Trident University, Inc. (TUI)

Introduction

Trident University, Inc. ("TUI") is a relatively new for-profit education company that offers primarily online 4-year degrees. Like many for-profit education companies, TUI has experienced steady growth in student enrollment, Federal funds collected and profit realized in recent years. The company has faced challenges in addressing concerns raised by its accreditor, but at this time appears to have relatively low rates of student withdrawals.

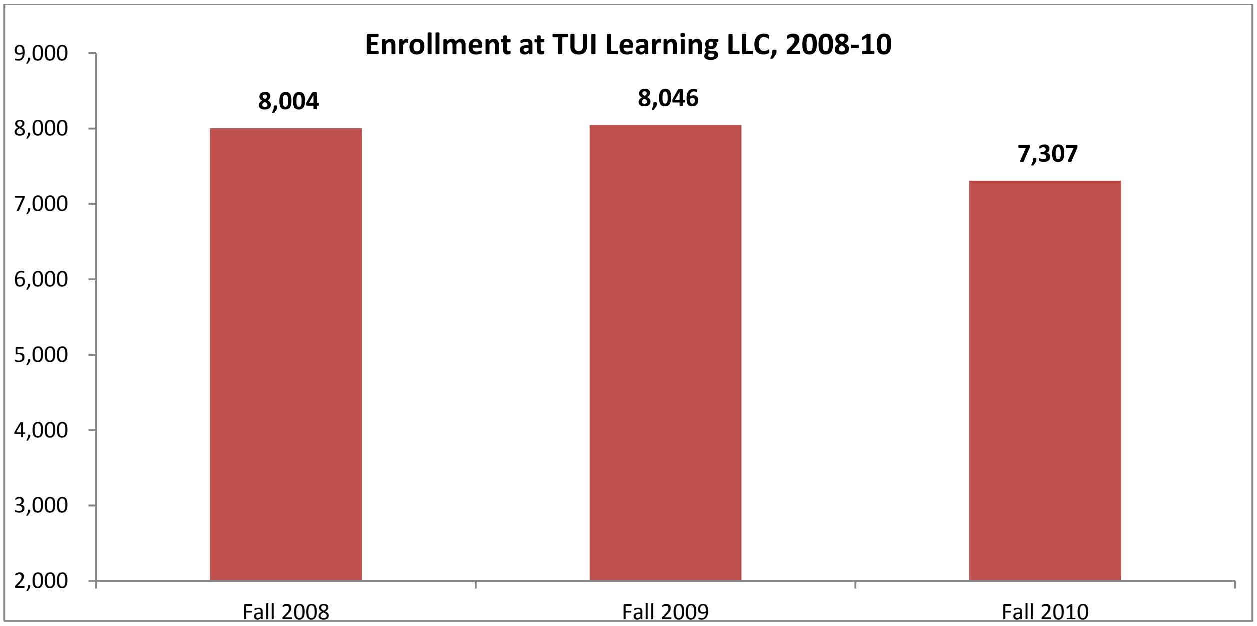
Company Overview

TUI is a privately held for-profit education company based in Cypress, CA.[2719] TUI operates exclusively online and has no campus.[2720] The company offers Bachelor's, Master's and Doctoral degrees in the fields of business administration, education, health sciences, and information systems.[2721] TUI is regionally accredited by the Western Association of Schools and Colleges (WASC).[2722]

TUI was created in 2007 when the online division of Tuoro College, a non-profit college based in New York was purchased by the private equity fund Summit Partners and converted to for-profit status.[2723] Dr. Yoram Neumann was the founder of the online branch of Tuoro College that was purchased.[2724] He became the president of TUI during its first 2 years, leaving to become the executive chairman on July 15, 2009, and later resigning from TUI in February 2010.[2725] The current president and chief executive officer (CEO) of the company is Nolan A. Miura.[2726]

Unlike many of the companies examined by the committee, TUI's enrollment has decreased in recent years, dropping from 8,004 in the fall of 2008 to 7,307 in the fall of 2010.[2727] According to the company, 80 percent of its enrollment consists of military personnel and veterans.[2728]

[2719] Trident University Web site, *History of Trident University*, 2011 http://www.trident.edu/why-tui/history-of-tui/ (accessed September 28, 2011).
[2720] Trident University Web site, *The Trident Difference*, 2011 http://www.trident.edu/why-tui/the-trident-difference/ (accessed September 28,2011).
[2721] Trident University Web site, *Academic Colleges*, 2011 http://www.trident.edu/academics/colleges/ (accessed September 28,2011).
[2722] Trident University Web site, *Accreditation*, 2011 http://www.trident.edu/university-information/academic-affairs/accreditation-2/ (accessed September 28,2011).
[2723] Trident University Web site, *History of Trident University*, 2011 http://www.trident.edu/why-tui/history-of-tui/, (accessed September 28,2011).
[2724] Touro College Website, *Touro College Sells Online Institution to Summit Partners*, November 5, 2007 http://www.touro.edu/media/pr/releases/PR-ONLINEINSTITUTION.ASP (accessed September 28,2011).
[2725] TUI University, *TUI UNIVERSITY AND ITS HISTORY*, 2010 (TUI-SEN 00384).
[2726] Trident University, *August 2011 University Catalog*, August 2011 http://www.trident.edu/files/TUI-Catalog-August-2011.pdf (accessed September 28, 2011).
[2727] 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 decrease in revenue and profit at some companies.
[2728] Trident University, *History of Trident University*, 2011 http://www.trident.edu/why-tui/history-of-tui/ (accessed September 28, 2011).



However, revenue at TUI grew sharply between 2008 and 2009, from just $25,000 in 2008 to $48.6 million in 2009.[2729]

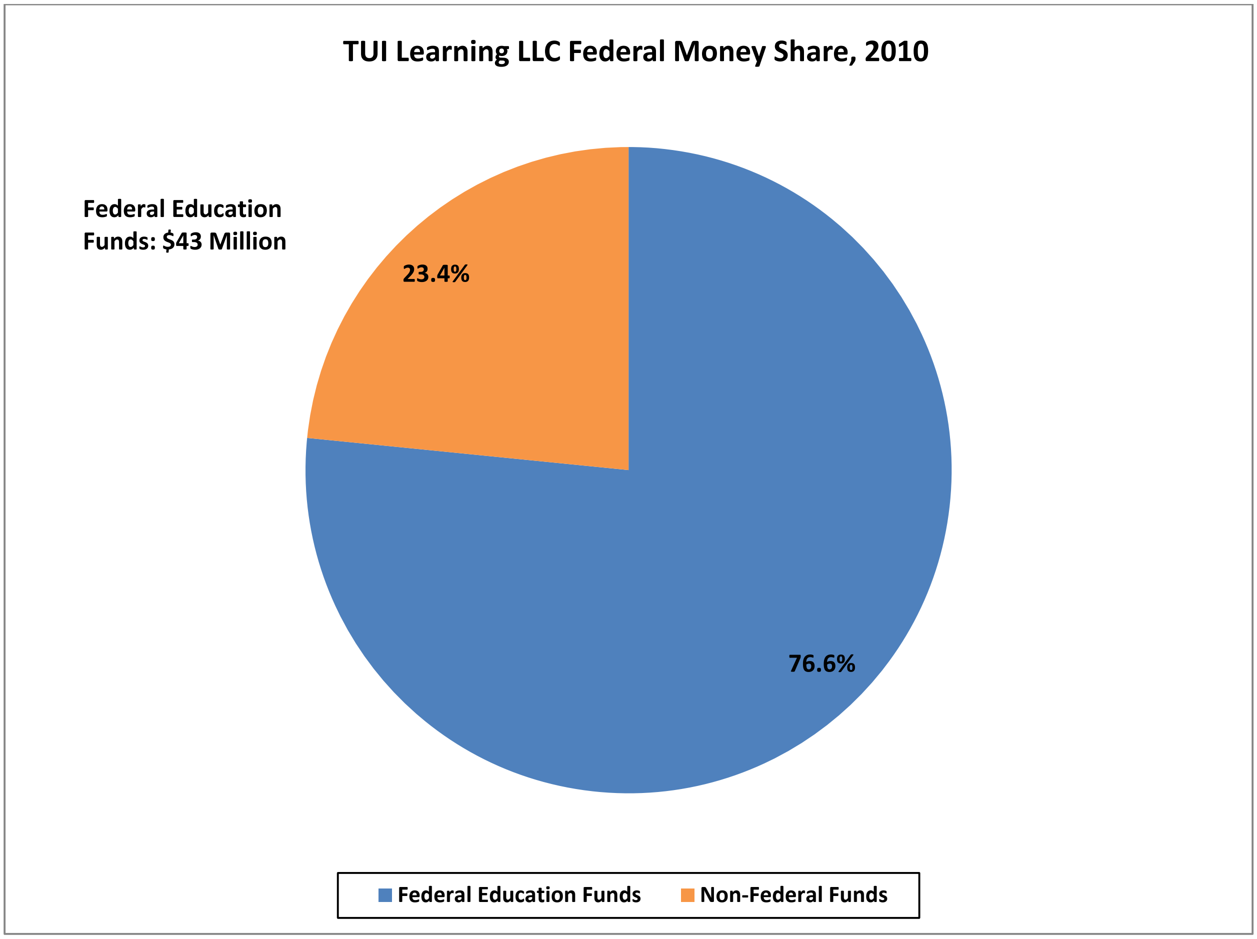
Federal Revenue

Nearly all for-profit education companies derive the majority of revenues 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.[2730] Together, the 30 companies the committee examined derived 79 percent of revenues from title IV Federal financial aid programs in 2010, up from 69 percent in 2006.[2731]

In 2010, TUI reported 12.2 percent of revenue from title IV Federal financial aid programs.[2732] However, this amount does not include revenue received from the Departments of Defense and Veterans Affairs education programs. Department of Defense Tuition Assistance and post-9/11 GI

[2729] Revenue figures for publicly traded companies are from Securities and Exchange Commission annual 10-K filings. Revenue figures for privately held companies are taken from the company financial statements produced to the committee. See Appendix 18.
[2730] 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, 2000-1 and 2009-10. Figures for 2000-1 calculated using data provided to the committee by the U.S. Department of Education. "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.
[2731] 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.
[2732] 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. See Appendix 9.

bill funds accounted for approximately 64.3 percent of TUI's revenue, or $36.3 million.[2733] With these funds included, 76.6 percent of TUI's total revenue was comprised of Federal education funds.[2734]



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.[2735] During the same period the companies spent 23 percent of revenues on marketing and recruiting ($3.7

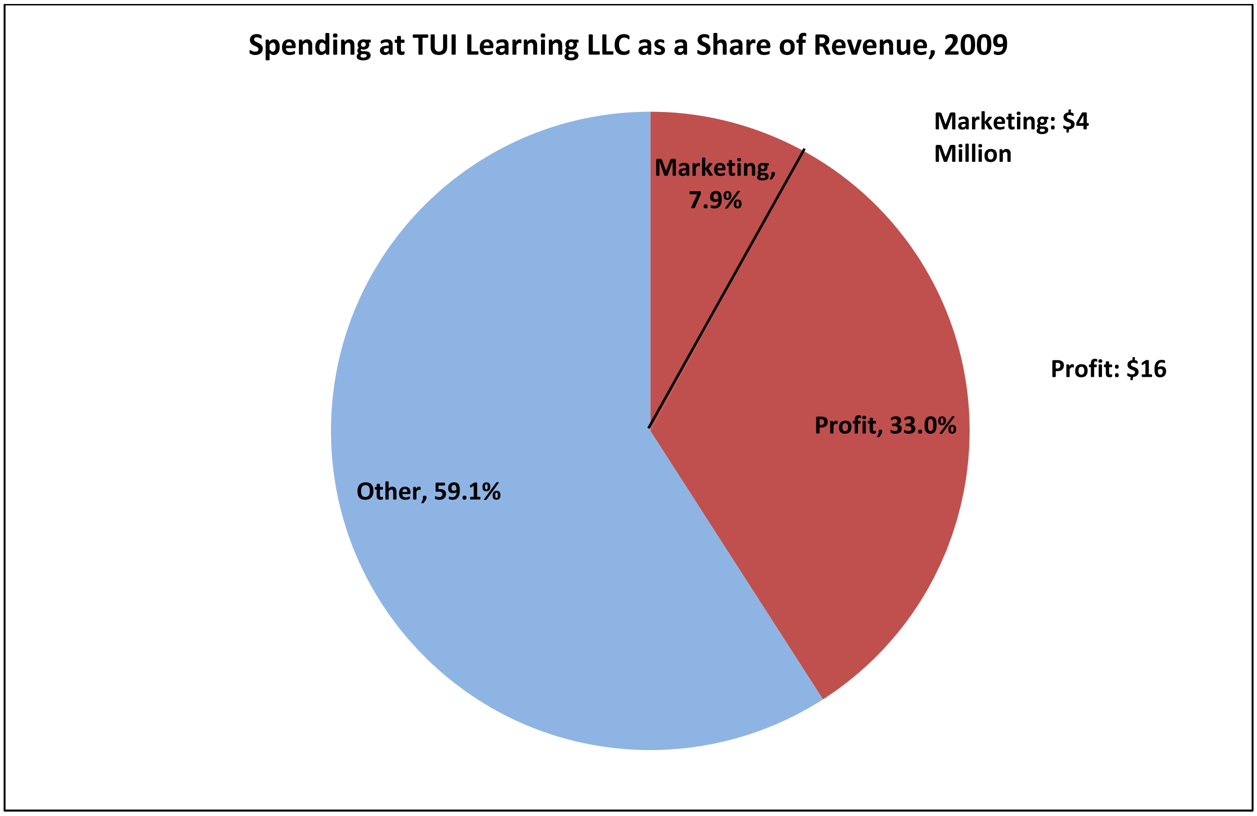
[2733] Post-9/11 GI bill disbursements for August 1, 2009-July 31, 2010 provided to the committee from the Department of Veterans Affairs on November 5, 2010; post-9/11 GI bill disbursements for August 1, 2009-June 15, 2011 provided to the committee from the Senate Committee on Veterans' Affairs via 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 Appendix 12.

[2734] "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.

[2735] 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.

billion), and 19.7 percent on profit ($3.2 billion).[2736] These 15 companies spent a total of $6.9 billion on marketing, recruiting and profit in fiscal year 2009.

In 2009, TUI allocated 7.9 percent of its revenue, or $3.9 million, to marketing and recruiting and 33 percent, or $16 million, to profit.[2737] The percentage of revenue that TUI devotes to profit is the third highest of all 30 companies examined.



TUI devoted a total of $20 million to marketing, recruiting, and profit in fiscal year 2009.[2738] The amount of profit generated by TUI also increased rapidly. In 2008, TUI reported a profit of $5,658, and then reported a profit of $16 million the following year.

Executive Compensation

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

Tuition and Other Academic Charges

Unlike most of TUI's competitors in the for-profit education sector, the price of tuition at TUI is comparable to public colleges offering the same Bachelor's programs. A Bachelor's of Science in

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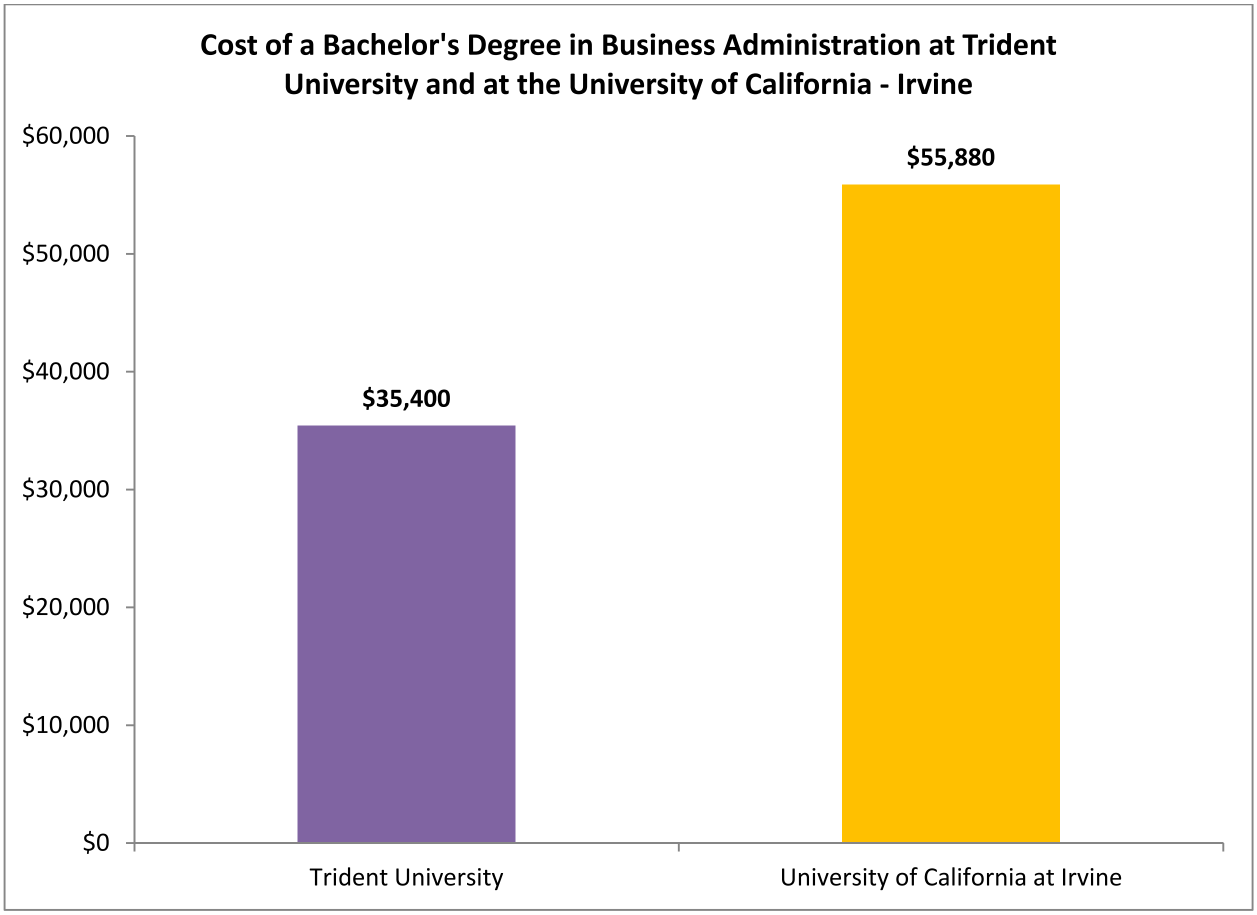
[2736] Senate HELP Committee staff analysis of fiscal year 2009 financial statements. Marketing and recruiting includes all spending on marketing, advertising, admissions and enrollment personnel. Profit figures represent operating income before tax and other non-operating expenses including depreciation. See Appendix 19.

[2737] Id. On average, the 30 for-profit schools examined spent 22.4 percent of revenue on marketing and 19.4 percent on profit.

[2738] "Other" category includes administration, instruction, executive compensation, faculty salary, student services, facilities, maintenance, and other expenditures.

Business Administration at TUI costs $35,400.[2739] The same degree at University of California-Irvine costs $55,880.[2740]



From 2009-11, TUI trained 2,228 veterans and received $7.6 million in post-9/11 GI bill benefits, averaging $3,397 per veteran. This figure is lower than public colleges, which collected an average of $4,642 per veteran trained in the same period. This lower cost is partly because TUI's tuition for military personnel is matched to military tuition assistance rates, so that students can pay for up to seven courses per year using typical active-duty military benefits.[2741]

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, take out loans, hundreds of thousands of students are leaving for-profit colleges with debt but no diploma or degree each year.[2742]

[2739] See Appendix 14. Trident University, *Bachelor of Science in Business Administration: Gainful Employment Program Disclosure*, http://www.trident.edu/academics/gainful-employment-disclosures/disclosure_bsba/ (accessed June 25, 2012).
[2740] See Appendix 14. San Diego State University, *San Diego State University*, http://www.sa.sdsu.edu (accessed June 25, 2012).
[2741] Trident University Web site, *Military Discount Program*, 2010 http://www.trident.edu/tuition-fees/military-discount-program/ (accessed October 7, 2010).
[2742] Patricia Steele & 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 25, 2012).

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." An analysis of these metrics indicates that many people who enroll at TUI are not achieving their educational and career goals. However, the Department of Education only measures student loan default rates for title IV loan programs. Thus, given the small portion of TUI students receiving title IV funding, 12.2 percent of its revenue in 2010, cohort default rates provide little information on actual TUI student outcomes. Further, Trident's heavy military enrollment provides a very different context for these outcomes.

Retention Rates

Information TUI provided to the committee indicates that, of the 3,483 Bachelor's degree students who were enrolled at TUI in 2008-9, 51.3 percent, or 1,786 students, withdrew by mid-2010.[2743] TUI's withdrawal rate is slightly lower than the Bachelor's program sector-wide rate of 54.3 percent for the 30 schools examined.[2744] Nonetheless, the majority of TUI's student population, most of whom are veterans or service members, left without degrees.

Status of Students Enrolled in TUI Learning LLC in 2008-9, as of 2010						
Degree Level	Enrollment	Percent Completed	Percent Still Enrolled	Percent Withdrawn	Number Withdrawn	Median Days
Bachelor's Degree	3,483	21.9%	26.8%	51.3%	1,768	N/A

The dataset does not capture some students who withdraw and subsequently return, which is one of the advantages of the for-profit education model, and is particularly relevant to TUI given its large portion of military students. The analysis also does not account for students who withdrew after mid-2010 when the data was produced.

Student Loan Defaults

As mentioned above, because the majority of students attending TUI receive funding from the Departments of Defense and Veterans Affairs military education benefit programs and not title IV loan programs, the number of students leaving TUI with no degree does not lead to high rates of student loan defaults or low loan repayment rates. TUI's default rate for title IV students entering repayment in 2008 was 1.9 percent.

[2743] 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.

[2744] 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.

Instruction and Academics

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

TUI spent $1,118 per student on instruction in 2009, compared to $494 per student on marketing and $2,056 per student on profit.[2745] The amount that privately held companies examined by the committee spend on instruction ranges from $1,118 (TUI) to $6,389 per student per year.[2746] In contrast, public and non-profit schools generally spend a higher amount per student on instruction. Other California-based colleges spent, on a per student basis, $15,039 at the University of California-Irvine, and $35,920 at the University of Southern California.[2747]

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 the committee examined, 80 percent of the faculty is part-time, higher in some companies.[2748] In 2010, 74 percent of TUI's faculty was employed part-time, with 69 full-time and 200 part-time faculty.[2749]

Staffing

While for-profit education companies employed 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. While TUI employed only 17 recruiters, compared to 16 student services staff, in 2010, the number of student services employees was still sparse for its 7,307 students that year.[2750]

[2745] 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.

[2746] Drake College of Business (low end) and Chancellor University (high end) have been excluded from this calculation due to unreliability regarding the data.

[2747] 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.

[2748] 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.

[2749] Id.

[2750] Id. See Appendix 7 and Appendix 24. TUI did not provide data on the number of career services and placement staff it employed.

Accreditation Difficulties

In 2011, WASC called on TUI to show cause why its accreditation should not be terminated on March 30, 2012.[2751] WASC's Show Cause Order resulted from its finding that TUI failed to meet standards regarding defining and achieving educational objectives. On February 24, 2012, the order to show cause was lifted, but TUI was placed on probation by the accreditor for making progress towards, but still not meeting, the accreditor's standards.[2752]

The Order followed a March 2010 warning letter, expressing concern about TUI's Capacity and Preparatory Review (CPR) report,[2753] a key report in WASC's accreditation review process.[2754] WASC acknowledged that "considerable effort had been undertaken by a large number of people in support of the University's CPR report." Even with that effort, however, WASC also noted that its review team "found the report difficult to follow and lacking in reflection and supportive evidence beyond assertions." [2755]

WASC accepted TUI's report, but noted several standards that the school needed to address before the next stage of accreditation review, the Educational Effectiveness Review (EER). WASC also rescheduled the EER to allow more time to address the lacking standards. WASC cautioned that Trident should address those standards "with analysis of evidence rather than the conclusionary approach present in the CPR report [sic]." [2756]

The EER was rescheduled for the spring of 2011.[2757] On February 24, 2012, WASC lifted the order to show cause and placed the school on probation.[2758]

Conclusion

TUI is one of the smaller for-profit higher education companies examined by the committee, enrolling 7,307 students. In 2010, the company received at least $37 million of its revenue from the Federal Government. TUI's tuition costs are lower than most of the for-profit companies examined by the committee, largely because the company sets its tuition to closely match Tuition Assistance benefits from the Department of Defense. While both withdrawal rates and default rates are low, the company also spends relatively little on instruction. On a per student basis, TUI only spends $1,118 on instruction, the lowest of the privately held companies that provided reliable data on spending to the committee. The company also spent 33 percent of its revenue on profit, the third highest percentage among the 30 companies examined. Moreover, the company's accrediting agency recently placed TUI on probation, following a show cause order, as a result of quality concerns. Given these issues, it is unclear whether taxpayers or students are obtaining value from their investments in TUI.

[2751] Western Association of Schools and Colleges, Trident University International, http://www.wascsenior.org/node/409 (accessed May12, 2012).
[2752] Id.
[2753] Id.
[2754] Letter from Western Association of Schools and Colleges, March 9, 2010 (TUI-SEN 00481); Western Association of Schools and Colleges, *2008 Handbook of Accreditation* (pages 30-34), http://www.wascsenior.org/findit/files/forms/Handbook_of_Accreditation.pdf (accessed September 29, 2011).
[2755] Letter from Western Association of Schools and Colleges, March 9, 2010 (TUI-SEN 00481).
[2756] Id. at (TUI-SEN 00482
[2757] Id.
[2758] Trident University Web site, *Accreditation*, http://www.trident.edu/university-information/academic-affairs/accreditation-2/ (accessed May 12,2012).