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## AFTER OBAMA-ERA CRACKDOWN, FOR-PROFIT COLLEGES SEEK NONPROFIT STATUS

*Change would save the schools millions in taxes, lessen federal oversight and distance them from a tarnished industry reputation*

By Michelle Hackman  
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WASHINGTON – Ashford University is one of more than a dozen for-profit colleges across the country looking to become nonprofit institutions, a change that would make them subject to less federal oversight and shed the often-maligned “for-profit” designation.

Switching “to nonprofit status will allow Ashford University to...be judged and measured as colleges and universities should be – on their ability to support student success,” said Nolan Sundrud, a spokesman for Bridgepoint Education, Ashford’s corporate owner, which announced earlier this year that it plans to convert the school’s tax status.

The plan requires approval from both the Internal Revenue Service and the Education Department, which under the Obama administration tightened the definition of what it means to be a not-for-profit institution.

Several other prominent for-profit chains are seeking similar approvals from federal officials. The Dream Center, a nonprofit religious institution, has purchased a chain of art institutes it is hoping to convert to nonprofits, and Grand Canyon University, an online school, is also looking to change over.

The shift follows the Obama administration’s crackdown on what it viewed as predatory practices by for-profit schools. The schools say converting their tax status would free up more money to educate students and redirect unnecessary government scrutiny.

“They are getting smart and getting ahead while they have someone friendly in office,” said Clare McCann, a higher-education policy analyst at the New America Foundation, a liberal-leaning think tank.

The Education Department didn’t respond to a request for comment.

As more schools eye such a move, an independent advisory body at the Education Department is weighing whether to make a formal policy recommendation to Education Secretary Betsy DeVos on nonprofit conversions, outlining what schools should be required to do to make the switch.

Obama administration officials had sought to ensure that any school recognized as a nonprofit had essentially severed ties with individuals or entities that could make money off its operation. How far such requirements should go remains a subject of dispute.

Mrs. DeVos has offered limited insight into her views on the practice, though her department has moved to roll back several Obama-era regulations on for-profit schools, and she has said that such institutions give students valuable educational choices.

Several of her senior aides joined the Education Department after advising for-profit college chains, including Robert Eitel, who served as an attorney for Bridgepoint through 2017.

Holding nonprofit status has clear benefits. Such schools save millions in taxes, and they avoid many federal regulations such as the so-called 90/10 rule, which limits for-profit schools to receiving no more than 90 percent of their revenue from federal financial aid. That rule, created in 1998, was meant to ensure that poor-quality schools wouldn't be propped up by federal aid dollars.

For-profit leaders also say the collapse of two for-profit chains, Corinthian and ITT Technical institute, tarnished the industry's reputation, making it tougher to attract prospective students.

"The real reason that schools move to a nonprofit status is because there has been an attack on our sector that has clearly created some bad public relations and images," said Steve Gunderson, a former Republican congressman who now heads Career Education Colleges and Universities, the for-profit industry's main trade group.

In 2016, the Education Department under President Barack Obama blocked a chain of for-profit schools from converting to nonprofits after they were acquired by a nonprofit organization called the Center for Excellence in Higher Education.

The Center purchased the colleges – including College America and Stevens-Henager College – in 2012 for \$636 million. As a part of that transaction, the colleges' sole owner, Carl Barney, became chairman of the nonprofit's board of trustees.

The schools received a tax-exempt designation from the IRS in 2013, but Education Department officials concluded that the conversion didn't adequately eliminate the financial benefits flowing to the colleges' owners.

The Center for Excellence in Higher Education's chief executive, Eric Juhlin, said he is in talks with current Education Department officials to see whether they might come to a different decision on the schools' status.

"The previous administration had a pretty solid ideological agenda," he said. "The current administration is more open to rationally discussing issues."

If Ashford University's conversion is approved, it would maintain a relationship with Bridgepoint, its for-profit parent company. The school, which operates online, would contract with Bridgepoint to provide many of its academic and technical services.

Critics say that arrangement doesn't adequately divorce the school from profit incentives, allowing it to provide similar-quality education with less scrutiny.

Less than a quarter of Ashford's students have paid anything toward their student loans three years after leaving, compared with 46 percent of students nationally – a measure that experts often use to gauge whether a college is helping its graduates get solid jobs.

“The purpose of a nonprofit is to ensure there is a shield between profit-making and decisions that are good for students,” said Bob Shireman, a former Obama-administration higher-education official now at the Century Foundation.

A Bridgepoint spokesman said once the conversion is complete, Ashford won’t have any ties with Bridgepoint and could find a different online services vendor if it chooses.

In recent years, Bridgepoint has attracted scrutiny from state and federal watchdogs. The California attorney general’s office is suing the company over what it says are unscrupulous enrollment practices, and the Department of Veterans Affairs last year weighed cutting off financial assistance through the GI Bill to Bridgepoint.

Ashford spent 19 percent of its revenue on student instruction in 2016, according to federal data, compared with an average 25 percent for all for-profit schools. By contrast, Ashford’s spending on admissions and marketing amounted to 41 percent of revenue, it said during a recent earnings call.