THE CENTURY FOUNDATION

COMMENTARY AFFIRMATIVE ACTION

It's Time for the Education Department to Act on Covert For-Profit Colleges

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Over the next three days in Alexandria, Virginia, an obscure but important federal panel known as Nationa Advisory Committee on Institutional Quality and Integrity (NACIQI) will meet to review and to issue judgment on several accrediting agencies responsible for assuring the value and trustworthiness of the nation's colleges and universities. Experts predict that the meeting will be among the most boring on the entire planet but for the expected participation of one person of dubious fame: Arthur Keiser.

Keiser is the chancellor, former-owner-now-creditor, and current landlord of Everglades University and its subsidiary, Keiser University. Tomorrow's meeting is the first for NACIQI since Keiser's operation was exposed in a Century Foundation report as a possible covert for-profit, a college claiming to be nonprofit bu not abiding by the spending and governance restrictions that apply to nonprofits, designed to protect consumers.

It is also the first NACIQI meeting since Keiser's Everglades University was outed as the highest-debt college in the country. According to the Institute for College Access and Success (an organization I founded but am no longer affiliated with), last year's graduates from Everglades carried an average of $60,735 in student loan debt, more than double the national average of $28,950. And while typically about two-thirds of graduates of a college have loans, at Everglades a whopping 96 percent carried debt in 2014. More than 9 percent of the Keiser-Everglades revenue comes from government grants and student loans, according to Everglades' financial statement for 2012.

Where does the money go? While most nonprofit colleges spend at least half of their tuition revenue on actual teaching, Keiser's colleges invest barely a quarter, according to federal data. Instead, Keiser himself gets a huge chunk of the money that true nonprofit colleges would put into education. In 2011, Everglades paid $34,481,789 to entities owned by Arthur Keiser and members of his family, including $10,875,079 pursuant to the purchase agreement for his schools, $21,205,015 in rent, and $1,449,086 for travel on Keiser-owned airplanes.

No company in its right mind, whether nonprofit or for-profit, would acquire a university for hundreds of millions of dollars without buying the land and buildings. Everglades, however, agreed to pay $300 million for the Keiser University name and operations, while also agreeing to lease the campuses for another nearly $300 million. Why would Everglades trustees agree to such an arrangement? Keiser's modus operandi is to make sure that key fellow board members benefit financially from allying with him.

As described in detail in *The Covert For-Profit,* the IRS had originally been quite reluctant to grant Everglades its nonprofit status because, as the IRS examiner said, the school was "operating for the benefit of the Keisers" rather than serving a public or educational purpose. In 2002, to satisfy the IRS insistence that a nonprofit must be controlled by people without a financial interest, Keiser added two additional board members who were supposed to be independent members of the community. However, corporate records show that the new board members were actually business associates of Keisers, one of them sharing in lease income on university properties.

Keiser's mutually beneficial business arrangements with university board members continue to this day. For example, the chair of Everglades board of trustees is former Miami Hurricanes football star Gregg Wallick, who owns a roofing company that serves as the exclusive roofer for Keiser University, assisting "with all thei roofing decisions—from new construction to conducting their annual inspections so they maintain their warranties to responding to any maintenance work they may need."

The Education Department's Job

The IRS has not reviewed the Everglades claim to nonprofit governance since its original back-and-forth negotiation with Keiser in 2002. Since that time, Keiser has married his larger for-profit with the nonprofit in ways that are, to say the least, highly suspect. Unfortunately, the IRS may not take another look at Everglades anytime soon, because the IRS currently is underfunded and occupied with other tasks.

Fortunately, the Department of Education is not supposed to rely solely on the original IRS determination letter when it comes to nonprofit status. Under the law, the department is required *also* to determine that a nonprofit institution's spending is for educational and charitable purposes only—that no one is taking the equivalent of profit, as highlighted in the regulation:

The Department of Education's responsibility and authority to act could not be clearer, and the evidence of abuse could not be any stronger.

It is quite possible, however, that this whole situation will not come up at all at this week's NACIQI meeting Arthur Keiser, you see, is not on the NACIQI docket as a wrongdoer, testifying under oath about whether and how he evaded various laws. Instead, he is the esteemed vice chair of the panel. Because when House Republicans were asked to appoint committee members "on the basis of the individual's experience, integrity, impartiality, and good judgment," Keiser was their man. Go figure.

It is time for the Department of Education to prevent colleges from evading regulations by claiming nonprofit status when they are, in fact, piggy banks for their board members. Tomorrow's NACIQI meeting which is about integrity after all, would be an appropriate time for the department to announce what steps i will take, if any.