million in 2006 to $260.7 million in 2009.[2332]

Conversion to Non-Profit Status

In January 2011, Keiser University announced that it had been sold to Everglades College Inc., a non-profit created by the Keiser family in 2000.[2333] In describing the change, Arthur Keiser specifically noted that the change was not expected to affect tuition and fees or program offerings. According to Dr. Keiser, "it's operating in the same way, with the same people; the only difference is that it's owned by a nonprofit." [2334]

[2331] Enrollment is calculated using fall enrollment for all unit identifications controlled by the company for each year from the Department of Education's Integrated Postsecondary Data System (hereinafter IPEDS). See Appendix 7. The most current enrollment data from the Department of Education measures enrollment in fall 2010. In 2011 and 2012, news accounts and SEC filings indicated that many for-profit education companies experienced a drop in new student enrollment. This has also led to a drop in revenue and profit at some companies.

[2332] Revenue figures for privately held companies are taken from the company financial statements produced to the committee. See Appendix 18.

[2333] Kelly Field, "Keiser U. Goes Nonprofit," *The Chronicle of Higher Education* January 13, 2011, http://chronicle.com/article/Keiser-U-Goes-Nonprofit/125947/ (accessed June 19, 2012).

[2334] Id.

Everglades is receiving part of the company as a donation, and is acquiring the rest through a purchase financed from a loan from Keiser University.[2335] The entire transaction is being financed by a loan from the for-profit entity to the non-profit entity.[2336] Surpluses generated by the new non-profit entity will go towards paying off this debt.[2337] Arthur Keiser continues to serve as chancellor of Keiser.

Keiser did not publicly disclose the terms of their transaction, and it is unclear as to how the value of the school was determined. No publicly available information reveals whether appraisers were brought in, whether they received second opinions, and what process was used to determine the value of intangibles, such as reputation.

Further by "selling" themselves to a non-profit institution of higher education, Keiser is free from not only the obligation to pay taxes, but from regulatory requirements that pertain only to for-profit colleges, including that no more than 90 percent of revenues be received from Federal financial aid programs. The Department of Education has accepted this change and will not require Keiser to track compliance with the 90/10 rule after 2013.

The 90/10 rule requires for-profit institutions to derive at least 10 percent of revenues from non-title IV funds. Institutions that violate 90/10 for 2 consecutive years lose their Federal aid eligibility for at least 2 years. Keiser had a 2009 90/10 ratio of 77.4 percent. However, under the Ensuring Continued Access to Student Loans Act (ECASLA), for-profit colleges were permitted to exclude up to $2,000 in loans per student from the 90/10 calculation during fiscal year 2009 and 2010. When these funds are taken into account, based on information provided to the committee, it is possible that Keiser's 2009 ratio could have been as high as 87 percent. The expiration of the ECASLA exemption was likely to make 90/10 compliance more challenging for the company. This concern likely played a role in Keiser's conversion to non-profit status. Conversion to non-profit status to avoid a regulation would seem to defeat the purpose of the non-profit tax status, which is to provide an educational and charitable public purpose that justifies exemption from Federal taxes.

As a non-profit, Keiser is also eligible for much higher levels of State-based grant aid. Florida, for example, makes up to $2,425 per student available to students attending non-profit schools compared to $945 per student at for-profit schools.[2338]

Federal Revenue

Nearly all for-profit education companies derive the majority of their revenue from Federal financial aid programs. Between 2001 and 2010, the share of title IV Federal financial aid funds flowing to for-profit colleges increased from 12.2 to 24.8 percent and from $5.4 to $32.2 billion.[2339]

[2335] Scott Travis, "Keiser Becomes a Nonprofit: Move Could Mean More State Aid," *Sun Sentinel*, January 18, 2011, http://articles.sun-sentinel.com/2011-01-18/news/fl-keiser-non-profit-20110118_1_keiser-university-keiser-officials-state-aid (accessed June 19, 2012).

[2336] Goldie Blumenstyk, "For Some Colleges, the Road to Growth is to Go Hybrid," *The Chronicle of Higher Education*, January 19, 2011, http://chronicle.com/article/For-Some-Colleges-the-Road-to/126001/ (accessed June 19, 2012).

[2337] Id.

[2338] Florida Department of Education, 2010-11 General Appropriations Act, HB 5001, Conference Committee Report, July 1, 2010, http://www.fldoe.org/GR/Bill_Summary/2010/HB5001.pdf (accessed June 19, 2012); See also Florida House of Representatives, HB-5001 Appropriations, July 1, 2010, http://www.myfloridahouse.gov/sections/Bills/billsdetail.aspx?BillId=44560 (accessed June 19, 2012).

[2339] "Federal financial aid funds" as used in this report means funds made available through Title IV of the Higher Education Act, including subsidized and unsubsidized Stafford loans, Pell grants, PLUS loans and multiple other small loan and grant programs. See 20 U.S.C. § 1070 et seq.

Together, the 30 companies the committee examined derived 79 percent of revenues from title IV Federal financial aid programs in 2010, up from 68 percent in 2006.[2340]

In 2009, Keiser reported 77.4 percent company revenue came from title IV Federal financial aid programs; this amount does not include other Federal dollars including those from the Departments of Defense and Veterans Affairs education programs.[2341] The additional Federal dollars accounted for 1.2 percent of Keiser's revenue, or $2.9 million.[2342] Including these funds, Keiser derived approximately 78.6 percent of its revenue from Federal programs.[2343] This figure does not include revenue the company was allowed to temporarily discount pursuant to the ECASLA.[2344] Based on information the company provided to the committee, Keiser may have excluded as much as $20.7 million, or 8.4 percent of revenue, in 2009.[2345]

Senate HELP Committee staff analysis of U.S. Department of Education, Federal Student Aid Data Center, *Title IV Program Volume Reports by School*, http://federalstudentaid.ed.gov/datacenter/programmatic.html (accessed July 12, 2012), 2000-1 and 2009-10. Figures for 2000-1 calculated using data provided to the committee by the U.S. Department of Education.

[2340] Senate HELP Committee staff analysis of Proprietary School 90/10 numerator and denominator figures for each OPEID provided to the U.S. Department of Education pursuant to section 487(d)(4) of the Higher Education Act of 1965. Data for fiscal year 2006 provided to the committee by each company; data for fiscal year 2010 provided by the Department of Education on October 14, 2011. See Appendix 9.

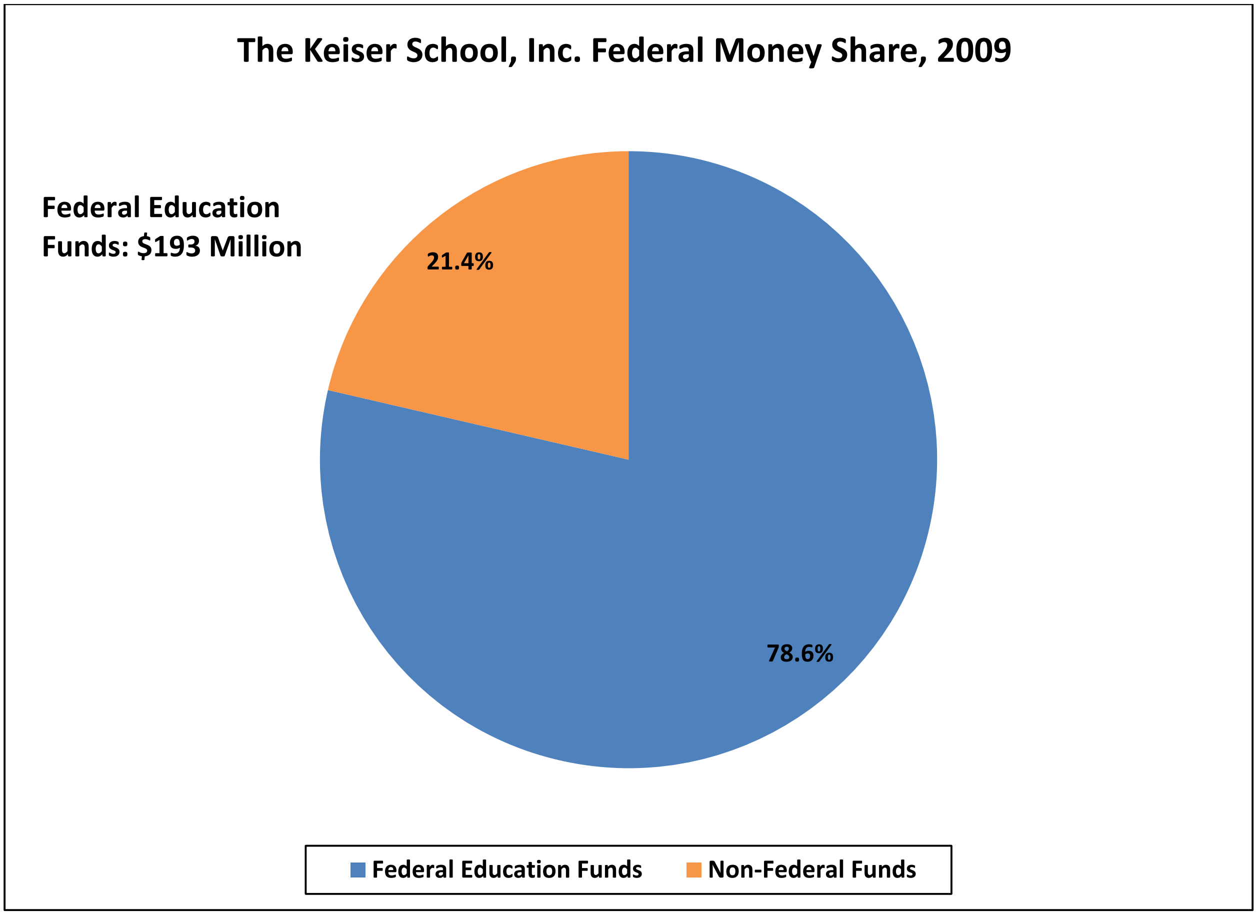
[2341] Senate HELP Committee staff analysis of fiscal 2010 Proprietary School 90/10 numerator and denominator figures for each OPEID provided to the U.S. Department of Education pursuant to section 487(d)(4) of the Higher Education Act of 1965. Data provided by the Department of Education on October 14, 2011.

[2342] Post-9/11 GI bill disbursements for August 1, 2009-July 31, 2010 provided to the committee from the Department of Veterans Affairs on November 5, 2010; post-9/11 GI bill disbursements for August 1, 2009-June 15, 2011 provided to the committee from the Senate Committee on Veterans Affairs via the Department of Veterans Affairs on July 18, 2011; Department of Defense Tuition Assistance disbursements and MyCAA disbursements for fiscal years 2009-11 provided (by branch) by the Department of Defense on December 19, 2011. Committee staff calculated the average monthly amount of benefits collected from VA and DOD for each company, and estimated the amount of benefits received during the company's 2010 fiscal year. See Appendix 11 and 12.

[2343] "Federal education funds" as used in this report means Federal financial aid funds combined with estimated Federal funds received from Department of Defense and Department of Veterans Affairs military education benefit programs. See Appendix 10.

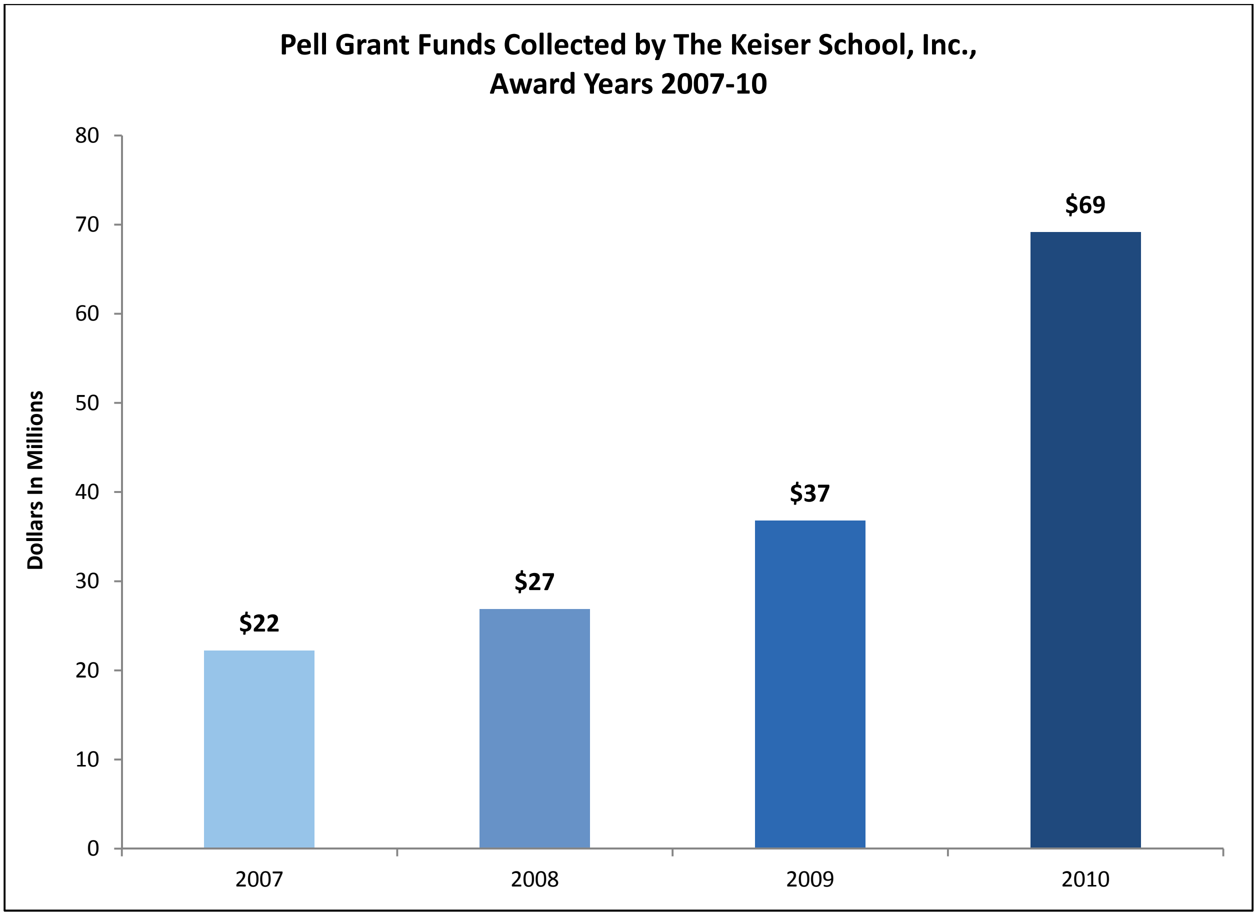
[2344] Pursuant to the Ensuring Continued Access to Student Loan Act (ECASLA), for-profit education companies were allowed to exclude $2,000 in increased Stafford loan eligibility for each student during fiscal years 2009 and 2010. See Appendix 10.

[2345] Id.



Over the past 10 years, the amount of Pell grant funds collected by for-profit colleges as a whole increased from $1.4 billion to $8.8 billion; the share of total Pell disbursements that for-profit colleges collected increased from 14 to 25 percent.[2346] Part of the reason for this increase is that Congress has repeatedly increased the amount of Pell grant dollars available to a student over the past 4 years, and, for the 2009-10 and 2010-11 academic years, allowed students attending year-round to receive two Pell awards in 1 year. Poor economic conditions have also played a role in increasing the number of Pell eligible students enrolling in for-profit colleges.

[2346] Senate HELP Committee staff analysis of U.S. Department of Education, Federal Student Aid Data Center, *Title IV Pell Grant Program Volume Reports by School*, 2001-2 and 2010-11, http://federalstudentaid.ed.gov/datacenter/programmatic.html (accessed July 12, 2012).



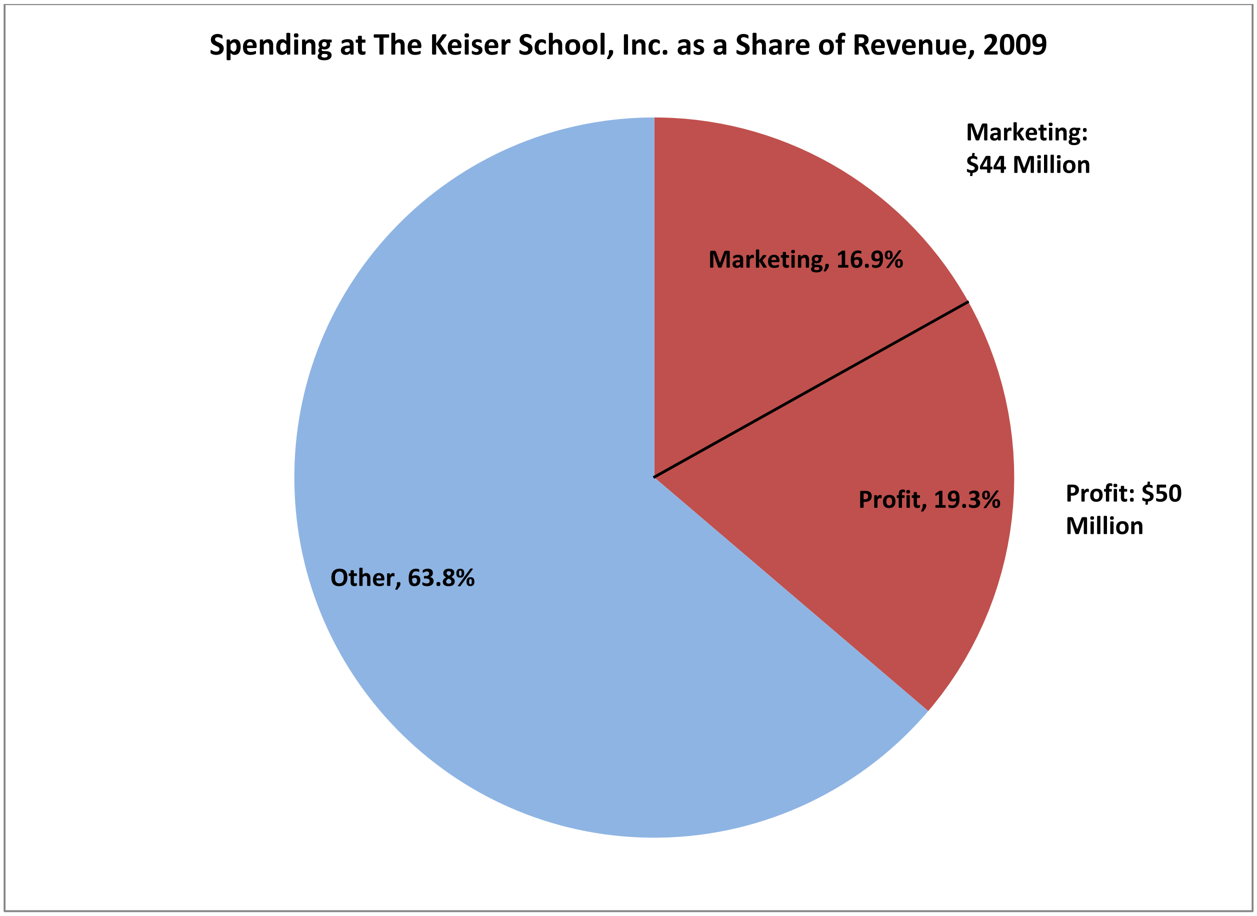
Keiser tripled the amount of Pell grants it collects just in the past 3 years, from $22 million in 2007 to $69 million in 2010.[2347]

Spending

While the Federal student aid programs are intended to support educational opportunities for students, for-profit education companies direct much of the revenue derived from these programs to marketing and recruiting new students and to profit. On average, among the 15 publicly traded education companies, 86 percent of revenues came from Federal taxpayers in fiscal year 2009.[2348] During the same period the companies spent 22.6 percent of revenues on marketing and recruiting ($3.7 billion), and 19.7 percent on profit ($3.2 billion).[2349] These 15 companies spent a total of $6.9 billion on marketing, recruiting, and profit in fiscal year 2009.

[2347] Pell disbursements are reported according to the Department of Education's student aid "award year," other revenue figures are reported according to the company's fiscal year. Senate HELP Committee staff analysis of U.S. Department of Education, Federal Student Aid Data Center, *Title IV Pell Grant Program Volume Reports by School*, 2006-7 and 2009-10, http://federalstudentaid.ed.gov/datacenter/programmatic.html (accessed July 12, 2012). See Appendix 13.
[2348] Senate HELP Committee staff analysis of fiscal year 2009 Proprietary School 90/10 numerator and denominator figures plus all additional Federal revenues received in fiscal year 2009 provided to the committee by each company pursuant to the committee document request of August 5, 2010.
[2349] Senate HELP Committee staff analysis of fiscal year 2009 financial statements and information provided to the committee by each company pursuant to the committee document request of August 5, 2010. Marketing and recruiting

In 2009, Keiser allocated 19.3 percent of its revenue, or $50 million, to profit, and 16.9 percent, or $44 million, to marketing and recruiting.[2350] Due to significant brick and mortar costs, Keiser spent 63.8 percent (or $166 million) on other expenses, including education.

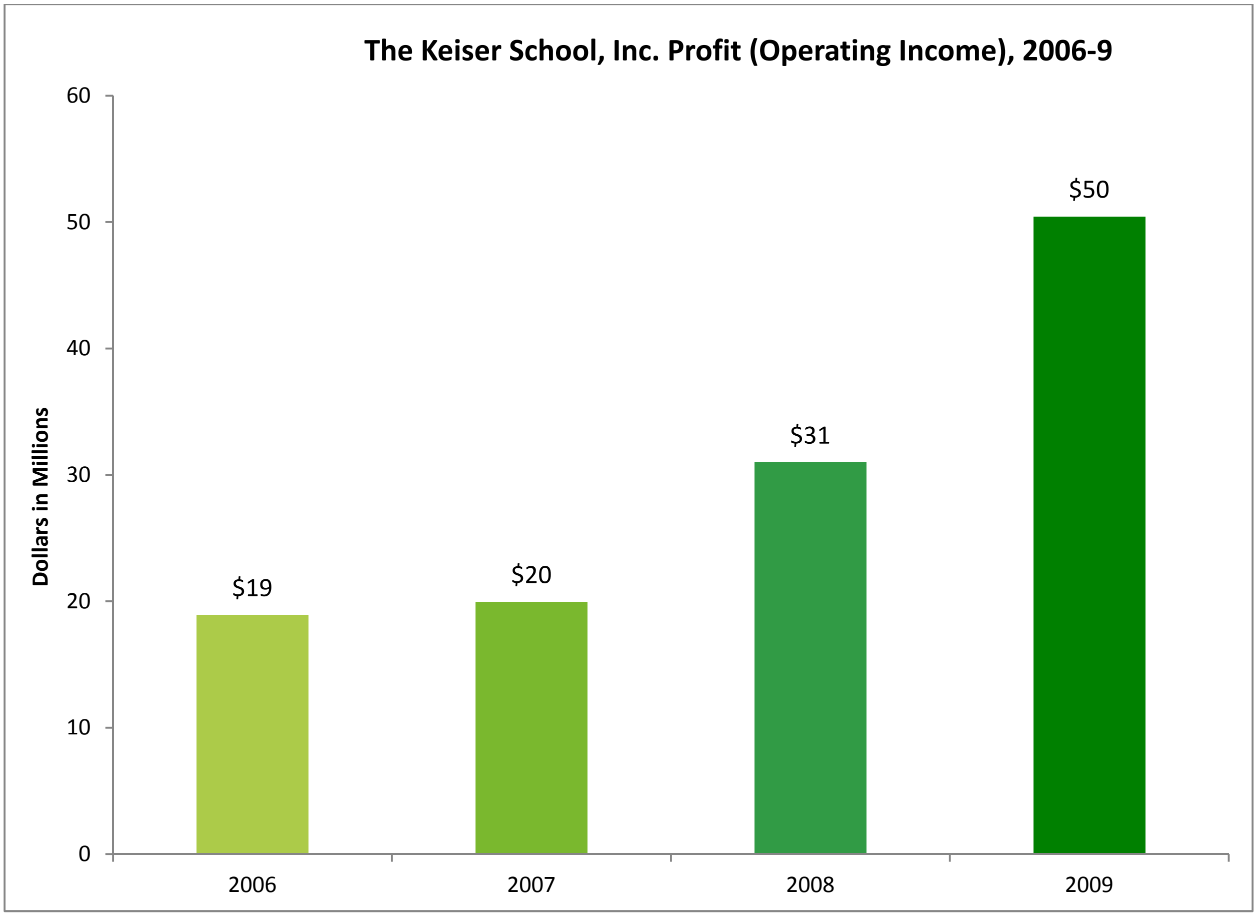


Keiser devoted a total of $94 million to marketing, recruiting, and profit in fiscal year 2009. The amount of profit Keiser generated also increased rapidly, more than doubling from $19 million in to 2006 to $50 million in 2009.[2351]

includes all spending on marketing, advertising, admissions and enrollment personnel as reported to the committee. Profit figures represent operating income before tax and other non-operating expenses including depreciation. See Appendix 19.

[2350] Id. On average, the 30 for-profit schools examined spent 22.7 percent of revenue on marketing and 19.4 percent on profit. "Other" category includes administration, instruction, executive compensation, faculty salary, student services, facilities, maintenance, and other expenditures.

[2351] Senate HELP Committee staff analysis. See Appendix 18.



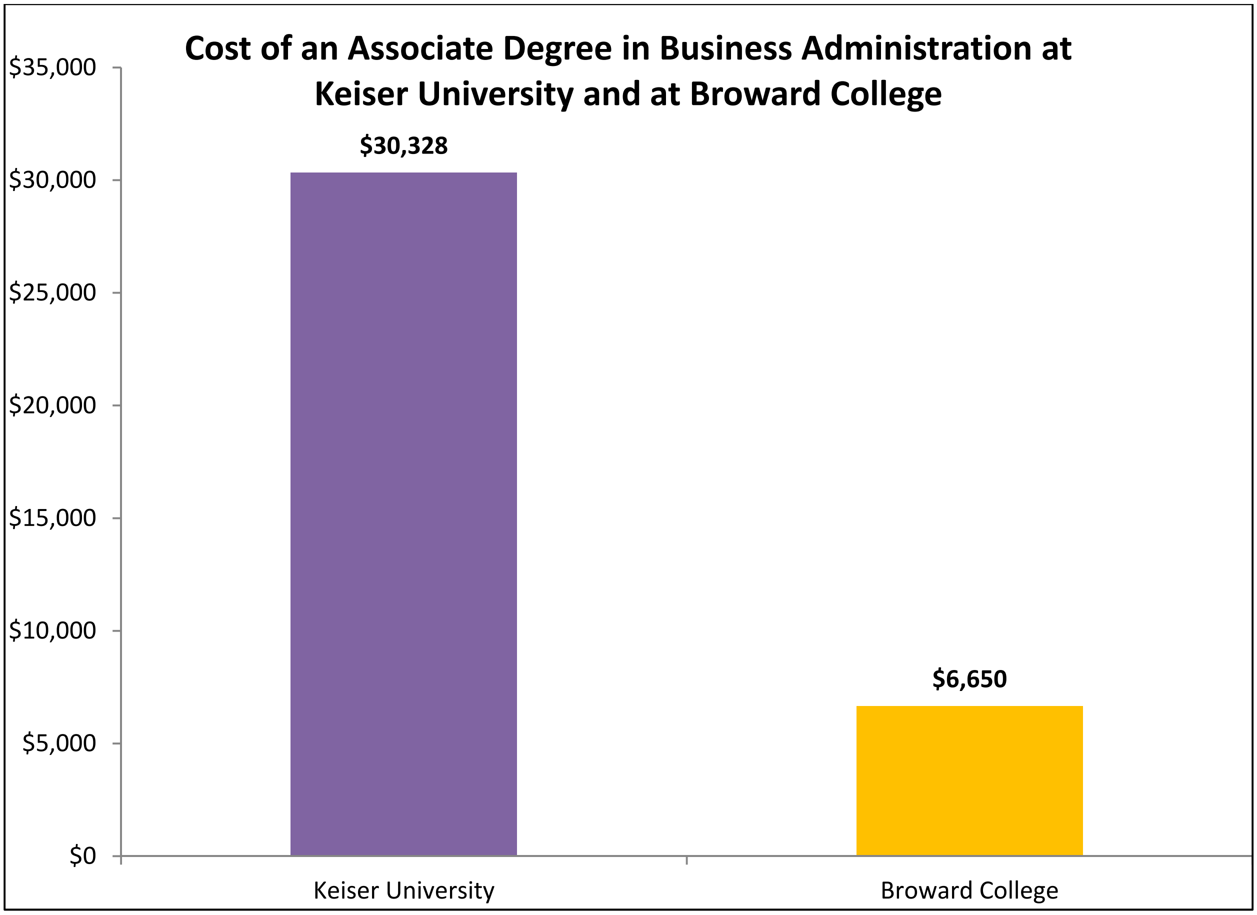
Executive Compensation

As a privately held company, Keiser is not obligated to release executive compensation figures.

Tuition and Other Academic Charges

Compared to its public non-profit counterparts, it is more expensive to obtain a degree at Keiser University. A Bachelor's degree in Business Administration at Keiser University costs $60,456.[2352] A Bachelor's degree in Business Administration at the University of Florida costs $29,000.[2353] An Associate degree in Business Administration costs $30,328 at Keiser.[2354] The same degree costs $6,650 at Broward College.[2355]

[2352] See Appendix 14; see also, Keiser University, *Tuition and Fee Disclosure*, http://www.keiseruniversity.edu/campus-admissions/add_enroll_agree6ofa.php (accessed July 12, 2012).
[2353] See Appendix 14; see also, University of Florida, University of Florida, http://www.ufl.edu/ (accessed July 12, 2012).
[2354] See Appendix 14; see also, Keiser University, http://www.keiseruniversity.edu/campus-admissions/add_enroll_agree6ofa.php (accessed July 12, 2012).
[2355] See Appendix 14; see also, Broward College, *Broward College*, http://www.broward.edu/Pages/Home.aspx (accessed July 12, 2012).



The higher tuition that Keiser charges is reflected in the amount of money that Keiser collects for each veteran that it enrolls. In 2010-11, Keiser trained 1,489 veterans at a cost of $13.3 million ($8,919 per veteran). In contrast, on average it costs a public institution $4,874 per veteran trained.[2356]

Due to the high price of tuition, some students must rely on alternative financing in addition to Federal financial aid. Institutional loan programs can also help the company meet a regulatory requirement that no more than 90 percent of its revenue come from Federal financial aid dollars ("90/10"). Keiser operates an institutional loan program, under which the company itself lends money to students who cannot obtain alternative loans from private lenders. The program is relatively small, with just $8 million in principal outstanding as of June 30, 2010.[2357] The company charges students an interest rate of 11.99 percent.

Outcomes

While aggressive recruiting and high cost programs might be less problematic if students were receiving promised educational outcomes, committee staff analysis showed that tremendous numbers of students are leaving for-profit colleges without a degree. Because 98 percent of students who enroll in a 2-year degree program at a for-profit college, and 96 percent who enroll in a 4-year degree program,

[2356] See Appendix 11. Post-9/11 GI bill disbursements for August 1, 2009-June 15, 2011 provided to the committee from the Senate Committee on Veterans' Affairs via the Department of Veterans Affairs on July 18, 2011.
[2357] Keiser, *Keiser University Loan Info From 01/0102010 To 06/30/2010* (KU 000025812).

take out loans, hundreds of thousands of students are leaving for-profit colleges with debt but no diploma or degree each year.[2358]

Two metrics are key to assessing student outcomes: (1) retention rates based on information provided to the committee and (2) student loan "cohort default rates." These metrics indicate that many students who enroll at Keiser are not achieving their educational and career goals.

Retention Rates

Students attending Keiser have high rates of withdrawal. Information Keiser provided to the committee indicates that of the 10,897 students who enrolled at Keiser in 2008-9, 63.7 percent, or 6,938 students, withdrew by mid-2010.[2359] These withdrawn students were enrolled a median of 7 months.[2360] Looking at degree programs, Keiser's Associate (65 percent) and Bachelor's (57.2 percent) withdrawal rates both rank amongst the 10 worst in the sector.[2361]

Status of Students Enrolled in The Keiser School, Inc. in 2008-9, as of 2010					
Degree Level	**Enrollment**	**Percent Completed or Still Enrolled**	**Percent Withdrawn**	**Number Withdrawn**	**Median Days**
Associate Degree	9,041	35.0%	65.0%	5,877	212
Bachelor's Degree	1,856	42.8%	57.2%	1,061	195
All Students	10,897	36.3%	63.7%	6,938	209

Keiser asserts that its withdrawal rates are actually significantly lower as 1,019 students temporarily classified as not-enrolled while awaiting entry into the core nursing curriculum are included in the withdrawal rates. The company also states that, despite clear instructions from the committee, an additional 625 students captured as withdrawals were double counted by the company in the production, and that they were actually continuing students who changed programs or campuses. The dataset does not capture some students who withdraw and subsequently return, which is one of the advantages of the for-profit education model. Keiser notes that 888 of the withdrawn students later re-enrolled, a number slightly less than 10 percent of their total enrollment. The analysis also does not account for students who withdrew after mid-2010 when the data was produced.

2358 Patricia Steele and Sandy Baum, "How Much Are College Students Borrowing?," *College Board Policy Brief*, August 2009, http://advocacy.collegeboard.org/sites/default/files/09b_552_PolicyBrief_WEB_090730.pdf (accessed June 19, 2012).

2359 Senate HELP Committee staff analysis. See Appendix 15. Rates track students who enrolled between July 1, 2008 and June 30, 2009. For-profit education companies use different internal definitions of whether students are "active" or "withdrawn." The date a student is considered "withdrawn" varies from 10 to 90 days from date of last attendance. Two companies provided amended data to properly account for students that had transferred within programs. Committee staff note that the data request instructed companies to provide a unique student identifier for each student, thus allowing accurate accounting of students who re-entered or transferred programs within the school. The dataset is current as of mid-2010, students who withdrew within the cohort period and re-entered afterward are not counted. Some students counted as withdrawals may have transferred to other institutions.

2360 Id.

2361 It is not possible to compare student retention or withdrawal rates at public or non-profit institutions because this data was provided to the committee directly by the companies. While the Department of Education tracks student retention and outcomes for all colleges, because students who have previously attended college are excluded from the data set, it fails to provide an accurate picture of student outcomes or an accurate means of comparing for-profit and non-profit and public colleges.

Online vs. Brick and Mortar Outcomes[2362]

Status of Online Students Enrolled in The Keiser School, Inc. in 2008-9, as of 2010					
Degree Type	**Enrollment**	**Students Completed or Still Enrolled**	**Completed or Still Enrolled**	**Students Withdrawn**	**Withdrawn**
Associate	1,262	418	33.1%	844	66.9%
Bachelor's	587	271	46.2%	316	53.8%
All	1,849	689	37.3%	1,160	62.7%

Status of Brick and Mortar Students Enrolled in The Keiser School, Inc. in 2008-9, as of 2010					
Degree Type	**Enrollment**	**Students Completed or Still Enrolled**	**Completed or Still Enrolled**	**Students Withdrawn**	**Withdrawn**
Associate	7,779	2,746	35.3%	5,033	64.7%
Bachelor's	1,269	524	41.3%	745	58.7%
All	9,048	3,270	36.1%	5,778	63.9%

An analysis of withdrawal rates among the 11 companies that provided disaggregated data indicates that overall, students enrolled in online programs had higher withdrawal rates than students enrolled in campus based programs. This however, is not the case at Keiser as there are only minimal differences in withdrawal rates between Keiser's online students and students enrolled in campus based programs.

Student Loan Defaults

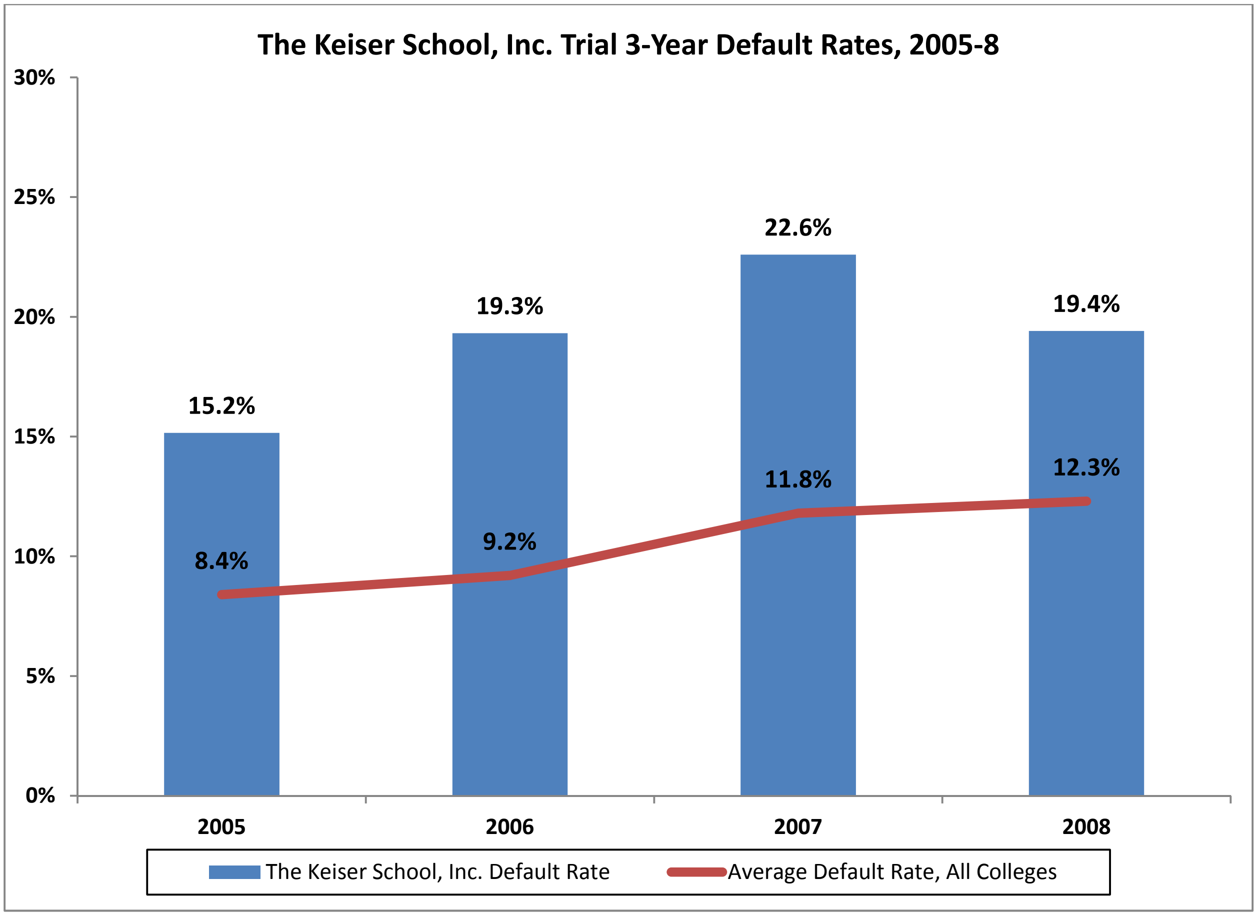
The number of students leaving Keiser with no degree correlates with the high rates of student loan defaults by students who attended Keiser. The Department of Education tracks and reports the number of students who default on student loans (meaning that the student does not make payments for at least 360 days) within 3 years of entering repayment, which usually begins 6 months after leaving college.[2363] Arthur Keiser was not supportive of the move to a 3 year cohort default rate measurement and in his opinion, "if I haven't seen students for three years and they default, why should I be responsible?" [2364]

Slightly more than 1 in 5 students who attended a for-profit college (22 percent) defaulted on a student loan, according to the most recent data.[2365] In contrast, 1 student in 11 at public and non-profit schools defaulted within the same period.[2366] On the whole, students who attended for-profit schools default at nearly three times the rate of students who attended other types of institutions.[2367] The

[2362] As stated above, Keiser asserts that the withdrawal numbers do not include students temporarily classified as not-enrolled while awaiting entry into the core nursing curriculum or who withdrew and later re-enrolled. This also holds for the online and brick and mortar withdrawal rates.
[2363] Direct Loan Default Rates, 34 CFR § 668.183(c).
[2364] Kris Hundley, "For-Profit Colleges Teach Less in Cost vs. Value, *Tampa Bay Times*, April 11, 2010 (http://www.tampabay.com/news/health/for-profit-colleges-teach-lesson-in-cost-vs-value/1086268) (accessed June 19, 2012).
[2365] Senate HELP Committee staff analysis of U.S. Department of Education Trial Cohort Default Rates fiscal year 2005-8, http://federalstudentaid.ed.gov/datacenter/cohort.html. Default rates calculated by cumulating number of students entered into repayment and default by sector.
[2366] Id.
[2367] Id.

consequence of this higher rate is that almost half of all student loan defaults nationwide are held by students who attended for-profit colleges.[2368]

The default rate across all 30 companies examined increased each fiscal year between 2005 and 2008, from 17.1 percent to 22.6 percent. This change represents a 32.6 percent increase over 4 years.[2369] Keiser's default rate has similarly increased, growing from 15.2 percent for students entering repayment in 2005 to 19.4 percent for students entering repayment in 2008.[2370]



It is likely that the reported default rates significantly undercount the number of students who ultimately face default, because of companies' efforts to place students in deferments and forbearances. Keiser's default management is handled by the i3 group.[2371] Keiser has engaged in default management with the goal of maintaining a cohort default level of less than 13 percent.[2372] This effort appears to have had at least some traction, considering the drop in Keiser's default rate from 2007 to 2008. However, for many students forbearance and deferment serve only to delay default beyond the 3-year measurement period the Department of Education uses to track defaults.

[2368] Id.
[2369] Senate HELP Committee staff analysis of U.S. Department of Education Trial Cohort Default Rates fiscal year 2005-8, http://federalstudentaid.ed.gov/datacenter/cohort.html. Default rates calculated by cumulating number of students entered into repayment and default for all OPEID numbers controlled by the company in each fiscal year. See Appendix 16.
[2370] The company states that their published 2009 3-Year Draft Cohort Default Rate (CDR) is 20.3% and that the university's 2009 3-Year Revised CDR based on accepted challenges is 19.9% (1,123 defaults/5,617 students). Further the university's 2010 3-Year Projected CDR is 17.45%.
[2371] Keiser, *Keiser University-Student Relationship Management Program* (KU 0000011683, at KU 0000011685).
[2372] Keiser, *Default version, Default Management-Phase 1, 2008 Cohort, Training Manuel* (KU 0000011687 at KU0000011689).

This practice is troubling for taxpayers. The cohort default rate is designed not just as a sanction but also as a key indicator of a school's ability to serve its students and help them secure jobs. If schools actively work to place students in forbearance and deferment, that means taxpayers and policymakers fail to get an accurate assessment of repayment and default rates. A school that has large numbers of its students defaulting on their loans indicates problems with program quality, retention, student services, career services, and reputation in the employer community. Aggressive default management undermines the validity of the default rate indicator by masking the true number of students who end up defaulting on their loans. Critically, schools that would otherwise face penalties—including loss of access to further taxpayer funds—continue to operate because they are able to manipulate their default statistics.

Moreover, forbearances may not always be in the best interest of the student. This is because during forbearance of Federal loans, as well as during deferment of unsubsidized loans, interest still accrues. The additional interest accrued during the period of forbearance is added to the principal loan balance at the end of the forbearance, with the result that interest then accrues on an even larger balance. Thus, some students will end up paying much more over the life of their loan after a forbearance or deferment.

Instruction and Academics

The quality of any college's academics is difficult to quantify. However the amount that a school spends on instruction per student compared to other spending is a useful measure.[2373]

Keiser spent $3,201 per student on instruction in 2009, compared to $2,305 on marketing and $2,640 on profit.[2374] The amount that privately held companies examined by the committee spend on instruction ranges from $1,118 to $6,389 per student per year. In contrast, public and non-profit schools, generally spend a higher amount per student on instruction while community colleges spend a comparable amount but charge far lower tuition than for-profit colleges. Other Florida-based colleges spent, on a per student basis, $14,537 at the University of Florida, $3,217 at Broward College, and $11,064 at Nova Southeastern University.[2375]

A large portion of the faculty at many for-profit colleges is composed of part-time and adjunct faculty. While a large number of part-time and adjunct faculty is an important factor in a low-cost education delivery model, it also raises questions regarding the academic independence they are able to exercise to balance the colleges' business interests. Among the 30 schools investigated by the

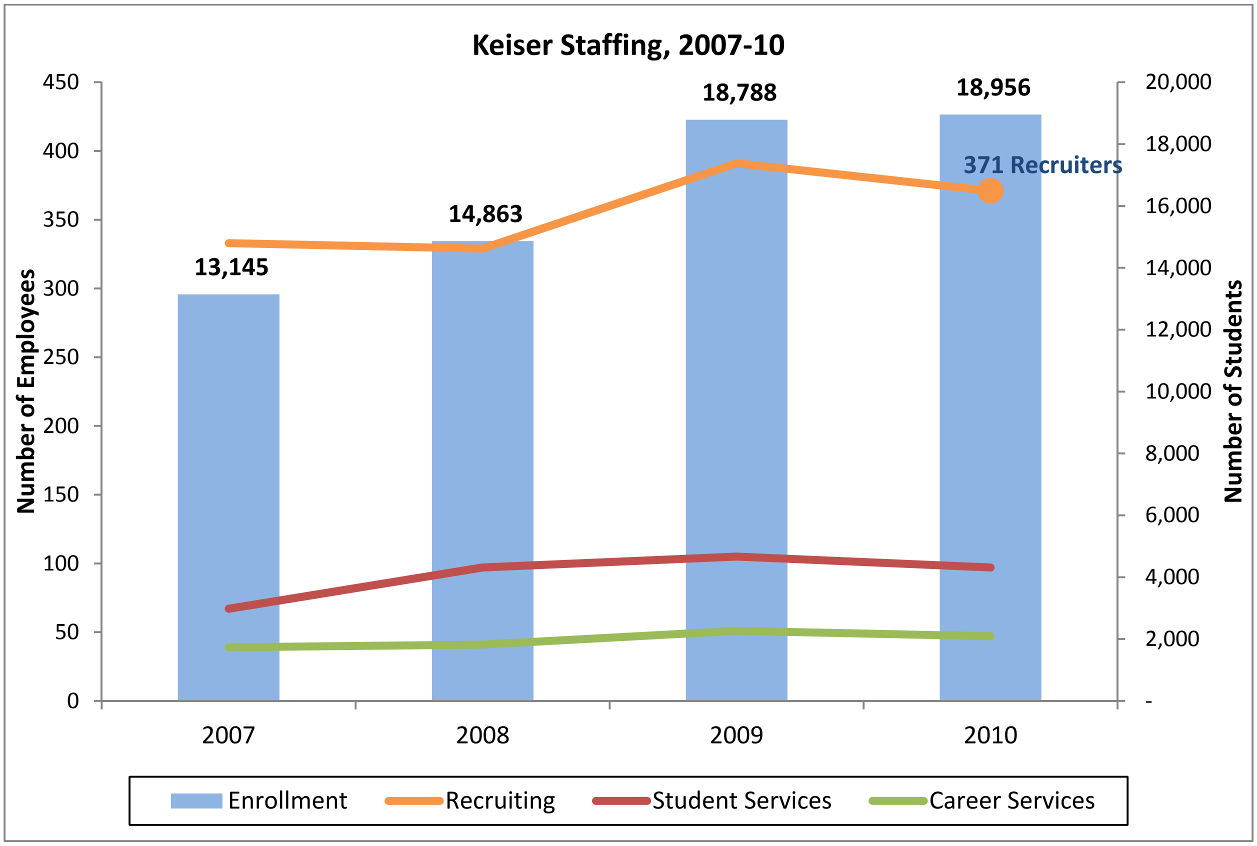
[2373] Keiser like many other for-profit education companies includes a binding arbitration clause in its standard enrollment agreement. This clause severely limits the ability of students to have their complaints heard in court, especially in cases in which students with similar complaints seek redress as a group. See, e.g., KU 000027205.

[2374] Senate HELP Committee staff analysis. See Appendix 20, Appendix 21, and Appendix 22. Marketing and profit figures provided by company or Securities and Exchange filings, instruction figure from IPEDS. IPEDs data for instruction spending based on instructional cost provided by the company to the Department of Education. According to IPEDS, instruction cost is composed of "general academic instruction, occupational and vocational instruction, special session instruction, community education, preparatory and adult basic education, and remedial and tutorial instruction conducted by the teaching faculty for the institution's students." Denominator is IPEDS "full-time equivalent" enrollment.

[2375] Senate HELP Committee staff analysis. See Appendix 23. Many for-profit colleges enroll a significant number of students in online programs. In some cases, the lower delivery costs of online classes – which do not include construction, leasing and maintenance of physical buildings – are not passed on to students, who pay the same or higher tuition for online courses.

committee, 80 percent of the faculty is part-time, higher in some companies.[2376] Likely reflecting its heavy emphasis on brick and mortar classes, Keiser has a more even division between full-time and part-time faculty. In 2010, the company employed 476 full-time and 861 part-time faculty.[2377]

Staffing



While for-profit education companies employ large numbers of recruiters to enroll new students, the same companies frequently employ far less staff to provide tutoring, remedial services or career counseling and placement. In 2010, with 18,956 students, Keiser employed 371 recruiters, 47 career services employees, and 97 student services employees.[2378] That means each career counselor was responsible for 403 students and each student services staffer was responsible for 195 students, but the company employed one recruiter for every 51 students. This disparity is not as extreme as others within the sector.

Enforcement Actions

In November 2010, the Florida Attorney General's office announced that it was investigating recruiting practices at Keiser. Specifically the company faced allegations of "misrepresentations

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[2376] Senate HELP Committee staff analysis of information provided to the committee by the company pursuant to the committee document request of August 5, 2010. See Appendix 24.
[2377] Id.
[2378] Id. See Appendix 7 and Appendix 24.

regarding financial aid" and "unfair or deceptive practices regarding recruiting, enrollment, placement, etc." [2379] This investigation is ongoing.

Conclusion

Like many other companies examined, Keiser's enrollment increased rapidly over the past decade. With this growth in enrollment, Keiser received increasing amounts of Federal financial aid dollars and realized significant increases in profit prior to its sale to the non-profit entity. Given the high cost of tuition at Keiser and that the majority of students leave the company's schools with no degree or diploma, the company's high rate of student loan default is particularly troubling. It is unclear whether taxpayers or students are obtaining value from their investments in the company. Moreover, Keiser's decision to convert to non-profit status should be more closely scrutinized.

[2379] Office of the Florida Attorney General, "Active Public Consumer-Related Investigation, re: *The Keiser School, Inc. d/b/a Keiser University*, http://myfloridalegal.com/__85256309005085AB.nsf/0/B5C89F6D251F5CF9852577C300731BFC?Open&Highlight=0,l10 (accessed June 19, 2012).