HOW THE AMERICAN, DEGREE-GRANTING FOR-PROFIT HIGHER EDUCATION SECTOR MANAGES THE REGULATORY ENVIRONMENT:
AN INTRINSIC CASE STUDY

A doctoral dissertation presented
by

Caulyne Nichole Barron

to
The School of Education

In partial fulfillment of the requirements for the degree of
Doctor of Education

in the field of

Education

College of Professional Studies
Northeastern University
Boston, Massachusetts
November 2013
Abstract

This intrinsic case study examined the context of the American, degree-granting for-profit higher education sector between 2009 and 2012, applying institutional theory and resource dependency theory to develop an understanding of how the degree-granting for-profit sector of American higher education manages regulatory pressures. The study examines how the regulatory environment exerts pressure on higher education institutions. Filling a gap in the literature, the study explores the for-profit sector as a whole by first defining and describing the societal sector. The research is grounded in the proposition that firms not only adapt to regulatory pressures, but take action to create a more favorable environment. The case sought to understand the regulatory environment through document analysis (violations, government investigations, media accounts, association membership, legal actions and other methods of controlling or influencing the environment), then applied Kotter’s (1979) hypothesis of the actions firms take to manage their environments by deploying a questionnaire to institutional leaders. After an initial analysis, interviews with sector members clarified the emergent themes.

The findings suggest a more complex regulatory environment that may both directly and indirectly regulate for-profit institutions, and revealed a range of tactics used by institutions to manage their environment, including program diversification, lobbying, and public relations. The rational myths of the sector are explored, including the construct of the "bad apple." The mechanisms of isomorphism are present in the system, and compliance with the regulations demonstrated coercive and normative isomorphism in action. There is insufficient evidence to determine the level of diffusion of specific tactics to manage regulatory pressure, though 86% of questionnaire respondents took some form of action to manage their regulatory environment, rather than simply adapting to pressure through organizational change.
**Key words:** regulatory pressure, institutional theory, for-profit higher education, resource dependency theory, external environment, societal sector
Dedication

The act of writing a dissertation is an innately selfish process. The idea that you have something to say often requires countless hours of reading and writing things that do not seem very important to those around you most of the time. To my wonderful husband Leo, I could not have done this without you. Thank you for feigning interest and trying to corral kiddos while I wrote, edited, tabulated, and vented. I am so proud of you for writing and publishing not one, but almost two books during my doctoral adventure.

This work is punctuated with little voices and little fingerprints and requests for five more minutes, and multiple laptop close-calls. Gavin, thank you for all of your suggestions that a little word art would make it better, especially while offering to show me how. No, there are not enough graphics in this paper, nor enough font changes. Charlotte, you were the best possible distraction to this process, and I am so glad you joined our family, even if it made the journey a little longer. To my parents—thank you for your encouragement along the way, exploring this industry we thought we knew. Tyra and Devon: no pressure.

This is a reminder that regardless of the challenges that may block our paths, “We can do hard things.” Not always on the timeline we had planned, but always with grace and with grit.
Acknowledgements

This study would not have been possible without the candor of the questionnaire and interview participants. Your contributions to this work give a voice to an industry that is too often generalized by outsiders. Thank you for your trust.

Dr. Al McCready, thank you for pushing for the highest quality product, regardless of the ribbing about my voluminous prose. Dr. Tova Sanders, thank you for your fresh perspectives and good cheer throughout the process and helping to refine the study. Dr. Gerry Bedore, Jr., thank you for your encouragement from day one and incredible interview participant suggestions that added a layer of complexity beyond what I had imagined.

To my SPC—particularly Amy Gieseke and Tobias Guzmán—the end was not in sight until you were in my corner. And this would have been a far less entertaining process without my super-secret-thesis-writer colleagues who created a community of encouragement that will last well past graduation—your contributions are immeasurable. As is the volume of laughter. Thank you to so many of you for being there for my defense.

I also thank Dr. Joseph McNabb and Dr. Leslie Hitch whose coursework clarified the themes that became this thesis, and challenged me to become not only a better writer but a better scholar.
Table of Contents

Abstract ............................................................................................................................................. 2
Dedication ........................................................................................................................................ 5
Acknowledgements ....................................................................................................................... 6
List of Figures .................................................................................................................................. 11
List of Tables .................................................................................................................................... 11

Chapter 1: Introduction .................................................................................................................. 12
  Problem of Practice and Significance ...................................................................................... 12
  Positionality Statement .......................................................................................................... 13
  Research Questions ................................................................................................................. 15
  Organization of the Thesis ...................................................................................................... 15
  Scope of the Research ............................................................................................................. 16
  The External Environment ...................................................................................................... 19
  Theoretical Framework ........................................................................................................... 20
    Institutional theory .............................................................................................................. 20
    Rational myth ....................................................................................................................... 22
    Isomorphism ........................................................................................................................ 22
    Coercive isomorphism ......................................................................................................... 23
    Mimetic isomorphism .......................................................................................................... 23
    Normative isomorphism ...................................................................................................... 24
  Institutional theory and for-profit higher education ........................................................... 24
  Managing the environment and resource dependency theory ............................................. 25
  Impact of Theory on the Literature and Methodology .......................................................... 28

Chapter 2: Review of the Literature .............................................................................................. 31
  Defining the External Environment ....................................................................................... 31
    Regulatory pressure in the literature .................................................................................. 32
    Regulatory environment of higher education ................................................................. 34
  Defining “For-Profit” ............................................................................................................. 34
  Previous Research on the For-Profit Sector ......................................................................... 38
    Comparisons with non-profits ............................................................................................ 38
    Classification and diversity ................................................................................................. 39
    Current trends ...................................................................................................................... 41
  The Regulatory Environment of Higher Education ............................................................ 42
    State authorization ............................................................................................................... 43
    Accreditation ....................................................................................................................... 45
    Federal influences in accreditation .................................................................................... 48
    Federal regulation ............................................................................................................... 50
    Political influence ............................................................................................................... 51
    Major legislation ................................................................................................................ 53
Chapter 3: Research Design

Methodology

Research design
Participants
Data collection and propositions
Data storage
Data analysis
Limitations
Trustworthiness
Researcher bias
Theoretical framework validation
Member checking and triangulation

Research Overview

Conclusion

Chapter 4: Reporting of the Research Findings

Overview of the Data Collection Process

Sub-question A
Sub-question B
Sub-question C
Three phases of data collection

Case Population

Questionnaires
Interviews subjects

Sub-question A: How does the regulatory environment exert pressure on the for-profit higher education sector and what reactions do institutions have to these pressures?

Level of regulation
The rollercoaster
Negative media portrayals
The whole orchard is bad
Uneven regulation
Uncertainty
Regulatory favorability
Accreditation standards and violations
Legal action with FPHEIs as parties
Legislative investigations and action
Combined pressures

Sub-question B: How does the for-profit sector attempt to manage the regulatory environment?

Regulatory Challenges
Consumer protection
Use of public funds
Operational issues
Educational issues
Conclusion
Chapter 5: Discussion of the Research Findings .................................................. 131
Interpretation of Findings ................................................................................. 131
  Sub-question A: Reactions to pressures ......................................................... 132
    Societal sector ............................................................................................... 132
    Rational myths .............................................................................................. 133
    Choice of compliance .................................................................................... 135
    The regulatory environment exerts pressure ............................................... 137
  Sub-question B: Attempts to manage the environment .................................. 139
    Resource dependency theory .......................................................... 139
    Actions used to manage the environment .............................................. 140
  Sub-question C: Level of diffusion ............................................................... 145
    Coercive isomorphism .............................................................................. 146
    Mimetic isomorphism .............................................................................. 147
    Normative isomorphism ............................................................................ 148
Synthesis of the Interpretations of the Data ...................................................... 150
Practitioner and Scholarly Significance .............................................................. 153
Transferability Limitations .............................................................................. 154
Contributions of the Study ............................................................................ 154
Future Research ................................................................................................. 158

References .......................................................................................................... 160

Appendix A: Societal Sector ............................................................................. 182
Appendix B: Recruitment Email ........................................................................ 189
Appendix C: Informed Consent Forms ................................................................. 190
Appendix D: Questionnaire ............................................................................... 195
Appendix E: Interview Protocol .................................................................................. 199

Appendix F: Questionnaire Results ............................................................................ 201
  Organizational Control ......................................................................................... 201
  Parent Companies ................................................................................................. 201
  Title IV Participation .............................................................................................. 201
  Online Programs .................................................................................................... 201
  Association Membership ......................................................................................... 201
  Titles of Questionnaire Respondents .................................................................... 202
  State of Operations of Questionnaire Participants .............................................. 203

Appendix G: Favorability Scatter Plots .................................................................... 205
  Overall Regulatory Environment .......................................................................... 205
  State Favorability .................................................................................................. 205
  Accreditation Favorability ..................................................................................... 206
  Federal Favorability ............................................................................................... 206

Appendix H: Public Notices from Accrediting Agencies for For-Profit Institutions, 2009-2012
........................................................................................................................................ 207

Appendix I: Summary of Court Proceedings and Legal Action .................................. 209
  Overview of Legal Action Involving Publicly Traded For-Profit Higher Education Companies or Ancillary Organizations .................................................. 209
  Overview of Types of Legal Action Involving Publicly Traded For-Profit Higher Education Companies .......................................................... 209

Appendix J: Lobbying Actions by FPHEIs 2009-2012 ................................................. 210
  2009 Lobbying Issues ............................................................................................ 214
  2010 Lobbying Issues ............................................................................................ 216
  2011 Lobbying Issues ............................................................................................ 220
  2012 Lobbying Issues ............................................................................................ 224

Appendix K: Lobbying Activity of APSCU/CCA .......................................................... 229

Appendix L: Legislation and Issues Undertaken on Behalf of APSCU/CCA .................. 230

Appendix M: Total Lobbying Spending (Top 30 per Year) 2009-2012 ......................... 232
List of Figures

Figure 1. Sector segmentation showing the population of the study. ............................................. 18
Figure 2. The proposed societal sector, based on the literature.......................................................... 19
Figure 3. The literature’s assumptions about regulatory pressures and attempts to manage the environment .............................................................................................................................. 27
Figure 4. Overview of theoretical frameworks..................................................................................... 30
Figure 5. Institutional control types...................................................................................................... 36
Figure 6. Geographic territories of regional accrediting bodies.......................................................... 46
Figure 7. Overview of research design .................................................................................................. 64
Figure 8. Overall regulatory favorability across all regulatory domains ............................................. 95
Figure 9. Federal agency favorability filtered by Title IV participation .............................................. 99
Figure 10. Favorability of accrediting bodies ....................................................................................... 100
Figure 11. Self-reported actions FPHEIs take to manage the regulatory environment ............. 113
Figure 12. For-profit higher education sector federal lobbying spending, 2009-2012 .................. 116
Figure 13. Total lobbying spending for the for-profit sector ............................................................... 118
Figure 14. Total campaign contributions from the for-profit sector ................................................. 119
Figure 15. Illustration of pressures in the for-profit sector ................................................................. 138
Figure 16. Illustration of the attempts to manage the environment by FPHEIs. ............................ 143

List of Tables

Table 1. Kotter’s (1979) Examples of Actions Firms Take to Manage Environments ................. 27
Table 2. Research Propositions and Data Collection Strategies ......................................................... 70
Table 3. Data Collection Tactics ......................................................................................................... 74
Table 4. Case Study Population ......................................................................................................... 83
Table 5. Questionnaire Participation by Accrediting Body ................................................................. 85
Table 6. Number of Accreditation Violations as a Percentage of All FPHEIs ............................... 103
Table 7. Types of Legal Action Involving Publicly Traded FPHEIs ................................................. 107
Table 8. Actions Used to Manage the Environment According to Questionnaire Participants. 140
Chapter 1: Introduction

Once considered well outside the mainstream of America’s higher education system, for-profit degree-granting institutions have emerged as an integral and increasingly influential part of the system. While such institutions serve a relatively small proportion of students compared to those enrolled in traditional colleges and universities, their remarkable growth over the past decade has drawn the attention of investors, policymakers and educators. (Kelly, 2001, p. 4)

For-profit higher education is not a new phenomenon (Fried & Hill, 2009; Ruch, 2001). It is an established and growing sector of American higher education. This growth is evident in the fact that for-profit institutions made up only three percent of all higher education enrollments in 2001 (Turner, 2006), but now represent over ten percent of all enrollment (Beaver, 2009; MacQueen, 2012). Hentschke (2011) identified both an increase in the number of programs and an increase in the number of institutions for this growth. However, the rise of for-profit higher education has led to “criticisms of the motives, educational quality, recruiting practices, and even legitimacy of for-profit colleges and universities” (Hentschke, 2011, p. 159).

Problem of Practice and Significance

The level of scrutiny focused on all higher education institutions has increased, calling for greater levels of transparency and accountability, but it is most evident within the for-profit sector (Gonzalez, 2010; Graca, 2009; Kutz, 2010; Schnittman, 2010; Taylor, 2010). Higher education as an industry (Dunham, 2010; Kaplin & Lee, 2007), and the for-profit sector within it (Pelesh, 2010), are regulated by a complex regulatory environment that exerts pressures on organizations. Federal, state and accreditation bodies require compliance from organizations
operating within the environment, and organizations seek regulations that are favorable to their business model (Kotter, 1979; Pfeffer & Salancik, 1978).

Yet, there are concerns in the industry. “In 2010, the Government Accountability Office found that 15 for-profit colleges used deceptive recruiting tactics and encouraged prospective students to provide false information on financial aid applications” (Center for Responsive Politics [CRP], n.d., para. 3). Accounts of questionable practices abound within the for-profit higher education sector, with lawsuits, investigations, and calls for tightened regulation (Auster, 2011; Blumenstyk, 2011; Committee on Health, Education, Labor and Pensions, United States Senate [HELP], 2012; Durrance, Maggio, & Smith, 2010; Kim, 2013; Sipley, 2011). Yet, there is little in the literature about how the regulatory environment is viewed by organizations within the sector or what actions these organizations take in order to manage their environment.

The purpose of this intrinsic case study was to apply institutional theory and resource dependency theory to develop an understanding of how the degree-granting for-profit sector of American higher education manages regulatory pressures. This research is significant, in part, because the degree-granting for-profit sector enrolls an increasing number of students each year, but there is little research that concentrates on the sector as a cohesive whole. There is also a gap in the literature, as most research about for-profit higher education institutions (FPHEIs) has centered on classification or operation (Kelly, 2001; Kinser, 2006; Ruch, 2001; Tierney & Hentschke, 2007), rather than understanding the specific regulatory context.

**Positionality Statement**

Regarding insider/outsider positionality, Chavez (2008) wrote that post-positivists have considered the outsider position to be more “objective” or “accurate” (p. 474). She stated that other scholars ascribe more value to insiders, citing their “closeness and familiarity to the group...
provided a nuanced and unique insight” (Chavez, 2008, p. 476). As an administrator with over a decade’s experience in the for-profit higher education sector, the researcher acknowledges there are possible researcher-biases related to the research area and the problem of practice. For example, as an insider, personal experiences have shown the range of perspectives on profit, student access, and quality in for-profit institutions. As a professional within the greater industry, experience has shown that the complaints about for-profit providers are often mirrored in their non-profit peers, with considerably less attention in the popular press. Problems endemic to higher education are not always dependent on tax-status.

The aim of the research was not to determine the appropriateness of regulatory action, nor to determine the value of for-profit higher education, but instead to understand the relationship between the regulators and the institutions. Acknowledging that there are bad actors in every industry and sector, the research began from a position that regulation is necessary, and it can be viewed favorably or unfavorably by individuals, organizations, and industry sectors. The goal of this research was not to help organizations identify means to subvert or avoid regulation, but rather to understand a changing environment through a specific context.

Accordingly, personal perspectives of the researcher could be appropriately bracketed within the research. These same personal experiences provided opportunities to build rapport with participants and add unique insights throughout the research, as Chavez (2008) described. As the individual primarily responsible for managing regulatory compliance at a small, nationally-accredited, degree-granting for-profit, these perspectives allowed the researcher an understanding of the challenges and effort associated with maintaining compliance in a changing environment as well as the subjective nature of accreditation. An outsider may be familiar with the regulations, but unfamiliar with how they are operationalized within institutions. As a
practitioner, there may have been insights throughout the data collection and analysis process that would be missed by someone without this level of experience within the industry.

Research Questions

With this in mind, the overarching research question for the case study is: *How does the American degree-granting, for-profit higher education sector manage pressures from the regulatory environment?* The question uses specific terminology to frame the research within the literature and theoretical frameworks. The use of ‘for-profit higher education sector’ broadens the scope of the research to include ancillary organizations, referencing Scott and Meyer’s (1991) discussion of societal sectors. Describing institutional action or inaction as a process of managing pressures is rooted in Kotter’s (1979) and Oliver’s (1991) discussion of how firms manage their environments.

To investigate this topic, a number of sub-questions were formulated. First, the regulatory environment was contextualized by asking about the rational myths (Meyer & Rowan, 1977) of the sector and the impact of the external environment: *How does the regulatory environment exert pressure on the for-profit higher education sector and what reactions do institutions have to these pressures?* Then, an understanding of the relationship between the sector and their regulatory agencies was explored by asking: *How does the for-profit sector attempt to manage the regulatory environment?* Finally, the diffusion of these tactics across the industry sector was evaluated by asking: *Is isomorphism evident in the reactions to regulatory pressure or attempts to manage the regulatory environment across the sector?*

Organization of the Thesis

In order to address these research questions, this work follows accepted standards by first outlining the theoretical framework, reviewing the literature and the methodology, then
discussing the findings and implications. The researcher posited that institutional theory and resource dependency theory could provide a helpful perspective to understand how FPHEIs manage regulatory pressure by offering specific frames through which to analyze the sector. The literature review defines the sector and provides an overview of previous research on FPHEIs, then described the regulatory environment to place the research within a specific context. This builds to a discussion of the methodology utilized, an intrinsic case-study, which treated the industry as a single case to use a purposeful sample to focus on the context of the case itself (Creswell, 2007). The population, types of evidence and methodological construct are discussed, followed by a discussion of the data analysis, trustworthiness, and protection of human subjects. A discussion of the findings is then followed by the interpretation of the evidence collected and the implications for practice and future research.

Scope of the Research

Case study research relies on setting clear boundaries as to what is and what is not included in the case (Creswell, 2007; Yin, 2009). It was critical to the research to establish how organizations could be grouped. Within their discussion of institutional theory, Scott and Meyer (1991) defined a “societal sector” as “a collection of organizations operating in the same domain, as identified by the similarity of their services, products or functions… together with those organizations that critically influence the performance of the focal organizations” (p. 117). They added the qualifier of societal to include a range of settings, placing importance on the functional rather than geographic terms. The population sampling for the research was informed by this definition, tentatively described as the institutions, their regulators (state, federal, and accreditation), in addition to trade associations and other ancillary organizations.
While all American higher education institutions are bound by many shared aspects of the regulatory environment, the for-profit sector has been singled out with calls for increased regulation (Fain, 2012; Fain, 2013; HELP, 2012; Karp, 2012). This research narrowed the discussion to institutions that are degree-granting, for-profit, accredited, and licensed. While non-profit institutions may, in fact, generate substantial profits, the definition of a for-profit institution is based on the United States tax code, a definition further explored in Chapter 2.

The Council for Higher Education Accreditation (2012) reported that in the 2010-2011 school year there were 106 degree-granting for-profits accredited by regional accrediting bodies, 1402 accredited by national career-related accreditors, and 2 accredited by national faith-based accrediting bodies. Unaccredited and unlicensed institutions, colloquially referred to as diploma mills (Gollin, Lawrence, & Contreras, 2010; Harmon-Cooley & Cooley, 2009), are outside the scope of this research, as they do not directly or willingly participate in the industry’s regulatory environment. Degree-granting institutions provide a useful delimiting factor to manage the scope of the research, excluding those that offer only vocational certificates or training. See Figure 1 for a graphic representation of this sector segmentation.

Many researchers have excluded organizations that do not participate in federal financial aid (Title IV) programs in their studies because of the lack of standardized reporting from non-participating organizations at the federal level (Bennett, Lucchesi, & Vedder, 2010; Hentschke, 2010; Kinser, 2006; Ruch, 2001), and Cellini (2012) cautioned that accurate counts of for-profit providers is difficult when excluding non-participating institutions. These frequently excluded non-participating institutions were included in this study, as they conform within the definition of a sector provided by the theoretical lens of institutional theory. To exclude these institutions would lead to a case that was less descriptive of the varied context of the sector.
Distinct and discrete from their non-profit peers, for-profit higher education institutions are bound by or influenced by additional regulations that their non-profit peers are not, and have been subject to far more negative media attention concerning operational practices. Kelly (2001), Kinser (2006), and Morphew (2009) cautioned that the for-profit sector is a diverse sector with a range of organizations. However, in basic typology and function, all licensed and accredited degree-granting for-profit higher education institutions that do not meet the United States tax code as a non-profit or government-sponsored organization meet Scott and Meyer’s determinants of a societal sector. Additional ancillary organizations such as the accrediting bodies, state and federal agencies, and trade associations are also members of the societal sector. This proposition is depicted in Figure 2.
Figure 2. The proposed societal sector, based on the literature.

The External Environment

This case posited that the societal sector cannot be separated from its environmental context, requiring a definition of the external environment. Both Scott (2003) and Kotter (1979) wrote that the external environment has been a topic of research since the 1960s, largely in the business literature. It has been examined through resource dependency models (Kotter, 1979; Pfeffer & Salancik, 1978), through systems theories (Cohen, March, & Olsen, 1972; Weick, 1976), performance and change models (Burke, 2008), among many other approaches. Yet common to each of the modern organizational studies models is the acknowledgement that forces outside organizations impact organizations. As Scott (2003) wrote, “Every organization exists in a specific physical, technological, cultural, and social environment to which it must adapt” (p. 23). Both the business and higher education literature often include external factors such as customer needs, government regulation, competition (including new entrants to the market and new products or services), economic conditions and trends, societal trends, technology, etc. (Aldrich, 2008; Alexander, 2007; Burke, 2008; Pagano & Verdin, 1997). Accordingly, the
regulatory environment is a commonly-accepted part of the external environment that exerts pressures on firms.

**Theoretical Framework**

Beyond this conception of the external environment, theoretical lenses were required to make sense of the specific context of the for-profit higher education sector. Institutional theory refers to a group of theories centered on the idea that “organizations are influenced by their institutional context, i.e. by widespread social understandings (rationalized myths) that define what it means to be rational” (Greenwood, Oliver, Sahlin, & Suddaby, 2008, p. 3, original emphasis). Resource dependency theory (Pfeffer & Salancik, 1978) addresses many similar ideas of societal influence, organizational legitimacy, and managing the external environment, stopping short of discussing the diffusion of those ideas. However, both sets of theories view organizations as open systems rather than closed systems, suggesting that organizations are “constantly buffeted by larger social, political, and economic trends” (Bolman & Deal, 2008, p. 297). This dynamic, reactive relationship between organizations and their environment (and context) has been the subject of other theories, but institutional theories have continued to influence organizational analysis while other similar theories have fallen out of fashion or remain obscure (Greenwood et al., 2008; King, 2011).

**Institutional theory.** Institutional theories typically examine local actors affected by societal institutions (Meyer, 2008). This study assumed, based on the literature, that the federal, state, and accreditation agencies could be defined as societal institutions that determine the regulatory environment and exert pressure on for-profit higher education institutions. As Amenta and Ramsey (2010) stated:
[Institutional theory] treats states and other organized political actors largely like other organizations, providing a broad cultural theoretical perspective on organizations and thus politics; the theory focuses on the diffusion of ideas and other cultural forms, as organizations search for legitimacy. (p. 32)

This frames the research as an interplay between the regulatory environment and the affected local actors through a series of rational myths, or taken for granted social norms. Greenwood, et al., (2008) asserted that this inclusion of regulatory frameworks as institutions is acceptable if “it is made clear that those institutions embody taken-for-granted societal norms and values” such as the rule of democratic law, that compliance is necessary for the firms to operate, etc. (p. 12). Within this social context, it is taken for granted that most organizations will comply with regulations and operate within their framework. The obvious potential exceptions are diploma mills, which are outside the scope of this research.

Institutional environments are “those characterized by the elaboration of rules and requirements to which individual organizations must conform if they are to receive support and legitimacy” (Scott & Meyer, 1991, p. 123). Higher education institutions work within a specific regulatory and legal framework, and their organizational processes or reactions may be influenced by the regulatory environment. Scott and Meyer (1991) described how institutions are “rewarded for conforming” within these institutional environments (p. 123), and therefore, reflexively, may be punished for non-conformance. Bayma (2012) wrote that organizations conform to these socially-constructed myths in order to gain legitimacy. According to Greenwood, et al. (2008), by adhering to socially constructed rational myths, “organizations avoid social censure, minimize demands for external accountability, improve their chances of securing necessary resources and raise their probability of survival” (p. 4).
**Rational myth.** The process of institutionalization shapes behavior and “establish[es] how the actor’s world must be, should be, and even the cognitive view of what the world is” (Van de Ven & Hargrove, 2004, p. 261). Accordingly, institutional theory often centers on the diffusion of these ideas as rational myths (Meyer & Rowan, 1977). D’Aunno, Sutton, and Price (1991) suggested that the analysis of organizations begins “by examining the content of environmental beliefs and practices,” or the “rational myths” of the sector (p. 637). As Bayma (2012) noted, this conception of ‘rational myth’ is not well defined in the literature. He writes that myths “provide the imagery and vocabulary with which participants may query the meaning of organizational purposes, translate these into concrete behavior, and assess the results of those efforts” (p. 134). Mohr (1992) used a discussion of rational myths to distinguish between changes in the environment itself and changes in social actors’ beliefs about the environment. Regulatory pressure may be supportive of these rational myths or disruptive to them, but myths allow organizations to conform to a societal standard beyond the technical tasks, creating a narrative. This conformity is a central precept in the isomorphism thread of institutional theory.

**Isomorphism.** The processes of institutionalism conform individual organizations to each other (DiMaggio & Powell, 1991). Among institutional theory’s seminal works, DiMaggio and Powell’s (1983) discussion of isomorphism defined the constructs of sociological institutionalism. Isomorphism is the cornerstone of the school of thought known as “new institutionalism” which attributes organizational action and structures “to interorganizational influences, conformity, and the persuasiveness of cultural accounts, rather than to the functions they are intended to perform” (DiMaggio & Powell, 1991, p. 13). This is distinct from the constructs that assume that functions are designed for efficiencies and rationality (Amenta & Ramsey, 2010). In the simplest description, isomorphism refers to “a constraining process that
forces one unit of a population to resemble other units that face the same environmental conditions” (DiMaggio and Powell, 1991, p. 66). In this case study, the constraining process was the regulatory environment. DiMaggio and Powell (1983) identified three mechanisms for change: coercive, mimetic and normative isomorphism.

**Coercive isomorphism.** One of three isomorphic processes described by DiMaggio and Powell (1983), coercive isomorphism, refers to “both formal and informal pressures exerted on organizations by other organizations” (p. 150). These pressures “may be felt as force, as persuasion, or as invitations to join in collusion” (DiMaggio and Powell, 1991, p. 67). Mizruchi and Fein (1999) described this as a dual-set of pressures—the pressures exerted on the institution and the institution’s (or sector’s) pressure to conform. Haveman, Russo and Meyer (2001) applied theories of coercive isomorphism to examine the impact of regulatory punctuations finding that context is a critical consideration to understanding how organizations in industries respond to major changes. This emphasis on context informed the research design.

**Mimetic isomorphism.** DiMaggio and Powell (1983) conceded “not all institutional isomorphism derives from coercive authority,” suggesting that “uncertainty is also a powerful force that encourages imitation” (p. 151). While the regulatory environment itself may not be coercive in nature, the period of uncertainty regarding regulatory changes or action may also impact FPHEIs. DiMaggio and Powell suggested that new organizations, or those uncertain of how to adapt, often model their actions on those of more established institutions, specifically those they view to be more legitimate or successful (Galaskiewicz & Wasserman, 1989). Mizruchi and Fein (1999) found that mimetic isomorphism was among the most utilized of DiMaggio and Powell’s theories. Often viewed as less legitimate than their non-profit peers, mimetic isomorphism suggests that for-profits may emulate their more traditional peers as a
reaction to a volatile regulatory environment, or may mimic those they view as more successful within their own sector.

**Normative isomorphism.** DiMaggio and Powell (1983) theorized that pressures stemming from professionalization could also increase the level of homogeneity within an industry. Bayma (2012) offered further evidence of the impact of professional associations and accreditation standards when an industry faces threats of coercive pressures, specifically in the form of government regulation. Edelman, Uggen, and Erlanger (1999) expanded this idea asserting, “Professional networks generally play an important role in the diffusion of new forms of governance and responses to law” (p. 412). Associations, accrediting bodies, lobbying groups, and government agencies give visibility to or create the developing normative skills, values and attitudes of such professionals, further reproducing them and giving opportunities for members to air grievances and impact policy.

**Institutional theory and for-profit higher education.** Viewing regulatory pressure exerted on the for-profit higher education sector through the lens of institutional theory informed the research and helped identify areas to examine within this research. For example, this case study considered the ancillary organizations within the societal sector. The research contrasts the for-profit higher education literature to date, which focused solely on describing differences between for-profit institutions and their traditional peers (Breneman, Pusser, & Turner, 2006; Tierney & Hentschke, 2007; Winston, 1999). This case adds to the organizational behavior literature, examining regulatory pressure and reactions within a new context.

While Levy’s (2004) work minimized the power of the regulatory environment, claiming that global trends and intersectoral organizational diversity pointed to a lack of isomorphism, he repeatedly returned to the regulatory environment and sense of legitimacy that the American
system employed. Participation within the legitimacy-creating systems of accreditation and licensure strengthens the power that these systems have to assert coercive control. Levy (2004) cited the diversity of type, goals and structure present in private education in Argentina, China, and Hungary, suggesting that the growth of private education will often “reduce the centrality of the state and its public institutions while opening up possibilities for alternative organizational goals and means to legitimacy” (p. 1). This may signal the lack of appropriateness of such cross-cultural comparisons where the regulatory systems are not engendered with the same power as the American system. The increasing federal oversight of the U.S. higher education industry and for-profit higher education’s need for legitimacy requires participation within this system and homogenization in practices, even with the overall diversity of the sector.

Managing the environment and resource dependency theory. Bozanic, Dirsmith, and Huddart (2012) described institutionalism “as an unfinished process in which those regulated play a prominent role in influencing governmental regulations in order to shape the ‘rules of the game’” (p. 465). Powell (1991) and Pfeffer and Salancik (1978), among others, suggested that organizations have the ability to push back against unfavorable constraints and attempt to change them. This effort to manage the environment is addressed in a range of theories: those of managing external dependence or resource dependence (Kotter, 1979; Pfeffer & Salancik, 1978), stakeholder influence (Rowley, 1997), collective action (Hargrove & Van de Ven, 2006), collaborative governance (Ansell & Gash, 2007), and coalitions (Chertkoff, 1971; Gamson, 1961; Hart & Kurz, 1983).

Oliver (1991) wrote at length about the complementary nature of institutional and resource dependency theories. She stated that institutional theories emphasize “the survival value of conformity” while resource dependency theory (RDT) relies on organization adaptation
through actively managing or controlling a constraining processes (p. 148). Acknowledging Powell’s (1991) assertion that political and institutional forces, or the “rules of the wider environment,” are determinants of not just “what organizations can do, but what organizations can exist” (p.187), RDT models offered the clearest lens through which to examine a sector’s active response to environmental pressure.

Resource dependency theory grew out of studies of the budgeting processes at the University of Illinois (Bastedo, 2012). As Pfeffer and Salancik (1978/2003) wrote, “As economic activity has become increasingly subject to government regulation or intervention, the attempts of formal organizations to adapt the environment, rather than adapting to changing environments, have become more frequent” (p. 190). The pair ascribed the status of ‘political actor’ to organizations who lobby to change the regulatory environment.

Gornitzka (1999) wrote that the “resource dependence approach implies that an organization’s response to external demand can to some extent be predicted” (p. 7). Working from the position that institutional survival is a taken-for-granted assumption, Kotter (1979) described several actions firms can take when faced with unfavorable environments: reducing their dependence or “gaining some countervailing power over them,” or reducing the costs of compliance (p. 88). Regardless of the action, there is a push-back against the pressure imposed. This flow of pressure and attempts to manage the environment is presented in Figure 3.

According to Kotter (1979), organizations can manage their environment by choosing which domains to operate in (for example, having their headquarters in a region viewed to have a more favorable accrediting body or state laws), “establishing external linkages” through public relations efforts, creating boundary spanning roles, contracts, coalitions, and finally, controlling
who operates within the domain through competition, trade associations, influencing legislation and attempting to influence industry norms (p. 89). A full list of tactics is presented in Table 1.

Figure 3. The literature’s assumptions about regulatory pressures and attempts to manage the environment. The literature suggests that the triad of regulation exerts pressures on institutions, and resource dependency theory suggests that firms can push back and attempt to manage their environment.

Table 1

Kotter’s (1979) Examples of Actions Firms Take to Manage Environments

<table>
<thead>
<tr>
<th>Selecting a Domain</th>
<th>Establishing External Linkages</th>
<th>Controlling Who Operates and How</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Modify the current domain</td>
<td>- Invest in advertising and public relations</td>
<td>- Force out competition</td>
</tr>
<tr>
<td>- Expand their domain through diversification</td>
<td>- Create boundary spanning roles and recruit from external elements to establish personal linkages</td>
<td>- Create, join and participate in trade associations and coordinating councils</td>
</tr>
<tr>
<td></td>
<td>- Negotiate contracts to give legal power over external elements</td>
<td>- Attempt to influence legislation and regulation</td>
</tr>
<tr>
<td></td>
<td>- Co-opt key members of external elements</td>
<td>- Attempt to influence industry norms</td>
</tr>
<tr>
<td></td>
<td>- Establish joint ventures and complex coalitions</td>
<td></td>
</tr>
</tbody>
</table>
While Kotter (1979) cautioned that “Richer organizations are better able to use these methods than poorer organizations” (p. 89), the research sought to document action within the specific context of the for-profit higher education sector, regardless of the perceived wealth of the organizations.

In contrast to Kotter’s list, Oliver (1991) suggested that organizations use specific typologies of strategic responses to institutional process. For example, they can acquiesce to the pressures, compromise, avoid, defy, or manipulate them. Much like Kotter’s (1979) assertion that richer organizations are better equipped to manage their environments, Oliver wrote that the “conditions under which organizations are able to conform are bounded by organizational capacity, conflict, and awareness” (p. 159). She further stated there are institutional antecedents—“cause, constituents, content, control, and context”—that determine organizational strategies (p. 159). However, Oliver’s list of possible organizational actions is far less specific than Kotter’s. The choice to comply or the choice to take action straddles the two theoretical frameworks. In this study, compliance and acquiescence are inferred as the action taken unless organizations overtly sought alternative courses of action to make a more favorable environment.

**Impact of Theory on the Literature and Methodology**

Investigations using institutional theory as a framework have used a range of methodologies to collect information about organizations, but a case study approach is commonly used to develop an understanding of a process through a specific context (Yin, 2009). DiMaggio and Powel (1991) described three seminal institutional theory works as “case studies” (p. 31). However, the impact of the external environment has been examined in a number of ways and across a variety of settings. Among the qualitative and mixed methods studies reviewed, case studies examined firms or industries through interviews, surveys and document
reviews (Dixit & Bhowmick, 2011; Sutcliffe & Huber, 1998). Case studies were most common in the higher education literature examining the impact of external pressures during the strategic planning process (Aleong & Aleong, 2001; Allen, 2003; Fumasoli & Lepori, 2011; Hearn & Heydinger, 1985; Hightower, 1996; Lapin, 2004; Rolfe, 2003). Alternately, quantitative studies have used survey data (or other performance metrics) to examine a range of industry and environment contexts from Bulgarian service and manufacturing firms (Elenkov, 1997) to Malaysian hotels (Auzair, 2011) and Hong Kong construction firms (Phua, 2007).

Hollingsworth (2000) suggested that institutional analysis begins with understanding the “norms, rules, conventions, habits and values” of the institutions (p. 601). Building from this, this case study examined the context of the FPHE sector, seeking to understand the regulatory environment through document analysis, and then examined the actions taken by applying Kotter’s (1979) hypothesis of the actions firms take to manage their environments by deploying a questionnaire to leaders within the sector. The researcher examined media accounts, association membership, legal actions and other methods of controlling or influencing the domain, external linkages, and controlling access to the sector. After an initial analysis to develop groupings and themes, interviews helped clarify the findings.

These elements combined to create the conceptualization of the research, an overview of which is presented as Figure 4. The central base of the diagram centers on degree-granting, for-profit institutions. Surrounding these firms is the societal sector, which, according to DiMaggio and Powell (1983), has the potential to display isomorphic forces. The sector is bound by rational myths, or ways of behaving, a central construct of institutional theory, with the assumptions that conformity and compliance by sector members is the norm. Yet, should these rational myths be interpreted unfavorably by the for-profit sector, they may attempt to manage,
rather than adapt to these environmental pressures (specifically regulatory pressures) according to Pfeffer and Salancik’s (1978) Resource Dependency Theory. Together, these ideas frame the research and specify a set of terms to make sense of the sector’s actions.

*Figure 4.* Overview of theoretical frameworks. This figure illustrates the relationship between theoretical constructs within the case study.
Chapter 2: Review of the Literature

In order to better understand the regulatory environment of for-profit higher education, this chapter introduces the concept of the external environment, presents a working definition of for-profit institutions, and an overview of previous research about the sector. It then defines and describes the three major levels of regulation these institutions face, placing major pieces of legislation related to for-profits within a historical framework. Once this framework has been established, the discussion turns to the four “regulatory challenges” or pressures inherent in the discussion of for-profit institutions: consumer protections, use of public funds, operational issues and educational issues (Bennett, Lucchesi, & Vedder, 2010). The purpose of this chapter was to demonstrate that the research is grounded in the literature and contributes to this body of knowledge. In order to do so, this section posed a number of questions to be addressed through a thorough interrogation of the literature. The following questions guide the literature review:

1. What is the external environment?
2. How have regulatory pressures been studied?
3. How can the American for-profit education sector be defined?
4. What research has been done exploring this sector?
5. What constitutes the regulatory environment of higher education? What is the scope of each of its component parts?
6. What are the regulatory pressures facing the for-profit higher education sector?

Defining the External Environment

The external environment is an element that all organizations within an industry share. The elements are not dependent upon internal organizational factors such as leadership or individual action, therefore present opportunities to look at larger system problems and solutions.
Pfeffer and Salancik (1978) discussed internal- versus external-orientations, in which internally-centered organizations believe problems can be solved by adjusting internal elements alone, without considering an external or contextual basis. They argue that externally-oriented organizations better understand the relationship between internal and external factors and are therefore more able to address change. But in order to better understand how an organization reacts to changes in the external environment, it first had to be defined.

Burke (2008) described the external environment as the “forces or variables outside the organization that influence or will shortly influence organizational performance” (p. 191). The elements often included in a discussion of the external environment are customer needs, government regulation, competition (including new entrants to the market and new products or services), economic conditions and trends, societal trends, and technology (Alexander, 2007; Burke, 2008; Pagano & Verdin, 1997). As Pfeffer and Salancik (1978) noted, it could be possible to attribute everything outside of an organization as a part of the external environment, but instead they cautioned that not everything actually impacts an organization. Institutions may be insulated from a change, may not be impacted by an event, or they may not need to respond to it (Pfeffer & Salancik, 1978). Additionally, the lens through which organizations view the impact of the external environment filters information through the organization’s own systems and those who interpret the information collected (Pfeffer & Salancik, 1978).

**Regulatory pressure in the literature.** The topic of regulatory pressures has been explored in different ways. Building from institutional theory perspectives, Greenwood, et al. (2008) identified a major theme in the literature as the “relationship between organizations and the law” (p. 20). Legislation can encourage private sector development (Dobbin, 1992). But much of the implied relationship depends on the interpretation of public policy. This was further
explored by Edelman, Uggen, and Erlanger (1999) and Edelman and Suchman (1997), who wrote “organizations instrumentally invoke or evade the law” and “look to the law for normative and cognitive guidance, as they seek their place in a socially constructed cultural reality” (p. 482). Yet, Greenwood (2008) and colleagues cautioned that regulatory pressures have been treated as coercive powers and viewed through the lens of isomorphism and institutional theory, folding resource dependency theory into institutional theory constructs.

Baldwin, Cave and Lodge (2011) wrote that over the last decade “regulation has risen in the academic agenda to become both a field of study in its own right” as well as “a fertile source of new perspectives on the agendas of longer-established disciplines” (p.2). They further noted that regulatory processes have become “matters of regular discussion in different policy and academic communities,” noting the prominence of standard setting and enforcement within these works (p. 2). The authors introduced five criteria of regulatory legitimacy, asking about the nature of legislative authority, appropriate accountability, fairness and openness of procedures, sufficient expertise of the regulators, and efficiencies of actions. Regulation is often viewed as restrictive, whereas these authors write that it can in fact enable or facilitate actions within a regulated arena (Baldwin, Cave, & Lodge, 2011).

In many cases, the broader research on regulatory pressure centers on examining a specific output, behavior, or general orientation as a response to regulatory change, rather than addressing the appropriateness of regulation. For example, Adams and Ferreria (2012) examined how regulatory oversight impacted board meeting attendance. Yalabik and Fairchild (2011) measured the level of innovation in firms as a response to customer and regulatory pressure. The topic of organizational response to regulations has been explored in hospital settings at length (Appari, Johnson, & Anthony, 2009; Cook, Shortell, Conrad, & Morrisey, 1983; Mohr, 1992).

**Regulatory environment of higher education.** Bastedo (2012) stated that throughout the 1990s, higher education scholars shifted to examine field-level phenomenon, looking at for-profits, globalization, and organizational processes. Gumport (2012) also asserted that using institutional theory as a lens, researchers could look beyond the organizational level, examining things like regulatory elements. Research about the regulatory environment of higher education and for-profits in particular has been more common in doctoral research in recent years. Hall (2012) measured the efficacy of accreditation in a comparative study of student outcomes in the US system and in what are perceived to be more highly regulated markets. Myers (2011) examined the impact of the regulatory environment on for-profit higher education, however she concentrated on specific regulatory agencies that were viewed as less favorable and the prevalence of for-profit providers within their jurisdictions. Similarly, Consentino (2011) provided a policy analysis of Maryland and Ohio’s state regulation of for-profit degree granting institutions. However, the context of the broader sector remained unexplored.

**Defining “For-Profit”**

Without a state-mandated system, American higher education depends on a variety of types of institutions to meet the needs of diverse constituents. Higher education is not a single
output, but offers a diverse array of providers and outputs. Some of these providers are organized in similar ways, creating the three major sectors: public, private/non-profit and private/for-profit. For-profit providers are organized so that they are funded by private interests. Those that invest in the venture may benefit if the organization is profitable, unlike publicly funded or non-profit organizations. Phillip Altbach (2001) described the diversity of institutional type as a reflection of the “revolutionary idea that postsecondary education could, and should, provide education and training in virtually all fields” inspiring the “diversity and differentiation [that] have been central organizing principles” of the “non-system” of American higher education (p. 17).

The scope of this research was narrowly defined as licensed and accredited degree-granting, for-profit higher education institutions. The U.S. Department of Education’s Integrated Post-Secondary Education Data System (IPEDS, n.d.) defined a private for-profit institution as, “A private institution in which the individual(s) or agency in control receives compensation other than wages, rent, or other expenses for the assumption of risk.” In short, investors can profit directly from the success of the organization in a for-profit model. Because of their tax structure and governance forms, they are a distinct sub-set of the higher education sector (Kelly, 2001; Kinser, 2006; Ruch, 2001; Tierney & Hentschke, 2007). Richard Ruch (2001) asserted “for-profit institutions are simply part of higher education’s philosophical diversity and multiple missions,” like their public or private, non-profit peers (p. 9). Also referred to as proprietary, trade schools, or career colleges, the sector includes degree-granting and vocational institutions across a broad range of fields (Apling, 1993; Auster, 2011).

For-profit institutions may be organized as privately held corporations or publicly traded companies, as Figure 5 depicts. The majority of scholarship concerning for-profit education is
derived from studies of the large, publicly traded corporations that own institutions or a large percentage of their shares (Berg, 2005; Floyd, 2007; Kelly, 2001; Ruch, 2001; Tierney & Hentschke, 2007) of which there are currently fourteen (Auster, 2011; CHEA, 2012). Kinser (2006b) cautioned that one such corporation, the Apollo Group, and their multi-campus behemoth, University of Phoenix, is no more representative of for-profit higher education than New York City is of a typical American city. The sector is simply too diverse for such generalizations, providing a strong justification for the inclusion of smaller firms and a range of accrediting bodies in this case.

![Figure 5. Institutional control types.](image)

While organizational structures and practices differ at for-profit and non-profit institutions (Floyd, 2007; Hentschke, 2011; Tierney & Hentschke, 2007), many view profit structure, as determined by ownership type, as the easiest classification tool. Yet, the terms *for-profit* and *non-profit* are misleading. The American higher education model is built on the assumption that tuition is charged to offset the operational costs of providing postsecondary education, regardless of any subsidies or support provided by outside entities (Altbach, 2001;
Winston, 1999; Winston, 1999b). Millora (2010) believed that the shift from grants to loans in the 20th century “underlines the mentality that a college degree is a private good that an individual should purchase” (p. 1). Tierney and Hentschke (2007) suggested that the terms for-profit and non-profit “impl[y] incorrectly that [traditional colleges and universities], as non-profit institutions, do not seek to generate revenue” (p. 66). All institutions must maintain some level of financial responsibility (make profits) in order to remain operating.

Ruch (2001) used the terms “tax-paying” or “tax-exempt,” as profit-status of any U.S. entity is defined by the tax code, where non-profit (501(c)(3) organizations “cannot be organized to benefit private interest, their assets must be permanently dedicated to charitable purposes, and net earnings cannot be distributed to owners or shareholders” (Internal Revenue Service, 2003 as cited in Kinser, 2006, p.7). It is this distribution of revenue that Tierney and Hentschke (2007) identified as the key to classification, regardless of whether the distribution is to stockholders of a publicly traded company or a sole proprietorship. Ostensibly, those who govern and make decisions at non-profit colleges and universities cannot “personally share in the distribution of net revenues through buying or selling of organizational shares,” whereas those in the private, for-profit sector can (Tierney & Hentschke, 2007, p. 66). Using this definition, the greatest distinction between the two categories is clear: for-profit governing bodies will profit if their organizations do well, whereas, in theory, there are no direct monetary gains for those who are involved in non-profits. This distinction seems to be the root of the regulatory differences between the two groups.

Kelly (2001) and Kinser (2005) further described the for-profit sector, attempting to delineate between accreditation type, size and number of campuses, geographic reach, ownership structure and educational delivery method, recognizing the diversity within for-profit higher
education. Yet, even with all of the descriptive taxonomy, modern education ventures are rarely so easy to classify. Goldstein (2000) wrote that higher education non-profits regularly create internal entities that are for-profit organizations, muddying the waters further and preventing a clear distinction based solely on tax-status. However, a detailed discussion of such distinctions is outside the scope of this research.

**Previous Research on the For-Profit Sector**

This section traces the evolution of scholarly discussion concerning for-profit higher education in the United States by identifying a turning point in the literature and tracing this influence to the current status of the topic. Scholarship prior to the turn of the twenty-first century focused primarily on the vocational-training subsector, rather than degree-granting institutions (Apling, 1993; Clowes, 1995; Honik, 1993; Johnson, 1974; Wilms, 1987). This aligns with the most prominent typology of for-profit providers during the time period. Research about contemporary for-profit providers is an emerging field. The lack of substantive scholarly research about the sector is well addressed by Chung (2012).

**Comparisons with non-profits.** The bulk of extant research could be described as focusing on the size and growth of the sector or comparing for-profits with their non-profit peers (Cellini, 2012). Winston’s (1999) work expanded the economic and financial analysis of the higher education market to include the increasingly prominent accredited, degree-granting for-profit institutions while debating for-profits’ impact on the broader system. Winston used financial data to describe non-profit schools as vulnerable to competition from for-profits based on their rate of subsidies, price and expenses. The ability for for-profit firms to make a profit and the impact of this competition could be seen, in Winston’s view, as “an entirely realistic recognition of the heterogeneity of [a large part of the U.S. population’s] needs, interests and
abilities” (Winston, 1999, p.18). He suggested for-profits’ influence was manifested in differentiation between products and a greater variety of choices to meet the variety of needs and consumers. To stay competitive, vulnerable schools of all profit-orientations could emulate the cost-saving practices or successful program design of the more successful schools. For-profit higher education is then, as Winston noted, a force for change in higher education, but not a factor that would end traditional higher education.

Economic concepts were a critical starting point when profit-structure and the implied need to maximize shareholder value enter higher education. However, they are not the only important elements. Breneman, Pusser and Turner (2006) continued Winston’s (1999) discussion of supply and demand, examining how each impacts the equilibrium of educational attainment. Turner (2006) continued this work, drawing economic parallels between the higher education market and the health care industry, both of which operate with a mix of for-profit and non-profit providers. Turner also provided analysis on product mix and factors that impact the market, while Coleman and Vedder (2009) used over 30 years of data to identify trends in profitability and resource distribution.

**Classification and diversity.** Winston (1999) clearly defined the focus of his analysis as accredited, degree-granting for-profit institutions in order to compare them to their traditional university peers. See Figure 2 for a representation of the differentiation. Yet, the diversity of the sector is a point that researchers return to again and again. Some authors have concentrated on the large, publicly traded corporations and their institutions (Berg, 2005; Ruch, 2001) in a myopic parallel to previous researchers’ narrow focus on vocational schools. Kinser (2006b) contrasted assumptions about University of Phoenix and the realities of the broader sector, noting while there is ample information about the largest providers, they are not representative of all
for-profit institutions. For-profit students made up 83% of all less-than-two-year programs, about 6% of 2-year undergraduate students, 7% of all 4-year undergraduate students and about 8% of all graduate students (Coleman and Vedder, 2009, p. 7) studying at thousands of providers (Kinser, 2006). Vocational schools still represent a large portion of the for-profit sector, but the number of degree-granting institutions is growing (Kinser, 2006; Coleman and Vedder, 2009). It is because of this diversity that a classification system was needed beyond simply “lumping” for-profits together regardless of outcome (Tierney & Hentschke, 2007). Unaccredited, non-degree-granting institutions were an elusive dataset without any central or standardized reporting mechanisms. Therefore, they are often excluded from such classification. For the purposes of this study, non-degree-granting institutions have been excluded but may be a topic of future research.

An Education Commission of the States (ECS) report (Kelly, 2001) offered three categories with which to group for-profit, accredited, degree granting institutions: enterprise, multi-campus and Internet. Enterprise institutions described are small, privately held institutions, often with one or few locations and relatively small enrollments. The large corporate entities, such as University of Phoenix among others, comprised the multi-campus category. Virtual institutions were classified as Internet institutions. The ECS classification system was a useful descriptive taxonomy to begin to look at the sector, with others noting that while it was an important first step in classifying institutions, it failed to capture the true breadth of institutional diversity and has therefore not yet been useful in empirical research (Floyd, 2007; Kinser, 2006; Kinser, 2006b; Morphew 2009). Kinser (2005; 2006) proposed a more complex system that considers location, ownership and highest degree awarded, eliminating Internet institutions as a separate classification item as more institutions take part in distance delivery and online programs. Only by creating a classification system that describes and groups for-profit providers
and the traditional peers in statistically significant ways can a picture of the current higher education market be drawn. The purpose of this case study was not to refine taxonomy parameters, though these perspectives informed the sample parameters.

**Current trends.** The current trends in the literature attempt to answer the question posed by Winston (1999): whether for-profit education is the Godzilla that destroyed Tokyo (or traditional higher education) or if for-profit providers are simply continuing their history of providing additional opportunities within a diverse landscape. To answer the question, researchers developed not only a snapshot of the current institutional diversity within the United States (Morphew, 2009), but also looked for points of convergence between for-profit and non-profit institutions (Breneman, Pusser & Turner, 2006; Coleman & Veddar, 2009; Tierney & Hentschke, 2007; Zamani-Gallaher, 2004). Curricular offerings and schedules, faculty hiring practices, the embrace of technology, better attention to the consumer needs of students, and increasingly entrepreneurial ventures are just a few of these points of convergence discussed.

**Disruptive practices of for-profits.** The distribution of profits is just one descriptive element for these institutions. For-profit institutions seem to be more adaptive and innovative because of their organizational structure (Tierney & Hentschke, 2007). However, as traditional institutions take on characteristics of for-profits and as for-profits gain legitimacy within the system, a certain level of mission convergence becomes evident (Turner, 2006; Zamani-Gallaher, 2004). Best practices are emulated, suggesting institutionalization across the industry. Even with these points of convergence, the student populations seeking higher education are increasingly diverse. As the outcomes of education shift in an era of increased credentialing, institutions of all types are needed to address the heterogeneity of consumers Winston (1999) described (Beaver, 2009; Garrity, Garrison, & Fiedler, 2010; Turner, 2006). Yet, there continued
to be concerns about the level of quality and the overall practices of institutions viewed as profit-seeking, which has implications for the industry and for regulators.

Researchers speak in generalities about the business mentality of for-profit organizations (Coleman & Veddar, 2009; Ruch, 2001; Tierney & Hentschke, 2007). Some, including those in federal government roles, worried that profit motive may create a substandard academic product without appropriate checks and balances. Fraud and abuse have been elements of every sector of higher education, but the perceived “public good” of non-profit institutions helps them overcome any negative publicity in a way that is harder for the for-profits (Ruch, 2001). Yet, as the higher education market offers more choice and as consumers become increasingly savvy, Winston (1999) may be correct. Competition may indeed improve offerings, increase consumer-orientation and drive down costs. Basic business practices require for-profits to adapt to changes in the marketplace, for shareholders in for-profit firms demand that they improve or get out of a business in which they are not successful. Non-profits, in contrast, are bound by their mission to stay in an enterprise in which they may not be successful, or at least not efficient (Turner, 2006).

**Exclusion of smaller providers.** Smaller providers are often excluded from contemporary research. While Wilms (1987) described the personality types of some small-proprietorship entrepreneurs, no follow-up research has taken place to document how the smaller institutions have fared in response to the more dominant firms. Kinser (2006b) referred to these smaller firms as the real Tokyo to Winston’s Godzilla (p. 26), and may be even more susceptible to regulatory pressures as a result. Accordingly, smaller organizations are not excluded from the study’s sample.

**The Regulatory Environment of Higher Education**
The regulatory environment exerts significant pressure on all institutions within the industry. The level of scrutiny focused on all institutions, accordingly, has increased, calling for greater levels of transparency and accountability, but it was most evident within the for-profit sector (Gonzalez, 2010; Graca, 2009; Kutz, 2010; Schnittman, 2010; Taylor, 2010). The external governance of higher education includes state and federal governments, their laws, agencies and policies, as well as private external governance structures such as accrediting agencies and associations, and each has the capacity to implement change (Kaplin & Lee, 2007). Because of limited participation by for-profit institutions, college sports associations, the faculty-advocacy group the American Association of College and University Professors, and other such associations were not included within this discussion of the sector.

The regulatory environment of higher education includes three major types of regulatory bodies: the states, private accrediting agencies, and the federal government, which has historically deferred to more local authorities (Birtwistle & McKiernan, 2008). In many cases, regulation is an attempt to protect the public from disreputable firms, collectively known as *diploma mills*, which sell fraudulent degrees and result in “financial loss and degradation of the public trust in our educational and governmental systems” (Harmon-Cooley & Cooley, 2009, p. 516). These unaccredited, often unlicensed institutions operate outside of the accepted regulatory environment of American higher education (Council for Higher Education Accreditation and United Nations Educational, Scientific and Cultural Organization [CHEA and UNESCO], 2009). A desire to separate the good institutions from the bad led to differentiation within the regulatory structures that govern the industry.

**State authorization.** Some states began earlier than others regulating for-profit education within their borders, but by the 1950s only 17 states had provisions for “licensing,
approval, or registration of [for-profit] institutions” (Kinser, 2006, p. 112). States grant institutions the legal authority to operate (Pelesh, 2010), though the terminology they use varies greatly. Six states “accredit” institutions, while 15 “approve” them, three “certify,” four “authorize,” while some “register” or “oversee,” and the rest “license” (Ewell, Boeke, & Zis, 2010, p. 6). Kinser (2006) noted that the majority of state policies from the 1960s and 1970s focused on consumer protection measures, regulating the for-profit sectors more stringently, “but often under business codes rather than as part of the educational system” (p. 113). A list of these authorizing agencies is included in Appendix A.

Clearly, with this diversity of terminology, state licensure requirements largely depend on the individual state. Some have created more inclusive regulations, while others continue to segregate for-profit institutions (Bishirjian, 2009; Kinser, 2006). Even within the same policies, for-profit institutions may be treated differently than their non-profit peers in the application of policies at the state level (Kaplin & Lee, 2007; Kinser, 2006). Kaplin and Lee (2007) wrote, “Almost all states have some form of licensing laws applicable to proprietary institutions, and the trend is toward increasingly stringent regulation of the proprietary sector” (p. 611). They go on to state that non-degree-granting institutions and non-accredited institutions may have greater oversight at the state level. The requirements for state licensure may also depend on the presence an institution has in a state, ranging from a physical campus, advertising campaigns, instructors or recruiters on-ground, or even students studying via distance learning programs (Ewell et al., 2010). There seems to be little standardization across the states or regions, which has led to regulatory environments in some states that make them more attractive to diploma mills because of the ability to operate within legislative and policy loopholes (CHEA & UNESCO, 2009).
Accreditation. The accreditation system in the United States is an external, private and non-governmental function. The process itself dates back to the late nineteenth century and currently encompasses at least 19 institutional accreditors and 61 programmatic accreditors, with some recognized by the Department of Education, others by the Council for Higher Education Accreditation (CHEA), or by both (Eaton, 2010). Typically structured as membership organizations in which institutions “constitute the membership and governance of the association,” accrediting bodies have built accreditation on a peer-review model (Graca, 2009, p. 644). Most are private organizations that were originally established to provide services to member organizations, not the public (Eaton, Fryshman, Hope, Scanlon, & Crow, 2005).

There are six regional accrediting bodies and two career-oriented national accrediting bodies included within the scope of the research. Each has a designated geographic area noted in Figure 6. The regional accrediting bodies are:

- Middle States Association of Colleges and Schools: Middle States Commission on Higher Education (MSCHE)
- New England Association of Schools and Colleges: Commission on Institutions of Higher Education (NEASC-CIHE)
- North Central Association of Colleges and Schools: The Higher Learning Commission (NCA-HLC)
- Southern Association of Colleges and Schools (SACS) Commission on Colleges
- Western Association of Schools and Colleges: Accrediting Commission for Community and Junior Colleges (WASC-ACCJC)/ Accrediting Commission for Senior Colleges and Universities (WASC-ACSCU)
- Northwest Commission on Colleges and Universities (NWCCU)
In contrast, national accrediting bodies center on a specific type of institution, rather than a geographic location. The CHEA-recognized national career accrediting bodies are:

- Accrediting Council for Independent Colleges and Schools (ACICS)
- Distance Education and Training Council Accrediting Commission (DETC)

There are several national faith-based accreditors that were outside the scope of this study because of the low percentage of for-profit providers. CHEA-recognized faith-based agencies include the Association for Biblical Higher Education (ABHE), the Association of Advanced Rabbinical and Talmudic Schools (AARTS), the Association of Theological Schools in the United States and Canada (ATS), and the Transnational Association of Christian Colleges and Schools (TRACS).
As private entities, accreditors fall under state corporation law, and their powers are derived and enforced from their articles of incorporation, bylaws and rules (Kaplin & Lee, 2007). Regional and national accreditors focus on the entire institution, while programmatic accreditors focus on specific programs within the institution. Each develops its own processes and standards of accreditation dependent upon a self-study and review process, vesting power in the peer-review process while maintaining institutional autonomy (Wood, 2006). Accrediting bodies’ powers are “enforced through private sanctions embodied in their articles, bylaws, and rules, the primary sanctions being the withdrawal and denial of accreditation” (Kaplin & Lee, 2007, p. 647). Because this case study focuses on the institutional level, programmatic accreditors are not included, working from the assumption that degree-granting institutions that hold programmatic accreditation would also hold institutional accreditation.

Viewed equally by the Department of Education and CHEA as institutional accreditors, regional accreditation, perhaps because of its longer history and larger number of traditional colleges and universities, is often seen as more favorable than national accreditation. While most for-profits are accredited by national accreditors (Berg, 2005; Tierney & Hentschke, 2007), other bodies “remain somewhat hostile” to for-profit institutions “despite an antitrust case brought by the U.S. Department of Justice against the American Bar Association (ABA)” (Bennett et al., 2010, p. 51). The ABA, a programmatic accreditor, was accused on refusing to accredit law schools simply because they were for-profit providers. The courts found that the ABA had violated §1 of the Sherman Act, which prohibits “the restraint of trade of commerce among the several States” (15 U.S.C. 1).

Accreditation has been described as both a barrier to entry and a barrier to innovation, viewed as a “normalizing agent” that “wants institutions to conform to norms, while new
providers, like those in the for-profit world, work against those norms” (Brewer & Tierney, 2011, p. 28). Hostility against for-profit institutions may continue, even with this legal precedent, evidenced by the court’s threat to hold the ABA in contempt for failing to follow the court’s judgment. Indeed, Ruch (2001) wrote that most FPHEIs view accreditation as a “business objective” and determine what they must do to meet or exceed standards (p. 5). He explains that in the past, proprietary institutions may have met resistance, but that in “today’s outcomes-assessment environment, to deny accreditation to a for-profit college or university when it meets or exceeds the published standards would probably bring charges of restraint of free trade,” just as the ABA case proved (p. 5).

The power of accrediting agencies lies in the collegial manner in which institutions willingly participate to gain legitimacy. “Accreditors have no subpoena power and no official access to confidential records or files” (Eaton, et al., 2005, p. 44). The process is one of peer review, with adequate notice of visits and limited public disclosures of agency actions. However, both the federal government and the states rely on the accrediting bodies’ decisions (Kaplin & Lee, 2007). Kaplin and Lee (2007) further explained that some states may use accreditation status to exempt institutions from some licensing or other regulatory requirements, to qualify institutions or their students for state funding programs, or to approve institutions to participate in veterans programs.

Federal influences in accreditation. The relationship between the federal government and private accrediting agencies is complicated. While federal agencies formally recognize accrediting bodies, their reasons for doing so are tied to programs such as federal financial aid. It was not until the 1950s that the private accrediting associations entered into a partnership with the federal government in what has been described as a “gatekeeper” role, asserting quality for
the dispersal of federal funds for student loans and grants (Eaton, 2010). Berg (2005) wrote that FPHEIs’ inclusion in federal programs dates to their lobbying efforts in the 1950s. The passage of the 1952 GI Bill and the 1965 Higher Education Act were instrumental in allowing this level of access (Bennett et al., 2010; Eaton, 2010). In order to demonstrate some sort of quality assurance, accreditation was a useful tool. In 1969, *Marjorie Webster Junior College v. Middle States Association of Colleges and Secondary Schools, Inc.* cemented the “quasi-governmental role” of accrediting bodies, finding that “because accreditation is such a central component of qualification for most government financial assistance to [institutions of higher education], the accrediting associations are fulfilling the governmental function of regulating higher education” (Graca, 2009, p. 647-648).

Despite the lack of a direct federal role in accreditation, the National Advisory Committee on Institutional Quality and Integrity (NACIQI) demonstrates the power the federal government asserts over accreditors. As a federal committee, their purpose is to manage the risks associated with federal student aid fraud and quality standards (Bennett et al., 2010; Nelson, 2011). NACIQI recommends to the U.S. education secretary “which accrediting agencies should (and shouldn’t) be recognized” by the federal government and has “expressed concern about program-level standards,” transparency, and assessment, not just in the for-profit sector, but across a number of accrediting bodies (Nelson, 2011). By threatening to revoke an accrediting body’s recognition by the government, the federal government can greatly impact how such agencies operate. Eaton (2007) wrote at length of this increasing federalization of accreditation through accreditation oversight, and Benjamin (1994) demonstrated that it is not a new phenomenon. In fact, Benjamin (1994) described a “changing balance of power” that included the “transformation of accreditation from voluntary self-assessment to external
monitoring of institutional performance” (p. 34). While a detailed discussion of the mechanisms of federalization is beyond the scope of this discussion, the changing relationship between the federal government and accrediting bodies seems to be a significant, if emerging, theme in the literature.

**Federal regulation.** The decentralized nature of American higher education results in challenges asserting power at the federal level. Yet, “self-regulatory actions by institutions have been criticized as insufficient or self-serving” (Kaplin & Lee, 2007, p. 614). The reliance on accrediting agencies’ standards and practices has been questioned, and, as described above, the federal regulation of accreditation has increased (Kaplin & Lee, 2007). Kaplin and Lee (2007) described the federal government’s “major function regarding post-secondary education” as the establishment of national priorities on spending (p. 622). Through their spending power, the federal government impacts the industry as a whole (Birtwistle & McKiernan, 2008). Turner (2006) noted “the growth of for-profit higher education is in no way independent of federal and state higher education policy even though these institutions are unlikely to receive substantial direct subsidies from government sources” (p. 58). Unlike their traditional peers who may receive direct subsidies (Winston & Yen, 1995), for-profit institutions, through aid dispersed to individual students, receive federal funds indirectly if they are participating in Title IV programs. Aid is dispersed through a number of agencies, but those most relevant to FPHEIs are those related to federal financial aid or veterans programs. Typically, to qualify, institutions must be accredited by a recognized agency and meet other agency standards (Kaplin & Lee, 2007).

Separate from federal financial aid programs, a number of other federal regulations impact for-profit institutions and higher education business practices. Publicly traded corporations have additional reporting requirements and regulatory oversight through the
Securities and Exchange Commission (SEC), but their regulations predominantly protect investors, not students or taxpayers (Bennett et al., 2010). Other federal regulations are increasingly applied to higher education. Specifically, the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 impacts private education loans, governance structures, executive compensation, institution-wide risk management, and regulatory compliance and whistle-blowing (Bernard, 2011). These regulations are not targeted at for-profit institutions alone, but all of higher education.

However, a number of rules apply only to for-profit institutions within federal programs, regardless of the fact that “fraud and abuse of federal funding was not representative of the entire sector of for-profit postsecondary education” (Scanlon & McComis, 2010, p. 113). For example, the 90/10 rule requires for-profit institutions participating in federal aid programs to derive at least 10 percent of their tuition from non-federal aid sources, though non-profits face no such limitations (Tierney & Hentschke, 2007). The intent is to demonstrate a market value beyond those using federal programs and to curtail fraud and waste. A few bad players who have abused their Title IV participating status have led to the “generalized reputation of the for-profit sector as only encompassing diploma mills and poor quality facilities” (Harmon-Cooley & Cooley, 2009, p. 523).

Political influence. Drope and Hansen (2009) wrote that business interests “are the most active sector of the interest group community in the United States” and that these interests “engage in the policy struggle directly and collectively” (p. 304). Their research suggests that associational activity has to have a benefit for individual firms in order to be effective. DiMaggio and Powell (1983) highlighted the power of normative pressures within industry and professional groups. Wilson (1990) found that “corporations that found regulation a more
serious problem were more active politically than were corporations that found it a less serious problem” (p.287). Therefore, trade associations and interest groups represent a significant part of the societal sector as agents to interpret or modify the rational myths of the sector (Bayma, 2012).

Brewer and Tierney (2011) described a range of lobbying organizations that “preserve the missions of [their] various constituencies” within the higher education industry (p. 29). Pusser and Wolcott (2006) wrote about the political activity of both nonprofit and for-profit institutions. They noted the overall increase of lobbyists employed directly or indirectly by higher education institutions and the tactics used by each sector within the larger industry, using associations, institutions, individuals, and PACs (Pusser & Wolcott, 2006). The for-profit sector, they wrote, were “not constrained from donating directly to individual candidates or to political parties” thus relying more on political action committees (p.178). The pair proposed that for-profit higher education institutions were more willing than their non-profit peers to directly engage in political processes and attempt to influence the outcomes. Boyam-Breen concurred, writing that she found “that nonprofit institutions tend to respond to change, whereas for-profit institutions seek to generate change” (Boyum-Breen, 2013, original emphasis).

There are groups that center on lobbying for traditional higher education institutions, faculty rights, trustees, public institutions, and the for-profit sector. Noted for their effectiveness during the Bush administration, the Association of Private Sector Colleges and Universities (APSCU) is the primary national association for FPHEIs (Brewer & Tierney, 2011). Formerly known as the Career College Association, this group lobbied heavily for a single definition (rather than differentiation based on organizational control) of what constituted an eligible institution for federal funds (Tierney & Hentschke, 2007). Along with state-level counterparts
(see Appendix A), trade associations offer opportunities for organizations to pool resources and set agendas to create a more favorable environment.

Lenox and Nash (2003) wrote that “due to the collective nature of government regulation and stakeholder pressures, firms often find their reputations tied with others in the industry” (p. 343). Trade associations, they suggest, grow out of these circumstances in an effort to promote self-regulation and diminish externalities. The authority structures described by Lenox and Nash (2003) through which trade associations can base their assertions of self-regulation have more in common with private accrediting agencies than APSCU. They listed code adoption required as a condition of membership (similar to accreditation standards), members submit self-audited reports on progress (similar to self-evaluation studies), voluntary third party audits available (analogous to NACIQI oversight), individual compliance revealed to association members (some public reporting, but typically only internal reporting of investigations), and history of expulsion of members for non-compliance (revocation of accreditation or probation) (p. 347). Supporting Kotter’s (1979) assertion about richer firms, the pair also found that larger firms were more likely to join trade associations.

**Major legislation.** The regulatory environment is formed mainly through policy and legislation. The current climate of for-profit institutions is largely the result of a number of key pieces of legislation. While they may not directly impact state licensing or private associations such as accrediting agencies, they do impact the broader system of higher education. The Higher Education Act (HEA) was first authorized in 1965, and reauthorized in 1972 with a major change that impacted for-profit institutions (Tierney & Hentschke, 2007). The new language allowed for-profits to participate in federal financial aid programs, including Pell Grants and student loans, “on the same basis as non-profits” (Fried & Hill, 2009, p. 35). The change was made to
enhance educational opportunities for students and to limit the discrimination against students who chose to attend for-profit institutions, as the aid was given to the individual student, rather than the institution (Beaver, 2009). However, concerns about fraud during the 1980s led to revisions during the 1992 reauthorization and a requirement that proprietary schools earn at least 15% of their income (revised to 10% in the 1998) from non-federal sources (Hirsch, 2005).

The HEA, including subsequent reauthorizations, regulations and negotiated rulemaking, are “the primary legislation authorizing most federal student aid programs” and define “institutions of higher education to include public, non-profit and for-profit institutions,” though non-Title IV programs excluded for-profit institutions from eligibility by creating a separate definition of a higher education institution in 20 USCS § 1001 (United States Government Accountability Office [GAO], 2007, p. 1). In 2002, 12 ‘safe harbors’ were added to federal regulations and pertain to incentive compensation for recruiters, chief among them exemptions for programs that are not Title-IV participants, and allowing some form of profit-sharing programs and token gifts. These safe harbors are exceptions that could otherwise be construed as violations of the rules that state schools:

- will not provide any commission, bonus, or other incentive payment based directly or indirectly upon success in securing enrollments or financial aid to any person or entity engaged in any student recruiting or admission activities or in making decisions regarding the awarding of title IV, HEA program funds, (20 USCS § 1001)

with exceptions for those foreign students not able to receive those funds (Kantrowitz, 2010). Safe harbors included exceptions for: (a) fixed compensation with twice annual adjustments (so long as those adjustments were not based only on enrollments), (b) compensation for recruitment for non-Title IV eligible programs, (c) compensation for those who arrange contracts
between the institution and companies that pay at least 50% of the tuition charged to their employees, (d) part of profit-sharing or bonus plan, as long as they are not just for recruiters, (e) compensation based on student retention or program completion, (f) compensation for ‘pre-enrollment’ activities, (g) managerial bonuses who are outside of the recruitment process, (h) token gifts up to $100 annually, (i) profit-sharing based on ownership interests, (j) internet-based recruitment activities, (k) third party payments, as long as those organizations are not involved in recruiting, and (l) third party recruiters, as long as they are not paid in a manner that would violate the rest of the statute. The number of violations decreased after their enactment, among both for-profit and non-profit schools, though many in the non-profit sector have lobbied for their elimination (Bennett et al., 2010).

The summer of 2010 brought a spotlight to federal regulation of higher education. Proposed legislation centering on the concept of ‘gainful employment’ continues to be hotly contested across the higher education industry. The term had been included in the definition of vocational postsecondary programs in the HEA for years, although “Congress never fully defined gainful employment or explained how colleges could meet the standard” (Miller, 2010, p. 3). The proposed rules centered on vocational programs only, and included certificate programs offered by non-profit institutions, typically community colleges, while exempting liberal arts programs. This liberal arts exemption is interesting in light of Millora’s (2010) contention that “students and employers have pushed [all] colleges and universities to provide education that is more immediately relevant to the workforce” (p. 2).

Under the proposed rule, still contested at the time of publication, in order to stay eligible for federal financial aid programs, “each program will have to meet one of three benchmarks: a federal student loan repayment rate of at least 35 percent, a debt-to-income ratio of less than 12
percent or a debt-to-discretionary-income ratio of less than 30 percent” (Nelson, 2011). Some viewed these new accountability measures as consumer protections that are simply an extension of the 1980s programs that set thresholds for default rates, while others believed the rules have much broader implications for higher education in terms of program outcomes and value (Lederman, 2011). The debate continued with legal challenges and revisions with no clear implementation plan in sight. “The industry heavily lobbied the White House and Department of Education towards the end of 2010 and throughout most of 2011 and succeeded in weakening some of the new regulations” (CRP, n.d., para. 4). In fact, lobbying efforts by the sector topped $12.5 million dollars in 2011, but direct contact with legislators is just one tactic in response to regulatory pressure (CRP, n.d.). This lobbying power is seen in the campaign contributions organizations associated with the sector make to congressional candidates (Coutts, 2010).

Regulatory Challenges

Considering the triad of regulatory bodies and the policies and legislation that result from it, a number of issues faced the industry as a whole and for-profit higher education in particular. Kinser (2011) wrote, “With no centralized regulatory body for education, competition between members of the triad to assert their authority over the sector is emerging” (para. 16). Bennett, Lucchesi and Vedder (2010) identified four major regulatory challenges: consumer protection, use of public funds, operational issues and educational issues. These challenges can be summarized as concerns about what is being sold, who is paying for it, how it is managed, and whether it has value. Many of these topics have been central policy concerns for FPHEI trade associations at the local and national level (CRP, n.d.).

**Consumer protection.** The historic regulation of for-profit higher education has centered on protecting consumers from fraudulent institutions. Licensure and accreditation are
quality indicators that demonstrate the “fulfillment of certain minimum quality standards” (Mause, 2010, p. 40), helping students identify and avoid the most egregious offenders and diploma mills. Beyond unlicensed and unaccredited institutions, common consumer protection issues include transparency of placement rates, prevention of misleading advertising and inappropriate compensation for recruiters in Title-IV eligible schools, elimination of questionable enrollment standards, and scrutiny of student loan default rates (Bennett et al., 2010; Kutz, 2010; Taylor, 2010).

While the federal government has additional safeties in place to curb poor practices and educate consumers, the gainful employment measures proposed have been contentious. Some, such as Congressman John Kline, believed they will “have a devastating effect on the whole industry” (Bennett et al., 2010, p. 43), while others applauded the changes (Miller, 2010). The uneven application of the standard is of concern for many in for-profit institutions. As Bennett, et al. (2010) pointed out, if the standards of debt to earnings ratio were evenly applied across institutions, “the maximum total amount of student loans that a potential law student could borrow for 3 years of law school (including any debt incurred as an undergraduate) would have been $43,832 in 2008… hardly sufficient to cover the $27,830 average yearly tuition” (p. 44).

Critics believe the proposed measures would limit access to only those who could pay out of pocket, denying education to those already underserved and most in need of postsecondary education to gain social capital. Additional measures proposed include the state regulation of distance education, which the larger for-profits “could comply without breaking a sweat, but the typical community college could not” (Dean Dad, 2011, para. 5), a three-pronged criteria for state licensing, and a federal definition of a credit hour. Existing regulations regarding
advertising, recruitment and enrollment practices may see further strengthening in the name of consumer protection in light of recent attention across the industry.

**Use of public funds.** The largest criticism against for-profit education is the student loan default rates at some institutions, and therefore one of the largest areas of regulation (Beaver, 2012). It is critical to note that not all institutions are eligible for or choose to participate in federal financial aid programs, and all that do go through a process to certify their eligibility to participate, including an analysis of graduation rates, academic programs, financial stability, and a site visit. Yet the profit motive sometimes leads to bad practices within the sector according to scholars. As a Department of Education official noted, “When you have a program that’s $40 billion a year, there are going to be bad guys out there trying to steal it” (Babcock, 1997 as cited in Beaver, 2009, p.57). Regulation regarding the amount of federal funds an institution could qualify for (the 90/10 rule), as well as previous caps on loan default rates (25%) were attempts to limit questionable practices and institutions. Some accrediting bodies, such as the Distance Education and Training Council (DETC), also cap the amount of growth that an institution can experience under Title IV, allowing no more than 50% growth per year (Distance Education and Training Council [DETC], n.d.). Yet, the regulation of public funds remains a high priority at the federal level.

To combat default rates, in 1990 Congress amended the HEA “to include the calculation of cohort rates, which are… a measure of how many borrowers of title IV funds are defaulting on their government backed loans” (Johnson, 2011, p. 232-233). Those who could not meet the caps were barred from participation in the program. While, as a sector, for-profits have higher cohort default rates than their traditional peers, they also enroll a larger percentage of students who are at risk of defaulting. For-profit institutions enrolled more minority, first-generation,
low-income and non-traditional students, which correlated with higher default rates across institutions (Berg, 2005; Chang, 2009; Hentschke, Lechuga, & Tierney, 2010; Johnson, 2011; Ruch, 2001). However, federal regulation of this sector is a protection of the government investment and what it stands to forfeit if balances cannot be collected from defaulting borrowers. More regulation within this arena seems to be inevitable based on historic trends.

While the use of public funds to support private corporations is a legitimate concern, the concept is not evenly applied across industries. Education and health care are often compared because of the mix of non-profit and for-profit providers and the idea that they contribute to a public good (Turner, 2006). Yet many doctors, hospitals and other care providers directly benefit from taxpayer-funded programs through Medicare and other programs, though in a highly regulated and bureaucratic process. An understated point for consideration is the large tax revenue that for-profit institutions create through their business operations, paying into a system from which non-profits are exempt (Ruch, 2001).

**Operational issues.** Contemporary higher education institutions operate differently than they have in the past. Operational concerns now include interstate commerce and state authorization through the regulation of increasingly popular (and profitable) distance and online programs. In 2010, the Department of Education released final “Program Integrity” rules for federal aid programs that included the following language:

If an institution is offering postsecondary education through distance or correspondence education in a State in which it is not physically located, the institution must meet any State requirements for it to be legally offering distance or correspondence education in that State. An institution must be able to document upon request from the Department
that it has such State approval. (as cited by Clements, Goldstein, Johnson, & Shiffman, 2010, p. 2)

This measure was to be enforced beginning July 1, 2014, but may have been stymied through court challenges. Were it to be implemented, it would have tremendous implications for all institutions, public or private, for-profit or non-profit, that operate distance learning programs.

Of the fifty states, five offer exemptions to licensure for accredited institutions, twenty-six states require approval only if there is a physical presence (branch campuses, on-ground recruiters), seven are ambiguous (offering no language regarding distance learning programs), ten explicitly require state authorization, and three are “unclear” (Clements et al., 2010, p. 3). As Clements et al. (2010) note, the volume of “cross-border higher education” far surpasses the number of institutions applying for out-of-state licenses (p. 3). Questions have been raised about each state’s ability to process a flood of up to hundreds, if not thousands, of schools that offer distance learning programs (Chaloux, Poley, Poulin, & Murdock, 2011; Garrett & Brauch, 2011). Additional concerns include the impact on competition and innovation (Enzi et al., 2010), unnecessary additional oversight in a heavily-regulated industry (Broad, 2011), and interstate commerce law (Garrett & Brauch, 2011). The reporting requirements tied to such regulation represent a major investment for all institutions in terms of human resources, capital and time to remain compliant.

**Educational issues.** It is impossible to separate regulatory concerns from questions of quality. Johnson (2011) explains, “The fear is that these [for-profit] institutions are pressuring unqualified students into expensive programs that provide little or no meaningful training or job prospects simply to prop up numbers and stock prices” (p. 227). Therefore educational quality is difficult to consider without discussing consumer protection, the use of public funds or how
institutions operate. Graca (2009) notes regulators are “increasingly demanding more measurable and exacting student outcomes from institutions of higher education” (p. 642). However, how to define educational quality is a large point of contention.

The current regulatory metrics focus on retention, completion, job placement and debt repayment, but they are unevenly applied and often ineffectual when considered as a metric for program quality. At this time, national accrediting agencies (with a higher percentage of for-profits among their members) require more reporting of quantified student achievement measures such as completion and placement rates, whereas regional bodies “utilize a much different process-oriented approach that assesses whether their accredited institutions are themselves appropriately setting goals for student achievement and measuring against these goals” (Pelesh, 2010, p. 99). There are not enough standardized measures for a realistic comparison across institutions. Yet, the diversity of mission and level of institutional autonomy and the conception of academic freedom within the American higher education system seem unlikely to embrace standardized quality metric to measure how much students are learning.

Lederman (2008) succinctly captioned this attitude, specifically within the humanities, with the title, “You can’t measure what we teach.”

Mause (2010) argued that “government quality assurance is unnecessary in higher education if the market participants themselves, with the help of private third parties (i.e., certifiers and information intermediaries), are able to fulfill this function,” suggesting that the current model provides at least a cursory consumer protections and that consumers themselves should make the choice of where to spend their tuition dollars (p. 30). Acceptance of this market-driven approach seems unlikely within the current regulatory environment. The era of
deregulation within the financial sector did not produce sufficient intra-industry quality assurance measures to protect consumers and guarantee quality. As Kinser (2011) explained,

While some recent investigations have focused on fraud and abuse, these are red herrings for understanding the current environment. Since the mid-1990s, the policy incentives encouraged student access, and with few levers to encourage attention to student outcomes, the for-profits developed an enrollment-focused business model. They could be successful as businesses without needing to make sure their students succeeded as well... The sector was ripe for regulatory intervention. (para. 14)

The pendulum of regulation seems to be swinging further to correct this across all industries.

**Conclusion**

The preceding overview of the regulatory environment, the societal sector organizations that exert pressure, and major legislation provided the specific context for the case study. The previous research within the for-profit sector has highlighted how organizations can be categorized, or compared FPHEIs to their traditional peers. In contrast, this research sought to understand the relationship between degree-granting for-profit institutions and the regulatory environment, filling a gap in the literature.
Chapter 3: Research Design

The review of the literature presented the regulatory environment and oriented the reader to the for-profit sector. The research sought to address the following research question:

- *How does the American degree-granting, for-profit higher education sector manage pressures from the regulatory environment?*

The following sub-questions helped contextualize the research and framed the work within specific theoretical frameworks:

- *How does the regulatory environment exert pressure on the for-profit higher education sector and what reactions do institutions have to these pressures?*
- *How does the for-profit sector attempt to manage the regulatory environment?*
- *Is isomorphism evident in the reactions to regulatory pressure or attempts to manage the regulatory environment across the sector?*

The research was based upon a specific inquiry strategy, a case study methodology (Yin, 2009). The research questions are inherently process-based, seeking to understand how the regulatory environment impacts this specific sector of American higher education. These types of ‘how’ questions are best suited to qualitative approaches (Creswell, 2007; Yin, 2009). Tellis (1997) believed case studies “satisfy the three tenets of the qualitative method: describing, understanding, and explaining” (para. 14). An overview of the research design is presented in Figure 7.

Methodology

**Research design.** Creswell (2007) described qualitative research as most appropriate when “we want to understand the context in which the participants in a study address a problem or issue” (p. 40). Data is collected from multiple sources, interpreted through an inductive
Figure 7. Overview of research design.
process, using the participant’s meaning to better understand the context or issue being studied (Creswell, 2007). There is no uniformly accepted practice for examining the impact of the regulatory environment on organizations, although the theoretical lens of institutional theory has been used in a wide range of both qualitative and quantitative works. As the theoretical framework suggests, the specific context and organizational reactions are key determinants to understanding processes of institutionalism.

Intrinsic case study. The research is organized as an intrinsic case study, designed to gain a better understanding of how the regulatory environment exerts pressure on the degree-granting, for-profit higher education sector and the actions these firms take in response. Yin (2009) indicated qualitative studies are most appropriate to understand a range of individual perspectives and processes. Specifically, Yin (2009) wrote that a case study approach is most appropriate for research questions that center on the how or the why of a contemporary event. “Case study research emphasizes detailed contextual analysis of a limited number of events or conditions and their relationships” (Dooley, 2002, p. 335). The current media zeitgeist has focused considerable attention on the for-profit sector, making it relevant outside of education circles (Durrance, Maggio & Smith, 2010).

The goal of the research was to understand the phenomenon better, or develop “a holistic impression of the total situation studied” (Mjoset, 2006, p. 736). In fact, Woodside (2010) proposed that “deep understanding of the actors, interactions, sentiments, and behaviors occurring for a specific process through time” is the “principle objective” of a case study (p. 6, original emphasis). Specifically, as an intrinsic study, “the focus is on the case itself… because the case presents an unusual or unique situation” with special attention to the context of the case (Creswell, 2007, p. 74). Stake (1994) described an intrinsic case study as one “not undertaken
because the case represents other cases..., but because in all its particularity and ordinariness, [the] case itself is of interest,” rather than being used to generalize theory to other settings (p.237). The goal of the research was to better understand the relationship between FPHEIs and their environment, not to use this context to make generalizations about how other industries manage the regulatory environment, as would be the goal in an instrumental case.

**Participants.** Dooley (2002) discussed the need to identify the unit of analysis within a case, or the parameters of the case. In this case, the parameters are derived from naturally occurring boundaries. The study examined the for-profit higher education sector of the United States. The study had the potential to include all private, for-profit degree-granting institutions that are both licensed by a state government and accredited by an accrediting agency at the regional or national level. Lists of licensed and accredited institutions, as well as the programs that they offer, are available from the accrediting body and state agency websites. When organizational control (for-profit or non-profit) was not listed, the agencies were contacted to confirm ownership type.

There is typically a great deal of overlap between CHEA-recognized (Council for Higher Education Accreditation) and US Department of Education-recognized accrediting bodies, but for the purposes of this study, CHEA-recognized accrediting bodies are included in the sample, with the addition of the regional accrediting body for the northwestern states, the NWCCU, which is not listed on the CHEA website. According to a CHEA official, NWCCU chose not to seek CHEA recognition (rather than being denied or having the accreditation revoked) (E. Selwyn, personal communication, June 21, 2013). Within the scope of this research, they were included because excluding their accredited institutions would have excluded a large geographic area of the United States, creating an incomplete investigation of the for-profit sector.
Programmatic or specialized accreditations were not included because the focus of the research is at the institutional level, not the programmatic level. The faith-based accrediting bodies were excluded because of the small number of institutions (2) reported by CHEA (2012).

Further expanding the sector population, within the framework of institutional theory, ancillary organizations are considered a part of the societal sector. Therefore the state licensing agencies, accrediting bodies, federal government agencies, and trade associations are included as well, as they may be the source of regulatory pressure or a means for organizations to manage their environment. A complete list of those ancillary organizations considered a part of the societal sector prior to data collection is included as Appendix A and displayed as Figure 2. The sector is large and diverse. Therefore the goal was to describe the unique context of the sector, rather than a detailed analysis of the actions of individual firms.

**Recruitment and access.** Participants were recruited in different ways depending on their level of participation. Questionnaire participants were recruited through emails sent to the email addresses listed on their websites or accrediting body directories. Interview subjects were recruited through personal referrals. Neither questionnaire nor interview participants were offered direct inducements for participating. However, participants were offered full questionnaire results (with any identifying characteristics about individual organizations anonymized), which may have a perceived benefit for them. Samples of recruitment documents are included in Appendix B. Documents were retrieved from library sources and organization websites.

**Protection of human subjects.** In accordance with research best practices, the research proposal was reviewed by the Northeastern University Institutional Review Board (IRB). The application process includes a brief description of the research, the nature of participation,
research methodology, the researcher’s qualifications, the risks and benefits to participants, and a discussion of informed consent. Informed consent was obtained from both interview subjects and from questionnaire participants. Copies of the informed consent documents are included in Appendix C. Informed consent generally includes the right to withdraw, information about the study’s purpose, benefits and risks, and how confidentiality will be maintained (Creswell, 2009). There are no vulnerable populations included, and there were no likely risks associated with participation.

**Confidentiality.** All participants’ information is confidential and accessible only to the researchers. All identifying information was anonymized through the use of pseudonyms. While there were no direct risks to the participants of the study, giving questionnaire and interview participants the chance to participate without disclosing their identities offered opportunities for subjects to participate without fear of reprisal from regulatory agencies and should have increased the level of honesty in subject responses.

Questionnaire participants’ part in this study is anonymous to the researcher(s), although they had the option to include their institution’s name. However, because of the nature of web-based surveys, it is possible that respondents could have been identified by the IP address or other electronic record associated with the response. Neither the researcher nor anyone involved with this survey captured that data. Interview participants’ part in this study was handled in a confidential manner. Any reports or publications based on this research will not identify any individual as being affiliated with this project.

**Data collection and propositions.** The scope of a case study can be quite large, so Creswell (2007) suggested creating clear boundaries within the case in order to specify the data to be collected. Yin (2009) believed that stating specific propositions that are grounded in theory
offer opportunities to create these boundaries and clarify the types of data needed to fully address the topic. The practice of defining propositions was further supported by Baxter and Jack (2008). Yin (2009) identified six different possible sources of data for case studies, “documentation, archival records, interviews, direct observation, participant-observation and physical artifacts” (p. 99). Of these, documentation, interviews, and questionnaires were used, in alignment with the theoretical propositions outlined in Table 2.

Darke, Shanks and Broadbent (1998) described case studies as typically combining data collection techniques, including “interviews, observation, questionnaires, and document and text analysis” (p. 275). Specifically, the research centered on documents such as state licensing actions, accrediting body standards and public notices, ancillary organization websites and reports, press releases, legal actions, and media accounts. Questionnaires were distributed to leaders of FPHEIs. Finally, individuals representative of perspectives within the societal sector were interviewed to clarify and make sense of the initial findings.

First and foremost, a snapshot of the sector was developed by locating FPHEIs within the sector geographically and within the three regulatory domains. Because the research is limited to American higher education, it can be assumed that all institutions are within the federal system to some degree, regardless of their Title-IV status. Accreditation directories were delimited to only degree-granting institutions, cross referenced with state agencies to develop a comprehensive list of higher education institutions within the sector. National association membership lists, as well as state lists when available, were also reviewed.


<table>
<thead>
<tr>
<th>Research Question</th>
<th>Proposition</th>
<th>Data Collection Strategies</th>
</tr>
</thead>
<tbody>
<tr>
<td>QA. Context of the Regulations: How does the regulatory environment exert pressure on the for-profit higher education sector and what reactions do institutions have to these pressures?</td>
<td>P1: Organizations within a societal sector operate under a set of assumptions or rational myths that normalize behavior (D'Aunno, Sutton, &amp; Price, 1991; Greenwood et al., 2008; Van de Ven &amp; Hargrove, 2004)</td>
<td>Evidence of compliance with rational myths and norms: - Participation in accreditation and licensing - Self-reported favorability of domains from participant questionnaires</td>
</tr>
<tr>
<td></td>
<td>P2: The regulatory environment exerts pressure on organizations (Burke, 2008; DiMaggio &amp; Powell, 1983; Pagano &amp; Verdin, 1997).</td>
<td>Evidence of non-compliance: - Violations, investigations, probations from regulatory agencies, specifically accreditation agencies, legal action. Limited to 2009-2012 - Media reports of actions taken by FPHEIs 2009-2012 - Interviews with sector members.</td>
</tr>
<tr>
<td></td>
<td>P3: Organizations can choose to comply or choose not to comply with regulations (Bayma, 2012; Pfeffer &amp; Salancik, 1978; Scott &amp; Meyer, 1991).</td>
<td></td>
</tr>
<tr>
<td></td>
<td>P5: Richer organizations (or those with greater organizational capacities) are better able to use tactics to manage the environments (Kotter, 1979; Oliver, 2001).</td>
<td></td>
</tr>
<tr>
<td>QC. Level of Diffusion: Is isomorphism evident in the reactions to regulatory pressure or attempts to manage the regulatory environment across the sector?</td>
<td>P6: Processes of institutionalism and isomorphism diffuse practices across the sector, meaning that organizations respond similarly to regulatory pressures (DiMaggio &amp; Powell, 1983).</td>
<td>Evidence of diffusion: - Self-reported actions via questionnaires - Membership in trade associations, websites - Interview with sector members.</td>
</tr>
</tbody>
</table>

**Document collection.** Once the sample population had been established, the types of regulatory pressures exerted on the societal sector were explored. The literature review highlighted the scope of the regulatory environment, but accrediting body documents in the form of public notices represent instances where organizations are viewed as out of compliance with
accreditation standards, just as state and federal agency actions against institutions represent regulatory violations. Regional and national accrediting body websites were reviewed to collect documentation for the years 2009-2012. This four-year time period was selected for availability of documents and for the range of activities that took place during this time period in the sector. For example, according to the Center for Responsive Politics (n.d.), political action by for-profit institutions and associations dramatically increased between 2009 and 2010, increasing from $2.6 million in lobbying spending to $6.9 million in 2010. This spending peaked in 2011 at $10.2 million dollars and decreased slightly to $7.7 million in 2012. Additionally, this time period falls in alignment with Congressional investigations on the sector and the onset of federal discussions about regulation and proposed legislation. The Career College Association also rebranded as the Association of Private Sector Colleges and Universities during this time period, in 2010 (Career College Association [CCA], 2010).

Similarly, when available, state documents were reviewed for this four-year time period to examine the types of regulatory oversight action are most common for high profile for-profit organizations. Evidence of federal investigations was also reviewed, along with congressional reports tied to investigations during this same four-year time period. Media accounts of the for-profit sector were collected from key-word driven online searches, as well as press releases, policy statements from associations, legal action such as lawsuits against institutions or on FPEHIs’ behalf, and other materials in the public domain. This was intended to develop a rich description of the current context and the actions taken by firms to manage the regulatory environment across the FPHEI sector.

**Online questionnaires.** The scope of the sample population made in-depth contact with each organization unrealistic. In order to gain a range of perspectives that are most
representative of a diverse sector, a computer-deployed questionnaire was developed to gain an understanding of the perceptions of leaders within the sector and the types of actions taken as a result of regulatory pressures. Questionnaires or surveys are not uncommon in case study research when used with participant interviews (Baxter & Jack, 2008; Burr, 1998; Voss, Tsikriktsis, & Frohlich, 2002). Voss and colleagues (2002) discussed the conflict between efficiency and the depth of data, cautioning researchers to balance a range of perspectives to achieve reliability while respecting the time and resource constraints of the researcher.

Stecher and Borko (2002) found that a case study presented challenges in looking at policies and reform alone, so they collected data across systems by deploying a survey to fill the gaps in their knowledge. Piekkari, Plakoyiannaki, and Welch (2010) included questionnaires among the innovative practices of contemporary case studies. In a case study, surveys or questionnaires could be viewed as analogous to developing interview protocols. In both instances, they should be piloted in order to identify any weaknesses in the questions (Voss et al., 2002). Questionnaire and interview protocols were piloted with a group of industry insiders.

In the research, the questionnaire was an opportunity to collect data from a range of participants. A sample of the survey has been included as Appendix D. Questionnaire participants were asked to click on a link to a SurveyMonkey.com site, affirm their informed consent, and complete an online survey that took about 15 minutes to complete. The questionnaire collected information about which regulatory bodies regulate their organization, allowed participants to rate the favorability of the regulatory environment, asked the participant to select activities that their organization has taken part in to manage the regulatory environment, and asked about any trade associations their organization may belong to. A separate link from
the final page of the questionnaire offered those who completed the questionnaire an opportunity to enter the email address to send the results, separating their answers from their email address.

Institutions that met the criteria (degree-granting, accredited, and licensed) from each of the identified accrediting bodies were invited to participate. The number of questionnaires deployed will depended upon the total number of institutions meeting the criteria described in the first phase, and the number of individuals who chose to participate. Open-ended questions in addition to Likert-scale questions provided the opportunity to compare attitudes across a wide range of organizations while still collecting rich qualitative data. Rather than a true mixed-methods study with generalizable results and statistically significant findings, the researcher determined that the proprietary nature of some of the information collected and fear of regulatory reprisals might limit the number of participants. A large and statistically significant sample was highly unlikely. Yet, validity was not dependent on a percentage of organizations responding because the analysis was not based on quantitative, deductive constructs. Instead, the information was used in conjunction with other evidence types to support the findings (Creswell, 2007; Yin, 2009).

**Interviews.** Assuring a holistic investigation within a case study required collecting evidence from a wide range of sources in order to assure validity. The questionnaire data provided a broad overview of the sector’s attitudes regarding the regulatory environment and a description of their actions. This was used to triangulate with the issues presented in the popular press, legal actions, and by the trade associations. To further validate the information, in-depth open-ended interviews with six stakeholders within the for-profit sector clarified themes and further explored the survey results, as Woodside (2010) recommended “asking case participants for explanations and interpretations of ‘operational data’” (p. 6).
Interview subjects were asked to take part in a digitally-recorded interview for approximately an hour, during which they talked about their experiences and opinions about the regulatory environment, actions used to manage it, and shared their impressions about data collected and findings recorded during the research process. This provided opportunities to validate and help make meaning of the researcher’s assumptions. The interviews were telephonic, and at a time and location convenient to the interview subject. A third party transcription service transcribed the recordings and informed consent was collected from all participants. The preliminary interview protocol is included as Appendix E, and it was only slightly modified based on the emerging conversation with each participant.

**Data collection summary.** Together, these three data collection techniques offered opportunities to cross-reference, validate and compare themes across the case study during the data analysis process, presented in Table 3. The research questions are grounded in theoretical propositions, linked to the types of data collected in order to address the question. Multiple sources of evidence were collected to help understand both the phenomena of regulatory action and management, as well as the specific context of the for-profit higher education sector.

Table 3

*Data Collection Tactics*

<table>
<thead>
<tr>
<th>Document Analysis</th>
<th>Questionnaire Data</th>
<th>In-depth Interviews</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Regulations</td>
<td>• Perceptions of favorability</td>
<td>• Validation</td>
</tr>
<tr>
<td>• Violations</td>
<td>• Actions taken</td>
<td>• Explanation</td>
</tr>
<tr>
<td>• Associations</td>
<td>• Association Membership</td>
<td>• Clarification of themes</td>
</tr>
<tr>
<td>• Media Reports</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Data storage.** All data was handled in a confidential manner. Data was stored electronically on the researcher’s laptop and backup media. Digitally recorded interviews were
transcribed by a third party transcriptionist, using a pseudonym to label the files. The transcription service specified that they utilized confidentiality protocols through their web-based services. The researcher will be the only one privy to transcripts and information. The digital recordings were destroyed after they were transcribed and checked for accuracy. All other files will be retained for at least three years following the end of the study, maintained through electronic backups.

**Data analysis.** The data collected was analyzed through an inductive analysis process. Stake (1995) described a process of categorical aggregation (looking for the frequency of certain actions or themes), as well as direct interpretation of individual instances. Specifically, the data was analyzed through a general inductive analysis (GIA) approach. Thomas (2006) refers to a process that “primarily use[s] detailed readings of raw data to derive concepts, themes, or a model through interpretations” made by the researcher (p. 238). Thomas described the analytical process as the preparation of documents, a close reading of the text, and the creation of categories, stating that the goal is to reduce or consolidate the categories into themes that are the most important themes reflected in the raw data.

Before they were brought together to develop the over-arching thematic content of the case study, smaller chunks of material were analyzed as groups to develop several sets of coded data. Actions taken by regulatory agencies against for-profit providers were grouped into types of violations. Media accounts and legal documents were similarly grouped and coded, as were other documents by type. Questionnaire data was tabulated through the analytics available in the online-survey portal, and open-ended responses coded for themes.

Once this information went through an initial coding process looking for major themes, interviews took place to help clarify assumptions during the analysis process. “Stakeholder
checks enhance the credibility of the findings by allowing participants and other people… to comment on or assess the research findings, interpretations and conclusions” (Thomas, 2006, p. 244). Stake (1995) referred to these processes as ‘member checking,’ asserting that “[participants] regularly provide critical observations and interpretations, sometimes making suggestions as to sources of data” (p. 115). A secondary analysis building from the transcribed interviews led to the development or clarification of overall themes, or the “outcome of coding, categorization, and analytic reflection,” which was then written as the findings (Saldana, 2013, p. 175). Thomas (2006) described the process as one of presenting the label [theme] for the category, then describing the meaning of that category, then using textual examples to “elaborate the meaning” of the category (p.245), whereas Creswell (2007) suggested that researchers can develop “naturalistic generalizations” to present an in-depth picture of the case (p. 157).

Limitations. Yin (2009) cautioned that case studies are only generalizable to theoretical propositions. They are not generalizable to different contexts or populations because case studies are inductive and naturalistic, rather than “deductive generalizations based on statistical analysis” (Rhee, 2004, p. 74). As an intrinsic case study, it is the case itself that is of interest; understanding the context that is the goal (Creswell, 2007; Stake, 1995). With a large population of over 1000 schools that meet the criteria for inclusion, how representative the case is of their actions was entirely dependent on the level of participation and the completeness of the materials collected. The findings are tied to the specific context of the for-profit higher education sector and the regulatory environment, and no assumptions should be made about the transferability of the findings to traditional higher education or other industries.

Trustworthiness. The key to validity and credibility within a case study is the triangulation of data, which means having multiple points of data to support the findings (Yin,
2009). There are a number of steps built into the research process to maintain trustworthiness throughout the study. However, prior to a detailed discussion of the tactics employed to assure credibility, it is important to first acknowledge the potential for researcher bias.

**Researcher bias.** Maxwell (2005) suggested the key to validity is not the variance among researchers, but instead “understanding how a *particular* researcher’s values and expectations influence the conduct and content of the study (which may be positive or negative) and avoiding the negative consequences” (p. 108). Yin (2009) wrote that case studies may be the most prone to potential bias, but offered researchers the guidance that they can avoid this if they remain open to findings that are contrary to their assumptions and actively put forth alternative theories or interpretations. As an administrator at a for-profit institution, it is possible that the researcher’s previous experiences and knowledge from being a part of the sector could have influenced the findings of the study. Because the study does not comment on the appropriateness of for-profit higher education, nor the appropriateness of actions taken by the regulatory environment, it was easier for the researcher to bracket personal assumptions or experiences.

**Theoretical framework validation.** Creswell (2007) suggested that theoretical frameworks offer an opportunity to validate emergent themes. The research design and analysis were guided by propositions grounded in the literature and theoretical framework (Yin, 2009). Prior to data collection, it was unclear whether there would be sufficient evidence to support an institutional theory or resource dependency model, or even if there are large-scale coordinated efforts to manage the environment as a sector. Accordingly, it was unclear prior to data collection and analysis if the theoretical perspectives used to frame the research would also serve as validation tools.
**Member checking and triangulation.** Gaining alternative perspectives through interviews to clarify the themes developed through the questionnaires and document reviews provided opportunities to check assumptions, clarify themes, and as an additional check against any researcher bias (Creswell, 2007). Yet, data triangulation is the most important characteristic of a successful case study. Triangulation refers to using different sources to corroborate evidence to develop study findings (Creswell, 2007). In a case study, this often requires two sources or instances to support a particular finding (Yin, 2009). The research design offered multiple sources of information in an attempt to provide ample opportunities for collaboration of emerging themes. It was possible that because of the nature of regulatory agencies, respondents may have over- or under-reported their perceptions of the favorability of the regulatory environment or their actions to manage the environment out of fear of retaliation or because they may perceive their actions to be proprietary in nature. However, the multiple data sources collected should account for any discrepancies.

**Research Overview**

The data collection and analysis processes were guided by theoretical propositions. The population for the study was limited to the degree-granting for-profit sector and to regulatory pressures exerted on the sector because they represented a specific context that is intrinsically important and missing from the literature. By reviewing a range of documents, and deploying a questionnaire to the broader population, a robust data collection process was planned to gain a thorough understanding of the context of the case. Member-checking through interviews gave opportunities to clarify, challenge, or support these emergent themes in the inductive analysis process. Triangulating data sources and including theoretical propositions offered additional opportunities to validate findings.
Conclusion

The purpose of the case study was to apply institutional theory and resource dependency theory to develop an understanding of how the degree-granting, for-profit sector of American higher education manages regulatory pressures. The sector is one that has received considerable attention and calls to increase the level of oversight and regulation. The first three chapters outlined the research questions, presented an overview of the literature, and identified the case study protocols planned to collect data. The institutional theory framework assumed that institutions operate under a set of rational myths and forces that conform organizations to one another. While resource dependency theory does not address this diffusion of attitudes or practices, it does suggest that firms will try to manage their environments to make them more favorable. Kotter (1979) posed specific actions that firms make take. These works informed the research questions, examining the American for-profit higher education sector and collecting data to develop a better understanding of this specific context and issue of regulation. The following chapter reports the data collected.
Chapter 4: Reporting of the Research Findings

This chapter reports and discusses the findings of the research, detailing the data collection processes and tactics outlined in the previous chapter, providing findings for each data collection instruments, and describing the analysis process. Together, this data provides a detailed overview of the for-profit sector during the case period, 2009-2012. Grandy (2010) noted that an intrinsic case is emergent in nature, and analysis focuses on interpreting meaning, striving to “capture the richness and complexity of the case” (p.502). Therefore, the work is organized by research sub-question, contextualizing the unique characteristics of the case population.

Overview of the Data Collection Process

Data collection for the research included document reviews, an electronic questionnaire distributed to for-profit higher education institutions (FPHEIs), and interviews that were transcribed. The study was designed to gain detailed insight into the research question: How does the American degree-granting, for-profit higher education sector manage pressures from the regulatory environment? The process was guided by the research methodology described in Chapter 3, using sub-questions and theoretical propositions to guide the types of data collected.

Sub-question A. The first sub-question attempted to contextualize the sector and learn more about its rational myths by asking: How does the regulatory environment exert pressure on the for-profit higher education sector and what reactions do institutions have to these pressures? The research design suggested that certain documents might be the most helpful to address this question: namely accreditation documents (specifically those related to violations and investigations), evidence of legal action, media reports, and investigation reports. Additional information about how FPHEIs view the favorability of the environment was collected through
questionnaires. Interviews with sector members allowed for discussions of compliance or non-compliance and the level of change within the industry.

Sub-question B. The second research question sought to better understand the relationship between the sector and their regulatory agencies by asking: *How does the for-profit sector attempt to manage the regulatory environment?* Evidence of action taken to manage the environment was collected through questionnaires distributed to FPHEIs, as well as document reviews of membership association websites, campaign and lobbying contributions, and media reports. Sector members were also interviewed and asked questions about how firms have managed regulatory pressures.

Sub-question C. Finally, the third sub-question queried the diffusion of these tactics across the industry by asking: *Is isomorphism evident in the reactions to regulatory pressure or attempts to manage the regulatory environment across the sector?* To collect evidence related to this question, questionnaires were reviewed to ascertain if patterns existed within responses, as were trade association websites and media reports. Interviews with sector members also addressed the similarity (or lack thereof) across the industry.

Three phases of data collection. To collect the data sets described above, the process began with an examination of accrediting body actions, articles in the popular press, court proceedings, investigation reports, trade association websites, and reports of lobbying activity. The document review provided insights into the regulatory environment’s pressure on FPHEIs and provided a clear context for the research, focusing on the years 2009-2012. The next step, which took part contemporaneously with the document review was an electronic questionnaire distributed to FPHEIs that met the inclusion criteria. Through Likert scale favorability ratings, selections offering opportunities to describe their organization’s actions, and open-ended
questions, respondents were solicited to share their impressions of the regulatory environment, and list how they have managed it. Finally, interviews with sector members took place, including those in regulatory agencies, those with ties to the national trade association, and those in senior leadership roles in FPHEIs.

Case Population

Naturally, the population of the case was established by determining which organizations met inclusion criteria. This was done by reviewing accreditation listings and contacting agencies to affirm organizational control. Each list was further delimited by refining accreditation searches for degree-granting institutions. Those outside the United States were excluded. Because the study is temporal in nature, taking place over four years, it is important to note that the organizations meeting the inclusion criteria at one point in time may no longer be accredited and may not be included because of the ways that accrediting bodies publish affiliation.

Accreditation status exists within a highly fluid environment which is subject to frequent change. A numerical representation of membership is only accurate for a fixed point in time. Over a four year period, there will be fluctuations. During the time period under study, some organizations changed their tax status (notably Keiser University moving from for-profit to non-profit status), or changed regional accreditors (such as Argosy University’s move from Northcentral to Western region), or lost accreditation altogether. Those that did not meet the criteria at the close of 2012 were excluded from the questionnaire participant pool, but included in the document collection process. ACICS accredited the largest number of for-profits, and the northwestern region the fewest. Overall, 1,034 institutions were found to meet inclusion criteria, see Table 4.
Table 4

Case Study Population

<table>
<thead>
<tr>
<th>Accrediting Body</th>
<th>Total Number of Institutions Meeting Criteria</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accrediting Council for Independent Colleges and Schools (ACICS)</td>
<td>880</td>
</tr>
<tr>
<td>Distance Education and Training Council (DETC)</td>
<td>53</td>
</tr>
<tr>
<td>Middle States Region (MSCHE)</td>
<td>19</td>
</tr>
<tr>
<td>New England Region (NEASC-CIHE)</td>
<td>7</td>
</tr>
<tr>
<td>North Central Region (NCA-HLC)</td>
<td>43</td>
</tr>
<tr>
<td>Northwest Region (NWCCU)</td>
<td>3</td>
</tr>
<tr>
<td>Southern Region (SACS)</td>
<td>14</td>
</tr>
<tr>
<td>Western Region (WASC)</td>
<td>15</td>
</tr>
</tbody>
</table>

Questionnaires. Prior to data collection, the electronic questionnaire (Appendix D) was piloted with a group of executives at the researcher’s organization, who were then excluded from the research. This allowed insights into the length of time the questionnaire would take to complete and to solicit feedback to improve or clarify the content. No major changes were deemed necessary after the pilot period. The questionnaires were distributed to all institutions that met the inclusion criteria, based on data from the accreditation websites. In those cases where an email address was not included in the accreditation profile, the school websites were searched for an appropriate email address for the President, Provost, Campus Director, External Relations, Corporate Compliance, or VP Regulatory Affairs executive. As an additional tactic, whenever possible for corporations that owned more than one institution, the Senior Vice Presidents or Presidents of the larger corporation were contacted via emails collected from internet searches or corporate websites. If a search did not identify an individual’s email address, the invitation to participate (Appendix B) was sent to an institutional email address listed on the website. In some cases, email addresses were not available. Even within these protocols, not all
institutions were associated with good email addresses. Within the first two weeks, 58 qualified respondents had participated.

The nature of the case study does not require a statistical evaluation of participation in the questionnaire, as the questionnaire is one of many sets of data. However, after the initial response, it was determined a reminder email, repeating the initial invitation to participate, was appropriate within the case protocols. Because respondents had the option to participate anonymously, a reminder was sent to the whole group, excluding those who had chosen to identify their organizations about three weeks after the initial distribution. A second invitation to participate, yielding a total of 63 qualified participants. Table 5 provides an overview of the total number of respondents from each accrediting body, and what they represent as a percentage of their accrediting body. This ranged from 5% to 40% of institutions meeting inclusion criteria, excluding those from the northwestern region, which had no eligible institutions participate. Overall, questionnaire respondents represented 6% of the eligible case population.

The totals reflect some organizations that reported multiple accrediting agencies or, as Appendix F shows, states in which they were licensed. Multiple accreditations may reflect organizations reporting candidacy with another agency, or may reflect questionnaire responses from a corporate entity’s representative for organizations with multiple institutions. Regional accrediting bodies tend to accredit the main campus, not each physical campus, whereas national accrediting bodies do tend to separately accredit each location. This accounts for schools with multiple state licensures, reflected in the full data set reported in Appendix F. States may also require authorization for any activity within their borders. This may include a physical presence, recruiters active in the state, or other activities defined by statute.
Table 5

*Questionnaire Participation by Accrediting Body*

<table>
<thead>
<tr>
<th>Accreditation Agency</th>
<th>Total Number of Participants</th>
<th>% of Total FPHEIs in Agency</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accrediting Council for Independent Colleges and Schools (ACICS)</td>
<td>48</td>
<td>5%</td>
</tr>
<tr>
<td>Distance Education and Training Council (DETC)</td>
<td>6</td>
<td>11%</td>
</tr>
<tr>
<td>Middle States Region (MSCHE)</td>
<td>3</td>
<td>15%</td>
</tr>
<tr>
<td>New England Region (NEASC-CIHE)</td>
<td>2</td>
<td>28%</td>
</tr>
<tr>
<td>North Central Region (NCA-HLC)</td>
<td>4</td>
<td>9%</td>
</tr>
<tr>
<td>Northwest Region (NWCCU)</td>
<td>0</td>
<td>0%</td>
</tr>
<tr>
<td>Southern Region (SACS)</td>
<td>2</td>
<td>14%</td>
</tr>
<tr>
<td>Western Region (WASC)</td>
<td>6</td>
<td>40%</td>
</tr>
</tbody>
</table>

The titles of the respondents range from campus director to president. A full list of titles is included in Appendix F. It is important to note than in many instances, the titles indicate a separate department was established to manage regulatory compliance. As noted, of the institutions participating in the study, a wide range of states authorized or licensed the institutions. All of the institutions were degree-granting and for-profit, with 32% percent claiming that they are controlled by a publicly traded corporation. Of these, the results table in Appendix F identifies which of the 14 major corporations were most often cited as the parent company. 92% participated in Title IV programs, three organizations did not, while two were eligible but not participating. Of the respondent organizations, 70% (or 39 institutions) offer online programs, and 63% claimed membership in the Association for Private Sector Colleges and Universities (APSCU). Those that claimed other trade association membership included state and programmatic organizations, discussed in greater detail further in the reporting.

**Interviews subjects.** Six interviews with leaders within the sector were identified through personal referrals. In order to protect their anonymity, each was assigned a pseudonym, Participants A through F.
Participant A. Participant A is an executive director of an accrediting body. Their previous experience includes work at the senior level for another accrediting body, as well as at the Council for Higher Education Administration.

Participant B. Participant B is a senior executive for an accrediting agency with a special interest in legislative affairs, who had also served on a state-level oversight committee.

Participant C. Participant C is a former executive who has led publicly-traded and privately-held institutions and systems in addition to having served on the board of APSCU.

Participant D. Participant D manages external relations for a publicly-traded corporation that owns several ventures in FPHEIs.

Participant E. Participant E is a former vice president for a large corporation that owns FPHEIs and currently working as a consultant for a range of schools.

Participant F. Participant F is the founder and president of a small privately held, nationally accredited college.

Each interview followed the basic protocols outlined in Appendix E, tailored to the individuals’ experiences and interests. They were conducted telephonically in September of 2013 and digitally recorded.

**Sub-question A: How does the regulatory environment exert pressure on the for-profit higher education sector and what reactions do institutions have to these pressures?**

As an intrinsic case, the context of the case, and the “particularities” of the case are paramount (Grandy, 2010, p. 500). For inclusion in this study, participation in state licensing and accreditation within the identified accrediting bodies was a given. This study does not include those organizations that operate outside of these established norms. Therefore, participation as a means of compliance with industry norms is a given within this population.
However, instances of non-compliance should be discernible points in which an organization chooses not to, or is unable to, comply with a regulatory pressure. Prior to a discussion of investigation and violations, the context of regulatory change is addressed, followed by attitudes about the regulatory pressures, presented from questionnaire data and interviews, to develop an understanding of how FPHEIs viewed the regulatory environment in a way that might not be clear from violations or investigations alone. The emergent themes reflect the overall attitudes and reactions of case participants concerning the regulatory environment, chiefly the level of regulation, the rate of change, the impact of the media, the actions of ‘bad apples,’ uneven enforcement, and the uncertainty of the future.

**Level of regulation.** Throughout the data collection process, the level of regulation, specifically the change in the level of regulation, was a recurrent theme. While one questionnaire respondent noted, “We find it easy to adhere to all of the regulations and do not feel oppressed by the regulations,” the majority expressed vastly different views, calling the overall regulatory environment “a microscope on the for-profit sector” and “taking a turn for the worse.” Questionnaire respondents described “distinct unfairness,” “hostile [environment],” “a double standard,” complicated by “the burden of regulation,” an “inherent mistrust [of the for-profit sector],” and political biases. Often, respondents noted that a few “bad apples” or “bad players” were making things more difficult for those that were in compliance with the existing levels of regulation.

**The rollercoaster.** Several interview and questionnaire participants highlighted the cyclical nature of regulation of for-profit higher education, referring to it as a “rollercoaster” of ups and downs, with some specifying a fifteen-to-twenty year cycle of negative action against FPHEIs. Participant B explained, “The last time this sector experienced this degree of scrutiny
was back in the early ‘90s. Even if there’s no other explanation as to why this sector has been experiencing this additional scrutiny since 2009-2010, it may be just the re-emergence of this organic trend.” Interview participants noted this historical trend in regulation, but many felt that the current environment was placing greater scrutiny on the sector because of changes within and outside of education. As an accreditation official (Participant B) described, noting the subjective nature of their opinion,

I know this sounds very obvious, but the way it can be stated is that the institutions have been subjected to a much higher degree of scrutiny in the last five to six years than they’ve probably received … in the previous five to six years.

Other participants believed that the shift towards more regulation was a part of a larger trend. As the FPHEI sector began to grow and represent a larger percentage of the overall market, and as publicly-traded corporations and more private equity groups invested heavily in the sector, Participant A suggested, something changed:

Goldman-Sachs bought out the shareholders of EDMC and that was a significant event.

Other private equity firms started buying out these family owned groups of schools, and so you saw this huge influx of cash into for-profit, [that] bolstered their operations, then [they] started to participate in lots and lots and lots of Title IV funding.

This accrediting body executive suggested that the larger economic picture then came into play:

At the same time the economy started to tank, and so the impression was that all of these private investors started to make a whole lot of money off of Title IV. Meanwhile students were either dropping out or graduating with incredible debt, and the ire was turned against for-profit.

Participant C, former president of a FPHEI group, concurred:
A few years ago, I’m not sure exactly when it started-- the bank collapse in ’08 and ‘the great recession,’ as people call it now-- everything came under scrutiny. I mean banking and education, in all sectors. Things have gotten a lot harder for all colleges, I think, and for all students that are having trouble finding jobs, and the public information available on the debt levels… and that has really focused a microscope on the industry.

While the immediacy of the current scrutiny may color the descriptions of the severity to the change the industry is currently undergoing (feeling more important because they are happening right now), it is self-evident that this perception nevertheless influences how firms react.

**Negative media portrayals.** Participant B reported that driving this new narrative were political figures and special interest groups, further promulgated by the popular press. Using the identified population of FPHEIs, documents were collected using key-word searches. Newspaper and magazine articles were collected by searching news databases for the key words ‘for-profit higher education,’ ‘for-profit college,’ and ‘for-profit university’ for the time period between 2009 and 2012. Each set of search results was cross-referenced to remove duplicates. Each article was reviewed at least two times to establish key words or ideas associated with the piece. These key terms were then reviewed to establish broad categories. Several categories emerged: negative student stories, reporting of congressional or legal action, those related to new locations or programs, business reports (including stock prices), and those tangential to for-profit organizations.

Negative media portrayals far outweighed positive pieces among the documents collected, much to the frustration of many interview participants. For example, of the articles reviewed, those classified as negative outnumbered the positive pieces by a margin of three to one in 2012. The language was often far from neutral in these pieces: “Unscrupulous,” and
“bilking,” describing veterans as “cynically exploited by predatory players” (Kohlberg, 2012, para. 2). There were numerous comparisons to the subprime mortgage crisis, noting that student loan debt could not be discharged through bankruptcy. In a great many cases, these articles begin with a negative student story, relating how an ‘unsuspecting’ victim was tricked into enrolling in a for-profit institution through ‘aggressive’ or ‘misleading’ advertising by an enrollment adviser mired in ‘boiler room’ ‘high-pressure’ environment to meet enrollment numbers at any cost.

Using congressional testimony before Senator Harkin’s HELP committee, many articles then presented examples of these sales tactics, contrasted the price of FPHEI programs to community or state colleges, and then describe in detail the level of debt, the borrowing rates of those who attend FPHEIs, and the high default rate among these borrowers. The primary negative indicators repeated often: for-profits enrolled about 12% of all students, represented about 25% of all borrowers in federal aid programs, and these borrowers represented over 40% of all defaulted loans. In fact, one of Senator Harkin’s speeches during the case period and archived by the congressional publication office claimed that those were the only numbers the public needed to know: 12, 25, 40.

Discussing Harkin’s claims, Participant D, who spent time working in Washington for Congress prior to moving into the for-profit sector said, “…a very engaged chairman of a committee has an interest in something, and goes down a path. In this case, Senator Harkin’s investigation of for-profit education providers. And that has a huge number of affects and impacts.” Yet, the impact of the focused attention by the committee is difficult to assess. The press heavily reported on the sector during the case time period, often citing the Senator’s committee. For example, one article about the legal challenges to the terms of the gainful employment measures cited student loan defaults, stating in a 2011 St. Louis Post-Dispatch
opinion piece, “This is a result of higher tuition and deceptive marketing practices,” without discussion of other factors that could lead to a low repayment rate. The Harkin’s committee narrative was pervasive, elevating a report that could have been an outlier and dominating the national dialogue about for-profit institutions.

Popular press articles often suggested that the need to create dividends for investors trumped quality. They reported falling stock prices led by investor uncertainty. The recurring subtext was clear: the value and quality of the programs was questioned in relation to the cost, retention, and employment outcomes of FPHEIs’ students. As Participant B said,

> When we drive down to the essence of the issue, more often than not a comparison of quality will emerge as a fundamental issue. It’s just that it’s not always apparent on its face. Sometimes it takes a lot of excavating to find that little nugget of attitude. In fact, it’s coloring the entire policy formation process.

Indeed, calls for more regulation centered on the often unspoken idea that for-profit providers were selling an inferior product bought and paid for with taxpayer dollars. Positive outliers in the press were typically about new campus locations, new programs, or student successes.

**The whole orchard is bad.** While there were caveats made for schools that did provide quality outcomes in some cases, they were rare in the press and in congressional documents collected. An education department spokesman was quoted in one article, noting, “What we know is that there are many for-profit schools that are doing a great job of educating students, and we know there are some bad actors who have been perpetrating fraud and deceit…We want to do everything possible to protect students and save taxpayer dollars” (Staley & Hechinger, 2010). Other articles often closed a story of a negative student experience with the disclaimer
that it would be unfair to characterize all for-profits based on the HELP committee hearings or reports, yet noted how wide-spread the tactics seemed to be.

However, other interest groups were more forceful in their description of the industry, sometimes without acknowledging problems in other sectors. As Participant C said,

There’s bad apples in every barrel. There’s bad apples in the state universities. There’s bad apples in the major non-profits. There’s some bad apples in proprietary schools. I think the current environment is more hostile and openly confrontational with proprietary schools than it has been in my 20 year history.

This frustration about the uneven level of scrutiny and quality assumptions because of tax status was another recurrent theme. Participant A said,

I think a lot of the bias has been driven by perceptions in the senate [HELP] committee headed up by Harkin. He held a number of hearings in 2010, 2011 that excoriated for-profits and he cherry-picked disgruntled people to testify and talk about how badly they were hurt by the for-profit sector when there are millions of people that have had very good experiences.

But, as Lewin (2010) reported in the New York Times, David Hawkins of the National Association for College Admission Counseling said, “Contrary to what we've heard from the industry, these practices seem to be standard… They do not appear to be isolated acts of bad actors” (para. 2). Senator Harkin also questioned whether rather than just a few ‘bad apples’ if in fact “the entire orchard [was] contaminated by a business model that churns students -- provokes the kind of recruitment and unethical conduct we saw through the G.A.O., because of the need to increase profits and answer to Wall Street” (Lewin, 2010, para. 3). As Participant C referenced Senator Harkin’s statement, he said,
Well, that’s a pretty strong statement to me. He doesn’t have the authority to enforce anything. He doesn’t accredit us, he doesn’t regulate us at the state level, and he doesn’t disburse Title IV. On the other hand, he’s a pretty powerful Senator.

This power and uncertainty seem to be just as powerful of pressures as existing regulations.

**Uneven regulation.** Many respondents highlighted the discrepancies between how they were regulated versus how the non-profit or public sector was regulated. As one questionnaire respondent shared, “It is clear that virtually all external agencies at the Federal and state levels have focused on [and] scrutinized for-profit colleges to a degree of severity far beyond what is directed at other sectors.” Multiple respondents noted this difference in the way that regulations or enforcement targeted only the for-profit sector. One described the lack “of an even playing field” and multiple respondents cited intense scrutiny that the non-profit or public sectors would be unable to successfully comply with were they held to the same standards. As one campus president wrote,

> We have better results over the state funded schools and they are not held to these standards. It would be nice to see the state schools have to report on everything that private schools have to report on. We have to report on placement, retention, and can lose [sic] accreditation if everything isn't up to standard. The state schools don't have to place a single graduate or retain a single student to keep accreditation.

Another respondent wrote, simply, “There are policies and procedures that we have to conform to that public colleges/universities don't.”

**Uncertainty.** Interview participants were asked to describe the future of the for-profit sector in light of the current environment. The responses reflect a high level of uncertainty.
There seems to be agreement that the changes may alter the level of participation in the sector.

As Participant B said,

I think when the dust settles, a couple things will happen. There’ll be winners and losers in terms of schools that can withstand the additional scrutiny and be able to come up with ways to comply with higher standards and will still be viable, because I don’t believe the demand for the educational opportunities they provide is going to abate any time soon.

There will be some consolidation. There’ll be some winners, some losers. Some schools will close.

When asked what institutions can do while waiting to see the true impact of the regulatory changes, Participant A said, “I think they scramble to keep up with the regulatory framework as it is.” They continued by saying, “I think that it's treading water. I think we're all treading water just to stay afloat.”

**Regulatory favorability.** Together, this particular external environment and regulatory pressure combine with uncertainty to form the space FPHEIs have to navigate as institutions of higher education. Electronic questionnaire participants were asked to respond on a Likert scale to questions asking them to rate the favorability of the regulatory environment as a whole, and of each of the three major elements: state, federal, and accreditation oversight. The questionnaire instructions provided the following definition prior to asking participants to rate each element:

Favorable environments are those that are easy for firms to navigate, are environments that promote corporate success, are easy for firms to comply with. Favorable environments are not simply unregulated, but have regulations that seem rational.

Unfavorable environments are those that are more difficult to comply with, may not be in
alignment with corporate objectives and may be seen as a negative pressure on organizations.

The respondents were asked to describe the favorability on a scale ranging from very unfavorable, somewhat unfavorable, neutral, somewhat favorable, and very favorable. Each was converted to a numerical value by the survey software so that it could be visually represented. A zero reflects a very unfavorable environment, while a ten reflects a very favorable environment.

**Overall favorability versus individual agency.** Figure 8 details the responses for the overall environment and each of the three regulatory domains.

![Level of Favorability](chart.png)

*Figure 8. Overall regulatory favorability across all regulatory domains. 5 is a neutral score. The higher the score, the more favorable the environment, with 10 representing a very favorable environment and 0 representing a very unfavorable one.*

The respondents gave a somewhat unfavorable rating to the overall environment, but rated federal regulators on neutral to somewhat unfavorable, accrediting bodies in the neutral to somewhat favorable range, and state agencies in the neutral to somewhat favorable range.
Scatterplots in Appendix G show the distribution of responses. Note that there was a range of responses for each category, however, this case study looked at the average of all responses to ascertain the overall industry feelings of favorability.

When asked about the discrepancy between individual regulatory bodies and the overall environment, interview respondents gave a range of rationales from simple cognitive dissonance (likening it to finding fault with your child’s school, but liking their teacher) to the unknown factors like congressional activity, politics, and media attention that were not addressed in the questionnaire’s questions. Participant C, a former corporate president and former APSCU board member, put it this way in regard to the triad of regulation, “Color inside the lines and follow the rules and [the Department of Education, state agencies, and accrediting bodies are] not really any harder to get along with than they have been.” The change, as he described it, is in the big picture,

But, if you ask me, the overall regulatory environment-- how I’d rate it on a scale of 1 to 10 with 0 being horrible and 10 being fantastic-- I’d probably give it a 1 or 2. Because I think a couple of constituencies were left out and putting the fear in the industry. And that’s special interest groups and Congress. I mean, you know, the Senate Health Committee with Senator Harkin would bankrupt all of us if they could.

Accordingly, these groups were given special attention in the analysis of the different pressures put on the sector and the different ways in which FPHEIs manage these pressures.

**State favorability.** Respondents rated their state agencies in the neutral to somewhat favorable range, far more favorably than the overall regulatory environment. As Participant D noted, there is an increasing complexity for organizations that are licensed in multiple states. “I think people that are really multi-state education providers are starting to see a lot of states
asking for more information, and regrettably, it’s not the same information state to state. The data collection piece is becoming more complicated.”

This complexity may require higher reporting levels for colleges, but this has not necessarily translated to a lack of favorability. The rules regarding state authorization are still in flux, but distance educators and those with multi-state campuses are subject to multiple state regulators. There was no significant difference in how organizations that offer online programs reported the favorability of the state regulations versus those who did not. This may be because the state authorization rules are still unfolding. As Participant F, a president at a small, DETC distance education school said,

The state authorization thing is a challenge. We’re going to address it this year. One of the DETC schools out of Missouri did a really good job. They just wrote a letter to [each of the state authorizing bodies] saying that they were a little tiny school and they were not going to harm anybody, the states wrote back and said, ‘Listen, you don’t have to do it.’ The true impact on schools may not be evident until states start enforcing their statutes with distance educators.

While some questionnaire respondents noted a decrease in state agency staff, longer processing times, and favoritism between agency officials and some schools, overall, those that were accredited found the state agencies reasonable to comply with. Interview Participants C, E, and F all described helpful exchanges with state agency staff early in program development processes. Yet the Harkin committee executive summary paints a different perspective of the level of power states hold:

State oversight of for-profit education companies has eroded over time due to a variety of factors, including State budget cuts and the influence of the for-profit college industry
with State policymakers. The U.S. Department of Education had never defined minimum requirements for State authorization, and many States have taken a passive or minimal role in approving institutions, reviewing and addressing complaints from students and the public, and ensuring that colleges are in compliance with State consumer protection laws. (p.7)

Here, as well as with the accrediting bodies, there seems to be the underlying assumption among those at the federal level that there should be more federal control or oversight of how states manage corporations or educational ventures within their borders. While the variety of requirements is evident from even the most cursory review of state regulations, the implied need for adoption of non-existent DoE standards seems to represent federal pressure on the states, without mention of the need for additional oversight of non-profit institutions for similar consumer protection issues.

**Federal favorability.** The level of favorability of federal agencies, overall, was in the somewhat unfavorable to neutral range as Figure 9 shows. While the majority of respondents were participating in federal aid programs, three were not. Two institutions were designated by the Department of Education as eligible, but were not participating in the program at this time. The responses about the favorability of the federal environment were cross referenced with these three designations (participating in Title IV, eligible but not participating, and non-Title IV) in order to assess how a greater level of participation in federal programs might impact organizational response. Those that were not participating in Title IV programs rated federal programs as less favorable than those that were participating, which may reflect attitudes that prevent them from participating in the programs. Those that were eligible but not participating averaged a neutral to somewhat favorable outlook.
**Federal Level of Favorability by Title IV Participation**

Figure 9. Federal agency favorability filtered by Title IV participation. 5 is a neutral score. The higher the score, the more favorable the environment, with 10 representing a very favorable environment and 0 representing a very unfavorable one.

*Accreditation favorability.* The level of favorability of the accrediting bodies that accredit each organization was also surveyed, and the results are listed in Figure 10. The average rating was in the neutral to somewhat favorable range, with the Distance Education and Training Council (DETC) rating slightly higher, in the somewhat-to-very-favorable range. ACICS, Middle States, Western and Northcentral regions fell in the neutral to somewhat favorable range. The Southern region was rated neutral, and the Northeastern region was in the neutral to somewhat unfavorable range. No institutions from the Northwestern region participated. Within this case study, the results show an overall higher favorability for accreditors than other regulatory domains.
**Figure 10.** Favorability of accrediting bodies. 5 is a neutral score, the more favorable the higher the score with 10 representing a very favorable environment and 0 representing a very unfavorable one.

**Accreditation standards and violations.** Within the regulatory environment, each accrediting body operationalizes their accreditation standards in a slightly different manner, though the overall themes are fairly consistent. A review of the eight organizations included in the study began with a close reading of the standards or criteria for accreditation. The accreditation standards were retrieved from the accrediting body websites. Using the headings, subheadings, and exemplar evidence that an institution had met a standard, the accreditation criteria were found to be generally similar, with the national accrediting bodies being more prescriptive in their standards. Standards generally concentrated on mission and organizational control, strategic planning, financial capacity, student learning, academic quality, and engagement and service.
State licensing agencies were inconsistent in their reporting of violations, with most action lacking public transparency without individual information requests to each agency. In contrast each of the eight accrediting bodies’ websites were reviewed to establish the types of actions each body took between 2009 and 2012. It is important to note that each accrediting body uses different reporting standards to meet the Department of Education’s requirements that accrediting agencies must demonstrate that each:

(b) Provides written notice of the following types of decisions to the Secretary, the appropriate State licensing or authorizing agency, and the appropriate accrediting agencies at the same time it notifies the institution or program of the decision, but no later than 30 days after it reaches the decision:

(1) A final decision to place an institution or program on probation or an equivalent status.

(2) A final decision to deny, withdraw, suspend, revoke, or terminate the accreditation or preaccreditation of an institution or program.

(3) A final decision to take any other adverse action, as defined by the agency, not listed in paragraph (b)(2) of this section;

(c) Provides written notice to the public of the decisions listed in paragraphs (b)(1), (b)(2), and (b)(3) of this section within 24 hours of its notice to the institution or program.

(Criteria for Recognition of Accrediting Agencies, n.d.)

Accordingly, actions an accrediting agency may take against an accredited institution vary in severity from warnings, probationary periods, to orders to show cause, or revocation of accredited status. Some further define their actions to identify those actions that are specifically financial in nature.
Note that the Department of Education requirements specify that agencies must notify the public within 24 hours of notifying the institution of their decisions. However there is no guidance as to how long those notices should remain in the public sphere. Therefore, the information available varies at each accrediting body. For example, DETC, Middle States, and North Central actions were available for the full case parameters of 2009 to 2012. Northwest had summaries of actions available for the full time period, yet they only listed the number of institutions (rather than the names of those) given a warning, placed on probation, or warnings or probations continued or removed. As such, it is impossible to determine which actions impacted for-profit institutions, especially noting the small number (3) of institutions that meet inclusion criteria. ACICS actions were only available from June 2010 to June 2012. Similarly, Western actions were only available from June of 2010 to the end of 2012. New England actions are only available from September 2012 to December 2012. Southern actions are only available from December 2012. The agencies’ actions against for-profit institutions are presented in Appendix H, and summarized in Table 6. Considering the differences in reporting for each agency, it seems as though violations generally involved about 10% of all schools accredited by an agency within the case period. For example, DETC, Northcentral and Middle States were available for the full case period, and the number of institutions with published violations represented 7%, 9% and 10% respectively. It should be further noted that the nature of the violations was not always available as agencies often removed their public notice after the institution has resolved the issue. Typically, the violations were tied to financial security, governance, and recruiting or financial aid, mirroring broader economic trends in small businesses and some of the Harkin’s committee findings.
Table 6

Number of Accreditation Violations as a Percentage of All FPHEIs

<table>
<thead>
<tr>
<th>Accrediting Body</th>
<th>Violations</th>
<th>Percentage of Total FPHEIs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accrediting Council for Independent Colleges and Schools (ACICS)(^1)</td>
<td>95</td>
<td>10%</td>
</tr>
<tr>
<td>Distance Education and Training Council (DETC)(^2)</td>
<td>4</td>
<td>7%</td>
</tr>
<tr>
<td>Middle States Region (MSCHE)(^3)</td>
<td>2</td>
<td>10%</td>
</tr>
<tr>
<td>New England Region (NEASC-CIHE)(^4)</td>
<td>0</td>
<td>n/a</td>
</tr>
<tr>
<td>North Central Region (NCA-HLC)(^5)</td>
<td>4</td>
<td>9%</td>
</tr>
<tr>
<td>Northwest Region (NWCCU)(^6)</td>
<td>0</td>
<td>n/a</td>
</tr>
<tr>
<td>Southern Region (SACS)(^7)</td>
<td>0</td>
<td>n/a</td>
</tr>
<tr>
<td>Western Region (WASC)(^8)</td>
<td>2</td>
<td>13%</td>
</tr>
</tbody>
</table>


For example, Chancellor University was issued a show cause order in 2012, but the public notice from the Higher Learning Commission (Northcentral) is vague. At the time, according to media reports, the college president, Mr. Daugherty “contend[ed] the latest show-cause order is a criticism of the for-profit education business in general rather than an indictment of his school’s operations” (Magaw, 2012). The commission “expressed concern regarding Chancellor’s ability to operate with ‘integrity to ensure the fulfillment of its mission’ because of ‘issues related to conflict of interest,’” according to Magaw. Yet, there is often very little detail as to what the specific issues related to accreditation standards are.

There is not much publicly available evidence as to how the accrediting bodies are enforcing the standards with for-profits in comparison to their non-profit peers because full transparency is not built into the process, despite their assertions to the contrary. The executive summary of the Harkin’s committee report explains the level of enforcement in this way:
The self-reporting and peer-review nature of the accreditation process exposes it to manipulation by companies that are more concerned with their bottom line than with academic quality and improvement. Accrediting agencies seek to help colleges improve. Because of this institutional focus on continuous improvement, they sometimes appear to have difficulty drawing and enforcing bright lines and minimum standards. (p.7)

Interview participants used less loaded language, instead highlighted the continuous improvement process as a central tenant of accreditation. Participant C, described it this way,

[Accreditation]’s not about putting schools out of business. That’s compliance. ‘Well you never shut any schools down.’ Well, they don’t shut a lot of the hospitals down either. Accreditation, whether it be for a hospital or for a college, is about continuous improvement. It’s brought through your peers so you don’t need government intervention.

Organizations are typically given the opportunity to correct actions through warnings and show cause orders prior to the removal of accreditation.

Yet, questionnaire respondents described accrediting bodies that were influx. Many cited the pressure that the Department of Education had placed on accrediting bodies. Respondents used terms like “knee-jerk reactions,” claiming that accrediting bodies are “trying to show the feds that they are cracking down” and that “some of the newly implemented standards seem to stem from pressure from the DOE.” This seems to be supported by representatives from accrediting bodies. Participant A cited the 2008 Higher Education Act reauthorization process, which led to program integrity rules. Institutions and accrediting bodies alike “were caught up in the regulations that were handed out to recognize accreditors.” Interview participants agreed that
the level of federal pressure on accrediting bodies had increased, as had the level of enforcement geared at for-profit institutions.

**Federal audits and program reviews.** According to a 2010 Government Accountability Office (GAO) report, about 5000 audits take part each year as a part of the Department of Education’s (DoE) management of Title IV programs at both for-profit and non-profit schools. Ongoing review of these documents takes place through the DoE and the GAO, looking for trends on certain issues. For example, these audits were reviewed by the GAO for incentive-based recruiting violations between 1998 and the end of 2009, specifically looking for the much-publicized incentive compensation ban, factoring in the safe harbors put in place in 2002. The safe harbors, as previously discussed, were instances where some types of incentive-based compensation were ruled acceptable, so long as recruiters were not directly paid for only the number of students they enrolled. The reports substantiated incentive compensation violations at 32 schools over that time period, with 14 schools violating the ban after the safe harbors were put in place. During 2009, the only year during the case period included in this report, neither of the two for-profit schools listed in the report met the criteria for inclusion in the case, as they were not degree-granting or accredited by one of the eight included accrediting bodies.

Available audit reports suggest that audited FPHEIs had similar findings to their non-profit peers. For example, in 2010, while finding the school generally complied with the regulations, a report required Colorado Technical College (a for-profit school) to have stronger policies identifying students who had withdrawn, and looked more closely at CTU Online, which had had tremendous growth during the previous year. As a Career Education Corporation school, it was among those put on heightened monitoring because some CEC schools had inflated their job placement rates, according to the audit report, published in 2012. A state
college audited during the same time period had similar findings. There seems to be a lag of several years between the time period investigated and when the report is released, therefore this is not the timeliest indicator of compliance with the regulations associated with Title IV.

**Legal action and congressional investigations.** While a handful of accreditation issues or federal aid compliance problems were reported in the popular press, the majority were not. Yet interview participants highlighted the role that the media had in shaping public opinion about the for-profit sector, particularly in how violations were understood. Two strategies were employed to examine indicators of non-compliance and regulatory pressure through this lens. First was a review of direct legal action. Second was a review of the portrayal of investigations at the federal and state level within the media.

**Legal action with FPHEIs as parties.** U.S. federal, state, and appellate court cases were reviewed to establish a snap-shot of the types of legal action FPHEIs were parties to. Working from the assumption that the parent companies of the largest block of FPHEIs would be most accessible and identifiable considering the large population of the case, the Council for Higher Education Accreditation (CHEA)’s list of the top for-profit companies that own accredited institutions was used to develop key-word searches. In addition to corporate entities, the search also included the terms that were used in the media search, which was then cross-referenced with the findings from the corporate entity search. Additionally, the Association for Private Sector Colleges and Schools was used as a search term, generating additional results that will be discussed in a subsequent section. Each case was reviewed to identify the parties, judgment, and legal issues of the case. This was then further aggregated to develop broad categories as the types of actions FPHEIs and ancillary organizations have initiated or face.
A summary of this information is provided in Table 7, below. The results demonstrate a somewhat typical corporate sector, with a range of employment law claims, some trademark or account disputes, and a real estate claim. More telling are the multiple suits, some of which are still being litigated, alleging deceptive marketing or fraud, and those filed under the False Claims Act (FCA).

Table 7

Types of Legal Action Involving Publicly Traded FPHEIs

<table>
<thead>
<tr>
<th>Type of Cases</th>
<th>Results Meeting Criteria</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employment Claims/Discrimination/Wage Disputes</td>
<td>43</td>
</tr>
<tr>
<td>False Claims Act</td>
<td>19</td>
</tr>
<tr>
<td>Deceptive Marketing/Fraud</td>
<td>15</td>
</tr>
<tr>
<td>Securities Law</td>
<td>10</td>
</tr>
<tr>
<td>Patent/Trademark</td>
<td>3</td>
</tr>
<tr>
<td>Bankruptcy Disputes</td>
<td>1</td>
</tr>
<tr>
<td>Real Estate</td>
<td>1</td>
</tr>
<tr>
<td>Other legal action</td>
<td>3</td>
</tr>
<tr>
<td>Legal challenge of regulation</td>
<td>1</td>
</tr>
</tbody>
</table>

A breakdown of the organizations involved is presented in Appendix I. It should be noted that when the same parties and issues of law resulted in multiple actions by the courts (such as appeals or pre-trial motions), the sum of the actions was included as a single case.

**False claims act.** According to the Department of Justice (n.d.), the False Claims Act (31 U.S.C. §§ 3729-3733) was enacted in 1863 over concerns of suppliers defrauding the Union Army during the Civil War. “The FCA provided that any person who knowingly submitted a false claim to the government was liable for double the government’s damages plus a penalty… for each claim” (Department of Justice [DoJ], n.d., p. 1). Many so-called whistleblower lawsuits use the FCA as a means to sue a company that does business with the government (in these cases
through federal financial aid programs) on the government’s behalf. There have been about two dozen such cases against for-profits since 1999, and according to Lewin (2011), “the fraud accusations involve the signing of yearly forms certifying that they do not use incentive compensation” (para. 20), the same subject of the GAO audits of Department of Education investigations. As Lederman (2011) reported, in 2009 University of Phoenix’s parent company, Apollo Group, settled a suit for $78.5 million, however many other suits have been filed and dismissed.

Education Management Corporation (EDMC) faced a similar suit, with the Department of Justice and several state attorneys general joining the suit. The suit claimed “violations of provisions of federal law that prohibit colleges from paying their recruiters based purely on enrollment numbers” (Lederman, 2011, para. 6). The majority of the cases reviewed involved those who had been employed as enrollment advisors at FPHEIs, who paint a picture of high pressure sales, incentives that were not in alignment with federal rules or the exemptions known as “safe harbors.” Many of these same claims were highlighted in the HELP committee hearings.

One interview participant (E) was an upper-level executive at EDMC during the suit and noted a culture change within the organization as a result of the legal action:

EDMC was a place where you went and you loved working there. It was all about students... You had a lot of people who were very proud of what they did. All of a sudden this lawsuit comes about and morale became very bad.

They further described shift from an academic emphasis to a more litigious culture.

You had to spend money on lawyers, so all of a sudden there were plans that you had maybe for growing faculty development, growing programs, opening new locations and
you couldn’t do that anymore. Because not only was the scrutiny on you with every move you made, but also it was the money that you needed in order to defend yourself against [the attacks].

Media reports related to the suit present a corporate leadership actively asserting that any actions were in compliance with existing regulations, despite the whistleblowers’ claims. “They saw a situation where maybe they could make some money for themselves,” Participant E said. “They had accusations that weren’t entirely true.” They alluded to the fact that when someone brings a suit under the FCA, there is the potential to profit if they win the case or settle. Two University of Phoenix employees received $19 million dollars when Apollo Group settled their suit. However, others have not been successful in their suits and have incurred the legal costs for both sides.

The EDMC suit gained publicity, it seems, because of the ongoing action of the HELP committee as well as the fact that the federal government and several state attorneys general joined the suit. Involving two of the three arms of regulation of the sector in a single suit was significant. In 2011, Malloy wrote about a former University of Phoenix executive Todd Nelson, who “oversaw student recruitment tactics that eventually cost the company dearly in payments to the federal government and lawsuit plaintiffs” (para. 3). Malloy further stated that Nelson’s move to EDMC’s senior leadership is noted in the suit, claiming he “brought the same improper practices with him to EDMC” (para. 34). A March 2011 filing in which EDMC asked for a dismissal “accused the claim of consisting of nothing more than ‘criticisms of profit-oriented business efforts in the field of education; scattered and irrelevant anecdotes from cloaked informants; insufficient references to compensation practices; equally off-base characterizations
of public statements” (Malloy, 2011, para. 35). The suit was not resolved during the case period and litigation has continued through 2013.

The legal action APSCU took to challenge the regulations will be discussed in the section regarding actions organizations within the sector have taken.

**Legislative investigations and action.** Participant D said, “I think the cycle of regulation is leading into a cycle of legislation at this point.” As previously discussed, Senator Tom Harkins (D-IA)’s Health, Education, Labor and Pension (HELP) committee hearings investigating the for-profit sector garnered significant press coverage. Interview participants stressed the importance of this attention as a pressure within the industry. As the committee chair, Harkin spent two years investigating the for-profit college industry. Each stage of the process--be it hearings or Government Accountability Office reports being released--triggered media coverage. Here again, the formula of introducing an individual wronged by an organization trying to increase value for shareholders and CEOs was introduced. Even articles reporting on local for-profits not involved in the investigation often referenced the committee’s work. Investigators found significant and egregious recruiting practices, often in violation of the federal rules garnering Title IV institutions. Fifteen for-profit schools were investigated and the findings reported in four volumes. Misrepresentations about school outcomes, employment placement or salaries, accreditation status, transfer of credit, or debt load were found. For example, representatives were recorded encouraging students not to report additional income on federal aid applications, a violation of Title IV regulations.

While Republicans on the committee threatened to boycott hearings, and while few from the for-profit sector were invited to participate, the media coverage perpetuated the notion that the actions of the few were indicative of the whole industry. The committee’s findings suggest
wide-spread problems. Yet, some interview participants did not view the investigations as a total negative. While time may have made Participant D more circumspect, or there may be a desire to put a more positive spin on his organization’s published problems, he said,

I think that [national attitudes] added to the siren call from Senator Harkin, and has led to a lot more soul-searching both in for-profit higher education, but in higher education more generally, in what is the value proposition for a student in what we do, and how do we make that value proposition better?

In this case, the focused attention was credited as creating a more self-critical organizational environment using the criticisms constructively to improve. Participant D’s sentiments were echoed by other questionnaire and interview participants at other large organizations. Participant C said “You’ve probably noticed a shift in the ads-- the more direct response type ad to the ‘look what a great job we do,’ ‘look what a great job you’ll get.’” This ability to adapt was highlighted by Participant E, who said,

[For-profit institutions] can address an issue in a relatively small amount of time. I give them the example that when I worked at one non-profit institution it took us six months to write a mission statement. There are things that we can do and I think that the other thing that we’re very positive about as for-profit institutions is our ability to work with employers, our ability to deliver a product for a student to get a job because we can be in touch with employers and we do things like that that non-profits don’t even think about doing.

The second major topic in media reports of legal action or investigations centered not on general financial aid woes associated with Title IV, but instead highlighted veteran’s programs. Current federal regulations allow for-profit institutions to generate up to 90% of their tuition
income from Title IV loans backed by the government. Military tuition assistance or veterans’ educational benefits are not included in this 90%, but instead are counted towards the remaining 10% of non-aid funds required, even though they come from government sources. Several journalists and congressional members reported that some unscrupulous recruiters had visited military installations and registered veterans with traumatic brain injuries who most likely would not have benefited from their enrollment, but who had access to funds.

**Combined pressures.** Together, this evidence seems to suggest an environment that is exerting pressure on the sector as a whole, not just the higher education providers within it, and that additional stakeholders, such as the media and congressional committees are also a part of the sector, influencing how firms operate. This is supported by the higher favorability ratings of the regulatory triad when compared to the overall favorability of the regulatory environment. The majority of firms seem to remain in compliance with the regulations (see Appendix H), based on the number of documented investigations, accreditation actions, etc., despite Harkin’s claims that the whole orchard may be bad.

**Sub-question B: How does the for-profit sector attempt to manage the regulatory environment?**

The central issue within the second question was a desire to understand which tactics members of the sector used to manage the pressures the environment exerted. This was examined by asking sector members to describe the actions they had taken, based on Kotter’s (1979) list. Because both Kotter and Oliver (1991) noted that organizational capacity (or how ‘rich’ an organization may be) influences the use of these tactics, Figure 11 lists these tactics and notes the responses from those organizations identified as publicly traded organizations. It
should be noted that nine respondents (14%) chose not to identify actions, from which it can be inferred that they did not use any of the actions listed.

Figure 11. Self-reported actions FPHEIs take to manage the regulatory environment

Key: A. Relocated or established a location in a state that was viewed as more favorable to for-profit providers. B. Relocated or established a location in a region that was viewed as more favorable to for-profit accreditation. C. Diversified your curriculum. D. Consolidated your program offerings. E. Expanded geographically (including internationally). F. Contracted geographically (including internationally). G. Invested resources in advertising and public relations in order to establish a favorable attitude toward the institution. H. Recruited individuals from external elements to serve within your organization. I. Negotiated contracts with other organizations to gain power over external resources. J. Established coalitions with other institutions. K. Forced out competition. L. Created, joined, or participated in trade associations and coordinating councils. M. Attempted to influence legislation or regulation (i.e. lobbying). N. Attempted to influence informal norms in the industry through professional associations, best practices or standards establishment.

Color inside the lines. The most obvious means to manage the pressures of the environment without negative enforcement issues is simply to comply with the regulations as they exist, adapting to them as a cost of doing business. As Participant C explained, “As far as even the Department of Education… it hasn’t really gotten any harder to follow the regulations
for Title 4. It’s the same thing – color inside the lines, don’t dabble in the grey, keep your nose clean.” Several other participants noted that their intention was always to comply with the existing regulations in both letter and spirit. However, Participant D said, “Frankly, as you come under scrutiny, if you don’t respond to it, then you’re not making good business decisions.” Questionnaire respondents provided insights into the tactics and business decisions firms used to step beyond compliance and into attempts to manage the environment.

**Program and curriculum changes.** The most common action taken by all questionnaire respondents was diversification of curriculum. The changes in program offerings were explained by Participant C as related to broader economic factors, “The value of a college degree is being questioned and there’s more vocational training and so I think higher education is off somewhat because of that. Proprietary education is off somewhat because of that and maybe a little more.” Interview participants explained that the gainful employment measures and shift towards outcomes measurement may force schools to examine which programs were not only popular, but most effective within specific metrics. Participant B described these metrics as “defacto proxies for quality,” suggesting that smaller organizations may be forced to eliminate programs that may not meet the metrics. They said,

[The regulators’] stated intent will be to force these institutions to provide a higher quality of education. The irony or the paradox is this: In most cases, the large or the medium-sized multi-campus institutions are better able to address and modify and adjust because any of these regulations at the end of the day you will find [they] are still full of loopholes. They will find the loopholes. They’ll exploit them very artfully. Smaller institutions who may actually provide a higher quality education will find those new regulations and requirements to be so difficult it will force them out of business.
Therefore this action of programmatic change seems to work in tandem with the third most popular tactics reported: consolidating program offerings. As resources were diverted to meet reporting requirements or other compliance with regulations, programs in areas less affected by regulation or those that could be used to balance outcomes were often considered. Those that could not be sustained faced closure. Interview participants D and E discussed the needs of local markets and an increased focus in demonstrable program outcomes when considering adding programs or closing programs. Media reports about new locations or programs seem to substantiate these general claims.

**Public relations.** Close behind programmatic changes, the second most reported course of action was public relations, specifically investing resources in advertising and public relations. As Participant E described, large organizations were less effective at telling student stories and celebrating their successes prior to the negative press encountered in the late 2000s. Participant D noted there were two strategies in their organization’s marketing and lobbying approaches:

We ramped up to address a combination of A: some misperceptions about what we do and who we do it for, and B: to really advocate on behalf of our students to make sure that they are getting the best take in Washington.

D further explained, “... advertising has changed from what I would say is the student acquisition—‘come to our websites, sign up today’--to value proposition, meaning what you get out of your education – what value do you get.” As other interview participants described it, the tone shifted and it was necessary to go on the defensive, rather than just maintaining the status quo. But the shift seems to be driven by negative attention and an effort to create a more favorable view of the industry. This is further supported by the change in APSCU’s actions on
their website, advocating not just for the sector legislatively, but rather as an additional public relations tool, publicizing outcomes and positive stories, developing a code of conduct, etc. 

**Lobbying activity.** The next most cited tactic, tied with program consolidation, was “Attempted to influence legislation or regulation (i.e. Lobbying).” The Center for Responsive Politics (CRP) has tracked the lobbying efforts of many industries, including for-profit education. Beyond direct lobbying costs, they also record campaign contributions by individuals, political action campaigns, and so-called soft money. Using the information available on their website, lobbying spending from 2009 to 2012 was identified, included as Figure 12. The specific issues of this action are detailed in Appendix J.

![FPHEI Spending in Millions](image)

*Figure 12. For-profit higher education sector federal lobbying spending, 2009-2012.*

A large number of articles in the popular press highlighted the lobbying efforts of the sector. A New York Times article reported that John Sperling, the founder of University of Phoenix, had emailed every member of Congress urging them to oppose the gainful employment legislation proposed (Lewin, 2010). Others visited members of congress, sent letters, and urged
their students to contact their representatives. Articles noted how lobbying spending was increasing at organizations and across the industry. Some even credited the lobbying spending as influential in weakening the proposed rules. The subtext suggested that the high margins of profit built from financial aid dollars were used to buy a more favorable environment.

Interview participants highlighted the need to increase their level of participation because of the increased attention the industry was receiving. Participant C explained,

Every one of the public companies has a lobbyist either on the payroll, has a DC lobby firm or, usually, both. They have seven figure and some to them eight figure budgets for lobbying and public relations and, again, all that contribution or lobbying they have PACs. All that is public knowledge.

Participant D clarified further:

Listen, during normal rulemaking, you would ramp up your D.C. presence or advocacy--that’s in a normal rulemaking. In an abnormal rule making, where the first set of rules gets drafted, and there’s significant reaction -- Congress has significant reaction, there are lawsuits, there’s additional rule making off the original rulemaking, while there’s a Congressional inquiry—it would be irrational not to spend more time and resources educating the folks that are making very big public policy decisions about the need to do it in a way that really helps students.

Participants described a need to educate the different constituencies as to their actual practices and intents, as well as advocate on behalf of the students they serve.

It is important to note that despite the media attention the sector’s spending, Kelly (2012) wrote in The Atlantic, “When it comes to lobbying Congress and the president, for-profit colleges cannot hold a candle to America's public and nonprofit colleges and universities” (para.
3). To better understand the context of the spending, a review of the entire education sector was conducted. Widening the search to the whole education sector reveals that considering only the top 30 lobbying participants in education for the years between 2009 and 2012, FPHEIs and their interest groups made up only a small percentage of the overall spending (see Appendix M), in fact, at a level proportional to their size within the sector, about 10%. This information is presented in Figure 13, showing the relationship between the for-profit sector and others in higher education.

![Total Education Lobbying Spending in Millions](chart.png)

**Figure 13.** Total lobbying spending for the for-profit sector as a segment of total educational lobbying spending, via the Center for Responsive Politics.

The non-profit part of the industry spent over $100 million in 2009 and 2010, just under that figure in 2011, and about $82 million in 2012, according to the Center for Responsive Politics. It appears that total industry spending has increased and slightly decreased over the case period, both overall, and within the for-profit sector.
In addition to the lobbying spending on the part of the education industry, FPHEI campaign contributions for the 2008, 2010 and 2012 election cycles were reviewed. While 2008 is outside the case parameters, it was included to illuminate the level of change over time within this data set in Figure 14. The spending increased significantly over the case period, at about one and a half million dollars in 2008 to over four million dollars in 2012. Depending on the year or the specific issue, there was no clear favoritism between political parties, an idea echoed in participant interviews. Several participants took pains to discuss the non-partisan nature the sector in general and of APSCU in particular, highlighting that one past president of the organization was also the chairman of the Virginia Democratic committee, while the current group seemed to be more aligned with the ideals of Republicans in congress. Most credited this non-partisan positioning as not only appropriate, but essential to the mission of the organization.

![Campaign Contribution Trends from the For-Profit Sector in Millions](image)

*Figure 14. Total campaign contributions from the for-profit sector, as identified by the Center for Responsive Politics.*

The Center for Responsive Politics also records lobbying action by compiling lobbying reports, which required of registered lobbyists under the Lobbying Disclosure Act of 1995. This
report includes the lobbyists’ contact information, the client on whose behalf the lobbyist is working, the amount spent, and the specific issues raised with which members of Congress. These documents were reviewed, as reported on the CRP website, and compiled by year and organization, reporting the issues listed on their forms, in Appendix J. Among the documents included in this study is the Center for Responsive Politics’ collection of actions of the Career College Association, which became the Association of Private Sector Colleges and Universities (APSCU) in 2010, which is further described in the following section.

Together, all of this information reveals several major topics that were the focus of the lobbying efforts of the sector. Namely, those related to the regulation of higher education, specifically veterans issues or those related to Title IV. The reauthorization of the Higher Education Act and the following negotiated rulemaking (including gainful employment) was the biggest lobbying issue. Some lobbyists listed simply that they were ‘monitoring’ issues related to for-profit higher education, while others sought to ‘advocate,’ ‘advise,’ ‘counsel,’ ‘inform,’ or ‘educate’ members of Congress. The highest number of lobbyists listed action related to HR 3221, (the ‘defund ACORN Act’ as it is labeled in Appendix J) which was the reauthorization of the Higher Education Act under the 111th Congress. Other action focused on the Disaster Recovery Act of 2012 (appropriations bill), bills titled “Protecting Academic Freedom in Higher Education” and “Improving Transparency of Education Opportunities for Veterans Act of 2012,” and consumer protection legislation.

**Trade associations.** The Association for Private Sector College and Universities (APSCU) is, according to its website, “the premier source of crucial information and public policy recommendations that promote access to career education and the importance of workforce development” (APSCU, n.d.). It is the primary trade association for FPHEIs,
claiming 1450 member institutions. Within the policy and issues tab of their website, the group outlines how it “represents its members’ interest before congress, executive branch departments and agencies, as well as state governments” (APSCU, n.d.). These documents, along with the lobbying information available from the Center for Responsive Politics helped to create an understanding of the impact that a national trade association can have on the regulatory environment.

At the federal level, the documents reviewed for action between 2009 and 2012 (Appendix L) align with the major categories highlighted by the organization. To analyze the content, each of the major federal actions identified by lobbying reports was categorized and compared to the self-reported priorities identified by the association. APSCU identified the following policy and issue categories: federal legislation that impacts private sector higher education, availability of access to major student aid programs, military and veteran education, the Higher Education Act reauthorization, the Workforce Investment Act, transparency and accountability through the triad of regulation in addition to regulation through the Securities and Exchange Commission (SEC), Federal Trade Commission (FTC), Consumer Financial Protection Bureau (CFPB), and Federal Deposit Insurance Corporation (FDIC) (Truth in Lending). At the state level, the association supports state trade associations in their endeavors as well as grassroots movements.

As the Center for Responsive Politics compiled information reveals, over the case time period, the Career College Association/APSCU lobbied on its own behalf and also employed other lobbying firms. APSCU’s lobbying efforts are detailed in Appendix K. The individuals lobbying on their behalf include a large number of ‘revolving door’ individuals, which the CRP defines as those who have transitioned (or repeatedly transitioned) between federal positions and
private sector lobbying. This group also includes former congressional members. Together, over 4.5 million dollars was spent in their lobbying efforts between 2009 and 2012. The specific issues listed on the disclosures included student loans, veterans benefits related to education, consumer protections, gainful employment, and higher education rulemaking. Together, these topics can be generally classified as higher education, veterans’ affairs, and budgetary issues.

**Influence norms.** The next highest reported category among questionnaire respondents was “Attempt to influence informal norms in the industry through professional association, best practices, or standards establishment.” While some respondents described hostility towards the for-profit sector from other higher education interest groups and associations, Participant E noted that she always felt welcome in professional associations, though she admitted that it may have been because of her previous experience in the traditional higher education sphere. Participant F described his own advocacy within his accrediting body to amend rules or expected practices to better reflect the needs of his organization serving their student body. Participant D noted that while their organization was not a member, APSCU was “becoming a place that’s not just an advocate, but is also an inspiration provider, a knowledge base, a place to go for best practices. They really added some depth there that has made them a better organization.”

**External recruiting.** Twenty-three questionnaire respondents described recruiting individuals from external elements to serve within their organizations. While the Center for Responsive Politics notes the so called “revolving door” operatives who move from government to lobbying positions and back, Participant E noted that any hiring of former regulators was often a short term gain. “People think that they’re bringing these people in because they’re going to have an in or they’re going to have some additional information or help that they didn’t have
before.” Participant E felt that it was short-sighted and that any gains were temporal. However, about a third of the questionnaire respondents used this tactic.

**Created, joined, or participated in trade associations and coordinating councils.**

Trade associations beyond APSCU were another popular tactic, with 21 institutions reporting this action. These included industry associations aligned with their curricular offerings, state organizations, and other professional groups. Questionnaire respondents described their level of participation in APSCU and their state or local associations. About 65% of respondent institutions were members of APSCU, while 35% were not. With a majority of those asked identifying as members in the main industry trade association, it could be viewed as an important part of the societal sector. Slightly fewer FPHEIs were members at the state level. About 57% of respondents were not members of state associations, but the remainder claimed membership. State organizations listed included the Florida Association of Private Schools and Colleges, the Ohio Association of Career Colleges and Schools, the Indiana Association of Private Career Schools, the Virginia Career College Association, Career Colleges and Schools of Texas, Coalition of New York State Career Schools, Pennsylvania Association of Private School Administrators, Arizona Private School Association, among others. While state level associations were often a place for institutions to find a voice, some schools reported that they did not fit in well within their state associations because of their curricular focus. For example, Participant F did not feel as though his interests were best represented within these groups because his institution is not heavily engaged in career education topics. Reviews of the websites associated with the state level trade associations revealed that they tended to support career-focused programs, predominately those that were not degree-granting. Many were information-sharing collaboratives, with local and sometimes federal lobbying efforts.
Other tactics. Other tactics that less than a third of schools listed included expanding internationally, establishing coalitions with other organizations, or having forced out other organizations. International expansion was noted in the popular press, particularly the regulatory concerns of for-profits within the UK higher education system. One interview participant noted his organization’s expansion efforts into China and India among other places. As Participant D conceded, each government presents different regulatory challenges for organizations to confront, noting the ease of working with the UK government, but the challenges of the Indian government.

Relationship building. A few questionnaire participants listed other relationships that had been valuable as a means of gaining legitimacy or combating regulatory pressure. These were most often collaborations or relationships with industry groups that were tied to student employment outcomes or adding a perceived value to the educational offerings. Some were stronger than others in this outreach effort. As Participant E said, their organization had turned down some of these relationships even when they would have been mutually beneficial because it was not a part of the corporate culture of the organization. Some were stronger than others in seeking public/private partnerships with other higher education institutions, but the overriding sense was that the proprietary nature of their business limited opportunities to join with other organizations unless there was a significant benefit, such as articulation agreements between institutions for the transfer of credit, or meeting employment measures.

State level lobbying. While lobbying at the federal level is fairly transparent, one interview participant suggested that some of the attempts to influence regulation to benefit an organization within the sector may come at the cost of others within the sector. While it was not discussed by others within the research, Participant B suggested that the major players often
lobbied for legislation that would benefit them and perhaps negatively impact their smaller competitors, particularly those with national accreditation.

When [small, nationally-accredited schools] are confronted with a policy at the state regulatory level or the state legislative level that profoundly and directly inconveniences or disadvantages their schools and they push back, behind the scenes, one of the primary instigators and supporters of preserving this draconian partition in policy [between nationally and regionally accredited schools] will be the University of Phoenix.

He went on to suggest that Kaplan may undermine their own nationally-accredited holdings if they have to choose between a policy that could benefit their regionally-accredited holdings over their nationally-accredited ones.

**Improving quality.** Within the open ended responses of this section of the questionnaire, one respondent focused on the academic quality as a response, stating “Our primary focus has been to improve our outcomes, especially related to student learning.” This was echoed by interview participants who looked at negative press or investigations as opportunities to address the concerns. As Participant D said,

There are lots and lots of ways to respond to criticism – one is to be defensive and say, ‘Okay, we’re going to sue you because it’s a bad rule.’ …The other is to say, ‘Oh, you have concerns about these things. We want to address the concerns.’

Yet, legal action has been a tactic used by APSCU to manage the gainful employment rules.

**Legal challenges of regulation.** One questionnaire respondent explained that they manage the regulatory pressures with an organizational approach to “actively contest adverse arbitrary and capricious regulatory decisions through legal counsel,” echoing APSCU’s legal challenge against the gainful employment regulations. After the initial gainful employment rules
were published, the Association of Private Sector Colleges and Universities sued on behalf of their members to challenge the regulations. In APSCU v. Duncan (Secretary of Education), the judge found that the criteria of at least 35% of graduates repaying their loans was arbitrary and capricious. While the opinion upheld the disclosures for program costs, graduation rates, placement rates and median debt, the tactic did delay implementation. Department officials stated that the court upheld their authority to regulate career colleges and their next step was to review the best measurements to do so. APSCU has remained involved in the discussion of the implementation of standards through the negotiated rulemaking of the Higher Education Act in 2013.

Sub-question C: Is isomorphism evident in the reactions to regulatory pressure or attempts to manage the regulatory environment across the sector?

The final research question sought to examine how tactics to manage the environment were diffused throughout the industry and sector. This is an area where the small sample of the questionnaire requires a high level of inference from a range of sources. The email responses from those that chose not to participate may provide additional insights. One managing vice president of regulatory affairs and compliance for a major publicly traded organization cited their ‘current work assignments and busy travel schedule’ as the reason they could not complete the questionnaire while taking the time to reply to the invitation. Another cited that their corporate governance policies prevented them from participating as the president of a publicly held company. A third required that legal counsel for the organization approve their participation, but was unable to provide contact information for the approving party.

In a time of heightened scrutiny, the detailing of actions taken may be viewed as proprietary in nature. In an era of investigation and litigation, even with the anonymous nature
of the questionnaire, several of the leaders approached replied to the invitation to participate with notes that their corporate board or legal counsel was not comfortable with their participation. Accordingly, viewed as competitors with their peers, widespread and purposeful coordination of tactics may not be possible.

**Biggest policy issues.** The highest level of agreement among questionnaire respondents was when they were asked what the biggest issues facing the sector were. The majority listed the issues surrounding the current reauthorization of the Higher Education Act: gainful employment, and the 90/10 rule. This seems to be substantiated in the work of trade associations, lobbying spending, and media attention. Interview subjects also agreed. The most significant outlier, Participant F, noted his concerns about state authorization of distance education, as the nature of his institutions programs and lack of participation in Title IV programs minimized the impact of gainful employment and 90/10.

**Overall compliance.** Facing a popular press and political environment that seems to ascribe a negative status to all for-profit providers (Harkin’s assertion that the whole orchard is bad), the sector has an image problem to overcome. Or, if Harkin is correct, they have major quality and policy improvements ahead of them. The cost of doing business is compliance, as Participant E noted, therefore to stay active within the higher education sphere, the majority of organizations seem to be in compliance with an increasingly complicated regulatory environment. Complying with the coercive pressures does seem to conform the industry to each of the organizations within it. They seem to create normative behavior patterns through associations, even if there is not full participation in these organizations, the peer-review and continuous improvement models of accrediting bodies can conform organizations to each other through penalties when organizations are out of compliance. In times of uncertainty, which the
case period covers, cleaving to what are viewed as successes of others may also be an effective tactic, such as Participant F’s assertion that they would mimic the state authorization approach of another firm they viewed as successful.

**Organizational capacity.** In general, those with greater organizational capacity (those large in size or with greater financial resources as publicly traded corporations) seem to be more active in their attempts to manage the environment. It is unclear of what the trend will be in the future, though some have noted that the reporting requirements may force some out of business who cannot comply. As Participant C said,

> Will there be much of a consolidation or an impact on the large publicly-traded institutions? I think they have the resources along with some of the medium-sized multi-campus systems to deal with all this. I think it’s the individual one and two-campus institutions, mom and pops, that will have the greatest issues.

It may be possible for the sector as a whole to benefit from the actions of those with greatest capacity. For example, the major corporations that own chains of schools were those who were most dominant in their lobbying spending. Yet, as interview participants described, it is not as though their efforts are organization-specific. They have the potential to positively impact the whole sector. Even those that don’t belong to the major trade association, they also would have, in theory, their interests represented.

Organizational control seems to impact trade association membership within the sample: those that identified as being publicly traded reflect a clear majority of membership in APSCU, while those that were privately held were almost evenly split between members and non-members. A review of the APSCU membership on their website reflects a high percentage of schools with multiple locations. One of the interview subjects suggested that the sliding scales
of membership dues made membership accessible for all organizations, but smaller providers may not feel as though their interests are represented in trade associations, as another interview participant noted.

**Conclusion**

The data collection represents an attempt to understand the context of the regulatory environment of the for-profit higher education sector, and give voice to sector members to explore the types of actions these firms take when faced with regulatory pressure. The enormous volume of data collected endeavored to describe this context and identify significant themes and particularities of the societal sector. Through a range of data collection strategies, the analysis of the sector described the level of regulation the level of perceived change within the regulatory domains, incidences of non-compliance, and how favorable FPHEIs found the regulatory environment. The data collection then shifted to how firms manage their environment, utilizing self-reported actions by FPHEIs and attempts to identify the level of diffusion of the tactics.

Several major themes emerged between the questionnaire responses, document review, and interview subjects. First was the change in the level of regulation, with some referring to the cyclical nature of the regulation of FPHEIs, but with many citing an intensification of “the rollercoaster,” particularly an increase in federal pressure on sector members. Fueling the level of scrutiny felt by FPHEIs seemed to be negative media portrayals that heavily reported negative outcomes and the investigations and hearings led by Senator Harkin. Through this attention, the discussion seems to have shifted from a discussion of “a few bad apples” to questions of how pervasive the questionable tactics were in the for-profit sector of the industry. Both interview and questionnaire participants believed that there was an uneven application of regulation and/or enforcement that separated them from their traditional, non-profit peers. Participants seemed
uncertain about the future of the sector or what the long-term effects of the pressures felt during the case period would be.
Chapter 5: Discussion of the Research Findings

The purpose of this intrinsic case study was to apply institutional theory and resource dependency theory to develop an understanding of how the degree-granting, for-profit sector of American higher education manages regulatory pressures. Critical to any case study is a thorough examination of the context of the case. As an intrinsic study, the topic in and of itself is worthy of interest because of this specific context. Exploratory in nature, the purpose is to learn more about a unique and particular setting, rather than to generalize the results to another sector.

The interpretation of the research findings in this chapter is grounded in the theoretical propositions that underpinned the research design and seek to answer the primary research question: *How does the American degree-granting, for-profit higher education sector manage pressures from the regulatory environment?* Sub-questions helped contextualize the research and frame the work within specific theoretical frameworks by asking:

- *How does the regulatory environment exert pressure on the for-profit higher education sector and what reactions do institutions have to these pressures?*
- *How does the for-profit sector attempt to manage the regulatory environment?*
- *Is isomorphism evident in the reactions to regulatory pressure or attempts to manage the regulatory environment across the sector?*

Interpretation of Findings

Addressing a gap in the literature, the findings of the research add new information to the study of the for-profit sector of higher education by looking at the sector as a whole, and looking at the interplay between regulation and a societal sector. However, from the inception of the research, the theoretical lenses of institutional theory and resource dependency theory were
instrumental in developing an understanding of the case and research questions as interpretive tools. Each of the sub-questions will be discussed in order to develop an understanding of the sector.

**Sub-question A: Reactions to pressures.** The first sub-question asks: *How does the regulatory environment exert pressure on the for-profit higher education sector and what reactions do institutions have to these pressures?* The answer seems to be more complex than the extant literature suggests. There is a distinction between the simply adapting to the environment and attempting to manage it, though both could be considered reactions to regulatory pressure. The conception of a ‘pressure’ is subjective and dependent upon the interpretation of the individual and organization, but the idea seems to permeate the sector. The results add a layer of complexity to the current understanding of regulatory pressures in the sector by introducing a description of the rational myths of the sector and developing a more complex understanding of the way that pressure is exerted within the sector.

**Societal sector.** The societal sector includes both similar institutions operating within a specific market space and the organizations that influence their performance (Scott & Meyer, 1991). This case study’s research design proposed that there may be other entities beyond the regulatory bodies and the institutions that could comprise the societal sector, suggesting that ancillary organizations like trade associations might be included. The triad of regulation (accreditation, state authorizing bodies, and the federal government) was clearly within this sphere of influence, but the evidence suggests that individuals who are able to exert influence through their positions or personalities have the ability to impact a sector as well. The media, courts, political actors, and trade associations have power within the sector and expand the definition beyond the simple relationships of regulator and regulated. These entities may also
exert pressure on each other, further shaping the regulatory environment through these interplays.

Several participants described federal pressure exerted on accrediting bodies through the federal recognition processes. The attention of the Harkin’s committee and the media increased attention on the sector. As one interview subject suggested, the legislative and regulatory cycles are tied together, each impacting future rules and enforcement. Therefore, each of these entities can be considered an influential part of the societal sector based on the evidence collected. This presents a broader and more complex picture of the pressures of the sector.

**Rational myths.** Data collection was guided by the proposition that organizations within a societal sector operate under a set of assumptions or rational myths that normalize behavior (D’Aunno, Sutton, & Price, 1991; Greenwood et al., 2008; Van de Ven & Hargrove, 2004). Evidence suggests that these organizations are subject to the events outside of their organizations, in alignment with the research on the external environment. The environment is something that the firms are not only aware of, but constantly monitoring, as their descriptions of the level of change suggest.

Van de Ven and Hargrove (2004) noted that understanding the rational myths of a sector includes the interpretation of how the world must be, should be, and what it is. The data revealed that there is a conflict between how the sector views the regulatory environment as it is and how it believes it should be. The language institutions used to describe regulatory pressure was negative—terms like rollercoaster, hostile, a microscope, biased, etc.—when contrasted with participants’ desires for a more even approach to regulation that did not distinguish between tax status or organizational control. FPHEIs believe they are singled out and looked at as lower in quality or somehow inherently suspect (and that in turn their traditional peers are looked upon as
altruistic and honorable), and this seems difficult for organizations reconcile against their own view of their organizations. Often, they believed they had better outcomes than their traditional peers, however the current regulatory structure does not allow for direct comparisons of those outcomes in a meaningful way beyond graduation rates and loan repayment rates.

This, in turn, couples with another rational myth: the assumption that ‘the other guys’ are the root of the problems. The level of media attention required FPHEIs to acknowledge that there were some problems within the sector, as did the peer-review nature of accreditation. The integration of the construct of the ‘bad apple’ into the common dialogue of sector members attempts to reframe individual firm actions as less indicative of the broader sector, and therefore themselves. By asserting that those who do not operate within the conventions of the sector are outliers, it allows firms to hold themselves in higher esteem and affirm their own standards and practices. Adding to this world-view is the idea that their outcomes are qualitatively or quantitatively better than some of their non-profit peers, further supporting the idea that there are two sets of regulations and enforcement mechanisms: those in which they operate, and those in which that non-profit institutions operate.

Several sources suggested that the current scrutiny was based on the participation of private equity firms—of those who had bought into the promise of profits based on the historic growth of the sector, rather than those who had built their organizations themselves. This incorporates the larger societal myth that profits and greed supersede corporate ideas of social responsibility. Yet, regardless of the origin of the regulatory pressure, firms had to operate within a mismatch of their beliefs and what they perceived as reality.

The data showed that FPHEIs included in this study understand the requirements of operating within this particular market, and operate within the constraints as a normative
practice. However, by experiencing the limitations and the pressures of these coercive and normative powers, there is a mismatch. They have envisioned alternative practices that may be in greater alignment with their goals and ideals as corporations, particularly those to increase shareholder value on a quarter-by-quarter basis, or in better alignment with their perceptions of their organizations. As one of the interview participants noted, investigations and lawsuits created a culture-shift in their organization, one that this individual perceived as a negative shift from one that was academics and student-centered to one that managed problems instead through lawyers and legal action.

**Choice of compliance.** Bayma (2012), Pfeffer and Salancik (1978), and Scott and Meyer (1991) suggested that organizations have the choice to comply or not to comply with regulations. Framing this as a choice is important as it implies that there is a decision on the part of firms to participate within the regulatory environment, and that they enter into this contract in order to gain not just financially, but also to gain prestige and legitimacy. Their detractors suggest that even by operating within the regulatory domain, as for-profit institutions, they are suspect in their motives. As Pfeffer and Salancik confirm this position, asserting that, “Organizational legitimacy appears to be especially problematic when organizations of different distinguishable types compete for the same resources or the same activities” (p. 201).

Yet, the data showed that compliance is influenced by normative pressures (resulting from inclusion in the societal sector and professional norms), coercive pressures (resulting from the institutions imbued with power by the system and the consequences for non-compliance), and mimetic pressures (those spurred by uncertainty and the replication of practices of those firms believe to be more successful). To operate within the sector, institutions have to take part within
these systems, a point reiterated by questionnaire and interview participants when it came to the parity of regulatory oversight.

Legitimacy, therefore, is gained through compliance. There are clear consequences for non-compliance: possible revocation of licenses, accreditation, or Title IV participation, which could remove an institution from the marketplace. About 10% of the membership of accrediting bodies faced some sort of public disclosure about problems within their institutions. However, the majority of the disclosures were relatively vague, allowing organizations to save face and demonstrate compliance after the notification, maintaining legitimacy. There are also economic consequences from fines, legal settlements and adjudication costs, and the aftermath of negative publicity, which has the potential to impact enrollment or investor confidence. Stock prices were in flux during the media attention’s spotlight on the sector. For the majority of institutions, these seem to be sufficient deterrents in order to encourage compliance. Yet, for some, these may just be seen as acceptable costs of doing business to gain a competitive advantage through noncompliance.

The increasing complexity of the regulatory environment that participants described requires firms comply if they are to continue operating. This conflict between the way that they believe things should be and the way that things are can lead to violations. The Harkin’s committee report findings, when viewed in contrast with the other violations recorded during the case period, suggests that there may be a gap between compliance and enforcement. When a microscope was placed on the actions of individual firms, there were areas that demonstrated a lack of alignment with the expectations of stakeholders. Yet, this level of scrutiny was not applied across the entire industry to develop an understanding of the level of compliance across the whole sector and the industry. Accordingly, the current level of enforcement may not
identify all of the organizations or organizational practices that are out of compliance. With an uneven level of enforcement, firms may feel as though there are opportunities for uneven compliance without negative sanctions. However, it appears that compliance with the letter of the law and a continuous improvement process, especially when deficiencies are noted, is the norm for the industry.

The regulatory environment exerts pressure. The evidence seems to support that pressure is exerted in the ways discussed in the literature review: through the triad of regulation (state, federal, and accreditation agencies), but that other stakeholders exert pressure on sector FPHEIs, and that stakeholders may exert pressure on each other. The institutional theory conception of a societal sector is evident from the mismatch of favorability levels in the questionnaire results and the power ascribed to political actors, the media, and trade associations across the data collected. Rather than independent sources of regulatory pressure, the environment seems to be more dynamic with more complex relationships than the extant literature suggests.

Accrediting body executives noted the federal pressure placed on them, although they are meant to be independent entities. For example, the program integrity rules concerning accreditation recognition are a federal pressure exerted on the accrediting bodies, which in turn exert pressure on FPHEIs. Though not direct regulators of the industry, the media and congressional attention during the case period focused the power of the press and the power of a political actor on sector members, raising questions of quality and legitimacy across the sector. This in turn, led to responses from the trade associations and lobbyists. Attempts at influence manifested themselves as pressures that were often generalized as uncertainty and feelings of hostility or bias against FPHEIs. Rather than simple linear depictions of pressure, the reality
constructed from the data seems to suggest a more complex web of pressure, illustrated in Figure 15.

![Diagram](image-url)

**Figure 15.** Illustration of pressures in the for-profit sector.

**Sub-question A conclusions.** Pfeffer and Salancik (1978) found that “measuring the effects of government action on industry, or individual firm, results is likely to be difficult” (p.214), yet this study found that the effects can be described during the case period. Overall, the evidence indicates that the answer to the first sub-question is that pressure is exerted on FPHEIs in a number of ways, beyond just the direct regulation of the sector. Institutions have a range of reactions to these pressures, from compliance to noncompliance, and while most firms do choose to adapt to the pressures in order to continue to operate, they do so with an understanding of how they are viewed differently from their traditional peers. While adaptation seems to be a given as a part of compliance, the research reveals that the sector does attempt to manage the environment as well, and that these results of regulatory pressure can also be described.
Sub-question B: Attempts to manage the environment. The second sub-question asked: “How does the for-profit sector attempt to manage the regulatory environment?” The question’s origin is the theoretical assertion that organizations may attempt to manage their environment rather than just adapt to changes (Kotter, 1979), rooted in Resource Dependency Theory (Pfeffer & Salancik, 1978). Moving from the reactive conception of adaptation to the proactive conception of management was unaddressed in the extant literature concerning for-profit higher education, despite discussion of the disruptive practices of FPHEIs and their growth. The description of a societal sector derived from the conclusions of sub-question A provided opportunities to examine actions across the sector in addition to firm’s self-reported actions in the questionnaires.

Resource dependency theory. If Bozanic, Dirsmith, and Huddart (2012) are correct and institutionalism is an unfinished process, the next step for an institution to take within the process is to play a role in influencing the regulations. This meets Pfeffer and Salancik’s (1978) prediction that firms will actively try to control a constraining process, reducing their dependency on external resources. The diversification of firm activities to minimize external constraints is difficult within the sector, as the regulatory environment of higher education requires participation and compliance to operate and achieve legitimacy, even when framed as a choice. Pfeffer and Salancik wrote that when organizations are regulated by the state, “the importance of the political and administrative environment increases,” diminishing the importance of consumers (p. 203). The findings support this assertion. While there is no single action that all firms took, the questionnaire results did affirm the use of several tactics that span Kotter’s (1979) three categories of possible action, falling within the administrative and political domains. While Pfeffer and Salancik’s theory suggests that it is possible to predict the action
that individual firms will take, this study did not collect data of the type suitable for developing a predictive model for sector action, however, it may be appropriate for future research.

**Actions used to manage the environment.** Kotter (1979) grouped tactics he suggested firms take to manage their environments into three categories: selecting the domain in which they operate, establishing external linkages and controlling who operates and how, closely related to Pfeffer and Salancik’s discussion of ‘the created environment.’ Each of these categories were represented in the findings, with the most popular actions spanning the each of the three categories, with about half of questionnaire respondents reporting the use of the top tactics, as Table 8 shows.

Table 8

<table>
<thead>
<tr>
<th>Actions Used to Manage the Environment According to Questionnaire Participants</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Selecting the Domain in Which They Operate</strong></td>
</tr>
<tr>
<td>Expand the domain through diversification (via curriculum) (32)</td>
</tr>
<tr>
<td>Controlled the domain through program consolidation (29)</td>
</tr>
<tr>
<td>Modify the current domain (through geographic expansion) (20).</td>
</tr>
<tr>
<td>Modified the domain (seeking more favorable regulation through relocation) (State: 7) (Region: 2)</td>
</tr>
<tr>
<td>Modified domain through geographic contraction (5)</td>
</tr>
</tbody>
</table>

*Note.* This table reflects the tactics used by the case population from most utilized (top) to least utilized (bottom) in each of the categories established by Kotter (1979).

The findings show that firms did not rely on a single type of action to change their environments, but rather used a range of tactics. Program diversification, public relations, and lobbying were the most common. Viewed through a resource dependency lens, it seems that firms were trying to match their organizational adaptation or action to the regulatory changes...
through program diversification, combating negative publicity and shifting the narrative to their successes and value proposition, and directly trying to influence the legislation that is negatively impacting their organizations as they currently operate.

Within the participating institutions, it seems as though publicly traded institutions were more likely to make curricular changes, while privately held firms were more likely to increase their advertising and public relations. This may be because the publicly traded firms already have a fairly robust marketing presence. Publicly traded firms were more likely to attempt to control who was in the marketplace and how they operate, though 45% of all institutions were engaged in lobbying activities. The study assumes that publicly traded organizations may have greater organizational resources than their privately held peers, a point addressed further in the analysis of the findings.

_Diversifying programs._ In wake of the current regulatory challenges (namely gainful employment), diversifying which programs that they offer in order to better meet the metrics for program outcomes was a popular tactic. This was mirrored by consolidation of programs that may be adversely impacted by a changing regulatory climate. By positioning themselves in a manner in which they could respond favorably or establish their own compliance, firms increased their opportunities to successfully comply and minimized risk. While FPHEIs may have organized within particular geographic boundaries in the past, it does not seem to be as common of a tactic because of the increasing similarity of accrediting bodies as a result of federal pressures. Unaddressed in this current research is the level of diversification of the other holdings of corporations or private equity firms that also own FPHEIs. In the wake of increased regulatory uncertainty, these firms may be diversifying to balance their risk, and may be a topic for future research.
Public relations and advertising. The establishment of external linkages was most pronounced in the public relations effort, especially in light of the negative press that the sector received in the case period. Most respondents noted a change in the narrative in order to shift the conversation to student success stories and the value proposition of continuing education. The attempts to manage the public’s perception of them seemed to be paramount, aided by the major trade association’s efforts. The topics addressed in the public relations effort of APSCU and the overall lobbying effort were closely aligned. Recruiting from external organizations was used by some organizations, but as the interview respondents noted, it may be a short-term gain as far as knowledge or networking.

Lobbying activities. The lobbying efforts of the sector cannot be understated, though despite the press the spending and outreached received, it is proportional to their percentage of the overall industry, about 10%, even in their most active spending. As Pfeffer and Salancik (1978) wrote, “it is likely that organizational attempts to affect the decisions made by government bureaucracies are equally important to, if not more so than, direct interventions in elections” (p.213). In the data collected, the individual campaign contributions were less significant than the issues lobbying that took place over the case period, and more closely aligned to the specific constraints placed on organizations.

The focus of these efforts is easily linked to specific issues that were negatively impacting the sector: the gainful employment measures and the regulations surrounding veterans’ educational benefits and 90/10. While not every firm took part in lobbying, the collective efforts of the sector have the capacity to benefit all organizations at the federal level. The efforts at the state level, or within accrediting bodies, are inherently less transparent because
of different reporting requirements, and are more opaque as a result, making it more difficult to
gauge the impact or effectiveness.

Together, these ideas show a more complex means of managing pressures in the
environment than the conception in chapter 1, represented as Figure 16. Rather than single lines
indicating action to push back against the triad of regulation, the evidence seems to suggest that
actions to manage pressure may be filtered through other organizations through lobbying efforts,
trade associations, the courts, the media, or a combination of these entities.

![Diagram](image)

**Figure 16.** Illustration of the attempts to manage the environment by FPHEIs.

This supports Pfeffer and Salancik’s (1978) claim that the “models of organizational interest
groups influencing the government are many and varied” (p. 218) and that the overall goal is
“congruence between the interests of the organization and the interests of the general public” in
this case, filtered through the constraining organizations as regulators (p.219). This is far more
complex than the original conception of organizations ‘pushing back’ against constraints
presented in Chapter 1, showing how federal interests, trade associations, and the courts may be
used as vehicles to affect change as intermediaries for FPHEIs’ interests.
Organizational capacity. Kotter (1979) and Oliver (1991) both suggest that organizational capacity is a key indicator of how an organization manages its environment. Kotter identifies “richer” organizations, while Oliver describes the organizational capacity of a firm. This is an important discussion in terms of both action and the level of diffusion of those tactics. The sector includes a wide range of organizations in terms of size and resources. Those included in the study ranged from small, nationally accredited schools with limited resources to large, multinational corporations, and private equity groups. While the results do elucidate the tactics more common to publicly traded organizations, the study did not collect sufficient evidence to determine the degree to which organizational capacity impacts the management tactics a firm uses. Future research may seek to better understand the ways that the regulatory environment is managed by smaller firms that may lack resources comparable to their larger peers.

Sub-question B conclusions. The evidence suggests that the answer to sub-question B is broad-based, as the for-profit sector attempts to manage the regulatory environment in a number of ways. Building from the assertion that different stakeholders and power sources within the sector often exert pressure on each other, there are different tactics utilized to manage pressures. The attempts to manage the constraints placed on them require FPHEIs to work within the norms of the industry and regulatory systems. However there is sufficient evidence to suggest that though varied, FPHEIs do attempt to manage their environment. Data collected revealed that individual firm reaction may depend on the degree to which the regulation impacts them and the level of complexity to comply or effect change, which may also be tied to individual organizational capacity.
The most utilized tactics among questionnaire participants were curricular changes, investments advertising and public relations, and attempting to influence legislation and regulation. Each of these can be viewed as a tactic to manage a particular constraint: specific regulations that may provide opportunities or challenges within programs, combating negative press or negative perceptions about the firm, or an overall attempt to create a more favorable environment. As a sector, the evidence collected could not conclusively address the theoretical assertion (Kotter, 1979; Oliver, 1991; Pfeffer & Salancik, 1978) that the level of activity and coordination is dependent on organizational capacity, but it could be inferred from the data that the largest organizations were among the most active in trade associations and in the political sphere. Yet, overall, the evidence shows that organizations attempt to influence norms and manage constraints.

Sub-question C: Level of diffusion. Within the context of the research, diffusion is a proxy for the level of isomorphism present in the system. The third sub-question asked: “Is isomorphism evident in the reactions to regulatory pressure or attempts to manage the regulatory environment across the sector?” The construct suggests that firms within an industry or sector will look or act similarly because of the processes (or pressures) of isomorphism, which are not based on efficiencies or functions, but instead shared institutionalism (DiMaggio & Powell, 1983). In the research, the constraining process was the regulatory environment and the pressures it exerts. The evidence reveals the inclusion or existence of structures that would support isomorphic processes, but the data collected offers mixed evidence of isomorphism of institutional reactions to pressure. In short, there is evidence of similarity of reactions, but a range of tactics were used to manage the environment.
Coercive isomorphism. Coercive isomorphism is derived from power structures (DiMaggio & Powell, 1983). It implies formal structures and relationships are in place to exert coercive power over organizations. There is evidence to suggest that these structures are in place, beyond the pressures documented in sub-question A. A review of the titles of questionnaire participants demonstrates the creation of whole departments and organizational structures to manage compliance. These structures are not in place for organizational effectiveness of the core functions of the organization (presumably teaching and learning), but instead to assure compliance with external mandates. As noted, the coercive nature of the regulatory environment is self-evident: regulatory bodies and other societal sector members that hold power within the environment exert pressure on FPHEIs.

The reactions to pressure are, overall similar. First, the perceived favorability was similar across the sector. While the range of feelings about its favorability shows variability across the sector (see Appendix G for scatterplots), those who viewed the overall regulatory environment, state agencies, or federal agencies as ‘very favorable’ were clear outliers. Those who viewed the state agencies and accrediting bodies as ‘very unfavorable’ were also outliers. Unlike Pfeffer and Salancik’s (1978) finding that regulatory pressure can be viewed favorably by firms, questionnaire and interview subjects believed, overall, it was a negative or unfavorable.

Responding not just to these pressures, but also the change in pressures, led respondents to describe a ‘rollercoaster’ of a rapidly changing environment, spurring the need for compliance and adaptation. Revisiting DiMaggio and Powell’s original work, this pressure is political in nature and is grounded in attempts to gain or maintain legitimacy. Without their participation in these systems, FPHEIs would be lumped with unaccredited or unlicensed diploma mills, stripping the organizations of their legitimacy, and severely impacting their economic
performance. As these seminal contributors note, “In some circumstances, organizational change is a direct response to a government mandate…” (p. 150). This seems clear within the evidence collected. The changes FPHEIs have made would probably not have been put into place without regulatory pressure, conforming FPHEIs to each other because they must demonstrate their similarity in practice to their peers and compliance with the regulations in order to operate within the domain.

**Mimetic isomorphism.** “Uncertainty is also a powerful force that encourages imitation” (DiMaggio & Powell, 193, p. 151). If anything, the level of uncertainty is clear in the efforts to create predictability and a more favorable environment through lobbying and advertising. Stock prices were in tremendous flux during the case period as investors interpreted congressional reports and legal action and the possible consequences on their share prices. Within the scope of this research, it is difficult to definitively state whether or not organizations were mimicking the practices of the peers they view to be more successful when faced with uncertainty, although one interview subject suggested that when their organization changed their advertising approach, others followed suit.

There seems to be parity in the ways that organizations lobby and the issues that they lobby on behalf of. Those who had not taken part in lobbying efforts prior to the HEA negotiated rulemaking began when others ramped up their own spending. The cluster of issues at the heart of the lobbying effort was similar, as Appendix J shows. Here again, however, it is difficult to attribute this to mimetic isomorphism grounded in uncertainty rather than the uniformity of concerns of closely aligned institutions subject to the same or similar set of constraints within the societal sector.

Actions used to manage the environment are not the only point of possible mimicry of
those perceived to be more successful. Congressional hearings suggested that the questionable recruiting tactics and compensation packages were common throughout the industry, despite organizations who ascribed blame for the negative practices to ‘a few bad apples’. The idea that organizations would copy the deceptive, yet ostensibly profitable, practices in recruitment or resource allocation in order to attain the level of financial success they saw in their peers is possible, if not directly supported by questionnaire or interview participant statements.

Considering detractors’ criticisms of the hearings and the choices of witnesses, the HELP committee findings may not be strong enough as single piece of evidence. While the legal action against the FPHEI sector made many similar claims to the GAO report, the majority of suits were settled or found in favor of sector members. It is very difficult to draw conclusions about the veracity of the statement that the ‘whole orchard is bad,’ or that the practices viewed as negative or resulting in documented violations are pervasive because of mimetic isomorphic processes.

**Normative isomorphism.** Normative isomorphism relies on the forces of professionalization (DiMaggio & Powell, 1991). The efforts of trade groups or professional associations to establish best practices in an effort to minimize or head off regulation is supported as a normative tactic in other industries, but had not been previously documented in the for-profit higher education sphere. Accrediting bodies, trade associations like APSCU, and other professional groups provide opportunities to share and adopt practices to lead to better outcomes or more favorable perceptions of the sector. As peer-centered organizations, they have opportunities to give individual voices consideration and establish best practices, such as APSCU’s proposed code of conduct for FPHEIs.
However, as the legal document review noted, the movement of key personnel between organizations may normalize less desirable practices as well. The movement of chief executives, like one from University of Phoenix to EDMC followed by the adoption of tactics that had led to similar accusations, could serve as evidence of the diffusion of practices across the sector based on normative processes. However, further research is needed to identify the specific outcomes and normative processes as they relate to attempts to manage the environment.

**Sub-question C conclusions.** DiMaggio and Powell (1991) wrote that organizational action could be attributed “to interorganizational influences, conformity, and the persuasiveness of cultural accounts, rather than to the functions they are intended to perform” (p. 13) In this case study, there is strong evidence between the questionnaire responses, interview participants, and documents reviewed to suggest that the regulatory environment is a definite interorganizational influence, which causes organizations to conform to the rules and each other. The rational myths of the sector suggest a common narrative, demonstrated through the similarity of participant concerns about regulation and the manner in which they describe these concerns. Their reactions are similar.

Yet, the action used to counter those pressures was less clear. The evidence collected indicates adaptation and compliance, yet showed a range of actions used to manage the environment. The data surrounding the choice of compliance suggests that structures that would contribute to coercive, mimetic, and normative isomorphism are in place. The coercive pressures conform organizational practices to each other even if they are not the most efficient to meet the mission of organizations. Sector members reported some level of mimicry of tactics, although they may stem from similarity of constraints, rather than replicating other firms’ actions when
faced with uncertainty. Normative structures are in place from trade associations to the movement of personnel within the industry, and this may influence the tactics firms use.

Several tactics to manage the environment were widely used by questionnaire participants and supported by other types of evidence. Yet, while there are trends, further research about the level of organizational capacity to take action, including adaptation and compliance, is needed to determine the degree to which the sample of this case is representative of the larger industry. The mechanisms the DiMaggio and Powell and other institutional theorists purport as tools of isomorphism are present. Yet, there is simply not enough information at this time to affirm a clear level of isomorphism among specific tactics at this time, even if a general level of isomorphism is present in the sector as a whole.

**Synthesis of the Interpretations of the Data**

The extant literature suggested a straightforward and simple construction of the societal sector, but this case studied identified a far more complex series of pressures that broaden the scope of the societal sector to include other stakeholders that can exert power or focus attention even if they do not directly regulate FPHEIs, such as political actors and the media. The rational myths of the sector reveal a conflict between how the sector views the regulatory environment as it is and how it should be. By relying on the construct of the ‘bad apple,’ suggesting that violations or problems are outliers, sector members are able to resolve this mismatch between their self-perceptions and the problems identified within the regulatory environment.

Interpretation of the data framing compliance as a choice shows that compliance is articulated as a combination of coercive and normative pressures. Though compliance allows firms to achieve legitimacy, some appear to be willing to accept the costs of noncompliance to gain competitive advantage. Although the data revealed a conflict between how things are and how they ought to
be, revealing opportunities for noncompliance because of uneven enforcement, compliance and continuous improvement are the FPHEI norm. Together, these combine to suggest a more dynamic and complex regulatory environment, and one that is viewed unfavorably by FPEHIs because of this uncertainty and conflict with their own perceptions. Each firm’s reactions to this disconnect impacts the organization, sometimes resulting in culture shifts within an organization, but often leading to discernible action.

To address this environment, FPHEIs face options ranging from compliance to non-compliance. Having established the constraints placed on sector member, and the choice of compliance, the reactions firms can take were grouped as adaptation and attempts to manage the environment. Underpinned by resource dependency theory and operationalized by Kotter (1979), FPHEIs’ actions reveal a range of tactics, only marginally affected by organizational control (privately held or publicly traded). Generally, firms took countervailing action that attempted to neutralize the pressures they face. Specific regulatory constraints, such as gainful employment, were address through curricular or programmatic changes, negative publicity was countered with investments in public relations and advertising, and the overall regulatory environment was managed through attempts to influence regulation or legislation. Parallel to the more complex conception of regulatory pressure is a more dynamic representation of how firms attempt to manage the regulatory pressures they face: tactics were not always direct, but may have been diffused, accelerated, or magnified through other stakeholders or sector members, such as the courts, media, or trade associations. The level of organizational capacity may be an important component of the manner in which firms react to pressure.

The structures inherent in isomorphic processes are present within the industry. From organizational structures developed to monitor and report compliance, to association
membership, FPHEIs engage in actions and organizational practices that are not inherently efficient, but instead conform institutional to each other. The coercive power exerted by regulatory bodies and societal sector members is clear: the choice of compliance is crucial to assuring operations and developing legitimacy within the wider industry. Normative structures are present in trade associations, the peer-review /continuous improvement cycles of accreditors, and the movement of key personnel between organizations. However, the level of mimetic isomorphism across the sector is unclear, as some of the reactions to uncertainty could be explained by other process beyond the imitation of peers viewed as more successful.

The level of diffusion of tactics to manage the regulatory environment within the evidence collected points to coercive processes as the strongest form of isomorphism within the sector, drawing connections between pressures exerted by regulatory agencies and specific tactics to manage the pressures. These may be aided by normative or mimetic processes and structures, but coercive isomorphism is the most strongly supported within the research. FPHEIs do not comply because regulatory compliance makes their organizations more efficient. Similar structures exist across organizations because they face the same types of pressures, while they may differ somewhat in how they operationalize their actions.

Together, this evidence reveals the answer to this case study’s central research question, “How does the American, degree-granting, for-profit higher education sector manage pressures from the regulatory environment?” This case study suggests that FPHEIs use a mix of adaptation/compliance as well as use a range of tactics to manage pressures by attempting to change the domain, influence perceptions, and directly influence the regulations themselves. While the tactics vary across the industry, perhaps in relation to organizational capacity or
organizational perception of the level of constraint, when viewed as a sector, the research advances the understanding of how for-profit higher education institutions operate.

Building from a series of rational myths, the actions of organizations are framed within a complex interplay between the firms and their environment. Faced with a period of significant change, constraint, and uncertainty between 2009 and 2012, the case illuminates the attitudes and actions, leading to a better understanding of the sector. Overall, 86% of questionnaire respondents noted that they did take some form of action to manage the environment. This substantial majority suggests that more than just adaptation is happening within the sector. While the structures seem to be in place to suggest some level of isomorphism across the sector, there was insufficient evidence to gauge the true level of the diffusion of the tactics within the constraints of the case.

**Practitioner and Scholarly Significance**

The research sought to better understand this sector, in part because it is inherently interesting in the face of regulatory and organizational change, but also because it is understudied and there is a significant gap in the literature. The findings have both scholarly and practitioner significance, even if the findings are not generalizable to other fields prima facie. It is important to share Grandy’s (2010) assertion that “expectations in academia to produce generalizable findings make it challenging for researchers to represent their cases as purely intrinsic” (p. 502). Yet, the case has value by contributing to a greater understanding of the sector, exploring the types of pressures these firms face, defining the societal sector, and illustrating the relationships between the organizations that exert and manage these pressures within a complex and dynamic environment, each previously unexplored in the for-profit sector.
For practitioners, this research may lead to the development of environmental scanning tools, and a greater awareness of the trends of the industry, perhaps inciting action from firms to manage their environment. Understanding their relationship to other firms or entities within the regulatory environment may be more common in large firms. This research is accessible enough for smaller firms to review actions used within the sector and develop a plan of action based on their own organizational capacities.

Transferability Limitations

The limitations of the work are indicative of the research design. As an intrinsic case, there was no intention of generalizing the results beyond the case itself. While appropriate for a qualitative study, the questionnaire results cannot be viewed as statistically representative of the entire sector, and much like the interview subjects, individuals may be more apt to participate if they have strong feelings about the topic. Based on this study alone, it would be inappropriate to suggest that there is any level of transferability of these findings to other educational or business settings. The complexities of the regulatory environment during the case period are specific to the for-profit higher education sector, and may not be instrumental of the pressures faced by their traditional peers or other industries. Noting the changes taking place in practices and outcomes at traditional institutions, it may be appropriate to study their reactions to pressures and contrast those attitudes and actions with this work.

Contributions of the Study

Building from the premise of an intrinsic case study, this work contributes to the larger body of literature by relating the particularities of the for-profit sector between 2009 and 2012, and has value because of that contribution alone. The primary implications of this study are the development of a more complex description of the societal sector that encompasses for-profit
higher education and a detailing of some of the rational myths that govern behavior within the sector. This adds to the extant literature and provides a conceptual underpinning for future research. Particularly important was the designation of the ‘bad apple’ as a way for sector members to resolve the mismatch between their self-perceptions and the negative scrutiny the sector experienced during the case period. Secondary to these broad conceptions were the specific actions firms took to manage pressures and the identification of isomorphic structures within the societal sector. Yet the understandings gained from this work also have the potential to impact policy formation as the regulatory environment continues to exert pressure on higher education institutions.

**Exploring sector attitudes about the regulatory environment.** The research provides insights into the way that the for-profit higher education sector views the regulatory environment, specifically in a time of change and uncertainty. It presents a more complex and dynamic understanding of the agencies and power structures that comprise the societal sector, and how they influence how FPHEIs operate within the regulatory environment. This adds to the understanding of the sector beyond the extant literature. For scholars, this may provide a model for more detailed analysis of for-profit firms, as well as a more detailed assessment of the impact of the external environment overall. For practitioners, it provides a level of detail for strategic planning purposes, specifically for environmental scanning. By better understanding the range of external pressures, firms may be better able to allocate resources in response to those challenges.

**Identifying actions to manage the regulatory environment.** Just as there was little to no previous research establishing the pressures firms feel, there was no research as to how FPHEIs manage regulatory pressure. The results of this research provide a preliminary structure
to future investigations by building from the business literature and applying it to the higher education industry. For scholars, it may provide opportunities for deeper investigation as to the effectiveness of particular tactics, while it may provide practitioners with a list of generally accepted actions normalized across the industry for their own strategic planning purposes. Practitioners may be able to measure their own action against those of their peers through this study.

Including a more representative sample. While not the central focus of the work, the research bridges another important gap in the literature by including nationally accredited institutions and those that may not participate in Title IV within the sector. While not representative of all FPHEIs because of the exclusion of non-degree granting institutions and not all accrediting bodies, the work represents an effort to include voices beyond those of regionally accredited, publicly traded corporations while advancing scholarship within the sector. For practitioners who fall outside the narrow range typically included in the literature, this offers opportunities to see value in their own contributions.

Policy recommendations. The pressures the regulatory environment exerts on for-profit institutions are pressures that the rest of the higher education community may soon face. This assertion is based on the level of force and change that the regulatory environment exerts. The building momentum moves the existing bureaucracies forward, and without a substantive policy change, there is no reason to assume that non-profit institutions will be exempt from the scrutiny for-profits described during the case time period. For example, gainful employment, the largest regulatory pressure identified by questionnaire respondents, also impacts community colleges. The state authorization of distance education also impacts non-profit institutions that offer online
classes. In fact, as this work was completed, as Senate task force was assembled to examine the ‘burden of regulation’ in higher education, largely populated by non-profit institutions.

Discussions of outcomes, quality, and cost are central to the national dialogue regarding higher education. The findings of this study suggest that the federal government exerts more control over the industry than it has in the past, despite the regulatory triad model’s emphasis on direct control by accrediting bodies and state authorization agencies. This is in large part because of the government’s investment in education through Title IV and other federal funding programs. While it is beyond the scope of this work to comment on the appropriateness of the increased federalization of higher education, it does appear that this process increases the reporting that institutions must complete, complicated by the lack of standardization across agencies. The level of reporting and regulation is complex and requires the development or continued investment of resources (both human and financial) to maintain compliance. This may remove resources that could be put towards educational and student services, instead diverting them to bureaucratic processes. The complexities of regulation compliance increase the costs of compliance and may cause some schools to close because they cannot afford to complete. This is particularly true of small firms or those with limited resources, reducing overall choices for students.

Based on this study and the claims of participants, policy makers should examine the quality of outcomes across all institutions, moving beyond tax structure and the simple measures of employment and loan repayment. Finding a means to measure student learning and institutional outcomes is a starting point toward the goal of realistic comparisons of quality in higher education. A single standard (evenly applied) or categorical standards that match similar institutions within realistic measures of educational outcomes are critical to a true comparison of
institutions and their value. However, it appears that rather than exploring appropriate measures, the industry prefers to scrutinize its for-profit peers, not understanding that the microscope is poised above the industry as a whole.

**Future Research**

As the for-profit sector continues to enroll students, more scholarly research is needed to better understand these providers and their place within the broader landscape of higher education. Previous works that have classified or contrasted these institutions with their traditional peers are a starting point, as were single descriptive case studies. But, as a range of stakeholders try to resolve the place that for-profit institutions have in serving the public good, there is a need for empirical research on organizational practices, outcomes, and contributions.

Building from the research on the regulatory environment, there are opportunities for future research, including:

- Expanding the research criteria to non-degree granting providers
- Placing greater emphasis on smaller firms and their efficacy in compliance within a changing, highly competitive, and highly regulated market space
- Contrasting the traditional sector’s response to regulatory change and enforcement during a period of uncertainty, investigating the FPHEI sector’s assertions of uneven enforcement
- Evaluating the effectiveness of actions undertaken to manage regulatory pressure
- Tracing the origins or diffusion of tactics based on the transfer of key personnel between organizations and the normalization of those tactics
- Investigating environmental pressures and actions to manage them within subsets of the sector, such as the emerging for-profit legal education subsector
Developing an environmental scanning tool to aid firms in their strategic planning efforts

Studies such as those proposed could advance the findings and continue the line of inquiry, now that the regulatory pressures have been described in an empirical study, and an exploration of the particularities of the societal sector’s response to pressure has been documented within the case limitations.
References


Association of Private Sector Colleges and Universities. (n.d.). http://www.career.org


Distance Education and Training Council. (n.d.). *Accreditation handbook*. Retrieved from Distance Education and Training Council Website: www.detc.org


Kantrowitz, M. (2010). *Elimination of the safe harbors for incentive compensation* [Student Aid Policy Analysis]. Retrieved from Finaid.org:
http://www.finaid.org/educators/20100426incentivecompensation.pdf


Business Books.

Phua, F. T. (2007). Does senior executives’ perception of environmental uncertainty affect the
25, 753-761.

marketing: Insights from research practice. *Industrial Marketing Management*, 39, 109-
117.

DiMaggio (Eds.), *The new institutionalism in organizational analysis* (pp. 183-203).
Chicago, IL: University of Chicago Press.

the emerging politics of higher education. In D. W. Breneman, B. Pusser, & S. E. Turner
(Eds.), *Earnings from learning: The rise of for-profit universities* (pp. 167-194). Albany,
NY: State University of New York Press.

organization*. . Unpublished manuscript, University of Maryland, College Park, MD.

education funding on old and new universities. *Higher Education Quarterly*, 57(1), 24-
47.


Appendix A: Original Vision of the Societal Sector

Accrediting Bodies

Regional Accrediting Bodies

- Middle States Association of Colleges and Schools
- New England Association of Schools and Colleges
- North Central Association of Colleges and Schools
- Southern Association of Colleges and Schools
- Western Association of Schools and Colleges
- Northwest Commission on Colleges and Universities

National Accrediting Bodies

- Distance Education and Training Council
- Accrediting Commission of Independent Colleges and Schools

State Agencies

ALABAMA
- Alabama Commission on Higher Education
- Alabama Department of Postsecondary Education

ALASKA
- Alaska Commission on Postsecondary Education

ARIZONA
- Arizona State Board for Private Postsecondary Education

ARKANSAS
- Arkansas Department of Higher Education
- Arkansas State Board of Private Career Education

CALIFORNIA
- California Bureau for Private Postsecondary Education

COLORADO
- Colorado Department of Higher Education
- Colorado Division of Private Occupational Schools

CONNECTICUT
• Connecticut Office of Higher Education

DELAWARE
• Delaware Department of Education

DISTRICT OF COLUMBIA
• DC Education Licensure Commission

FLORIDA
• Florida Department of Education, Commission for Independent Education

GEORGIA
• Georgia Nonpublic Postsecondary Education Commission

HAWAII
• No Authorization Agencies in Hawaii

IDAHO
• Idaho State Board of Education

ILLINOIS
• Illinois Board of Higher Education

INDIANA
• Indiana Commission for Higher Education
• Private For-Profit, Degree-Granting Institutions: Indiana Board for Proprietary Education (BPE)/Indiana Commission for Higher Education
• Indiana Department of Workforce Development, Office for Career and Technical Schools (OCTS)

IOWA
• Iowa College Student Aid Commission

KANSAS
• Kansas Board of Regents

KENTUCKY
• Kentucky Council on Postsecondary Education
• Kentucky Commission on Proprietary Education

LOUISIANA
• Louisiana Board of Regents Proprietary Schools
• Academic Degree-Granting Institutions: Commissioner for Academic and Student Affairs Louisiana Board of Regents
<table>
<thead>
<tr>
<th>State</th>
<th>Agencies</th>
</tr>
</thead>
<tbody>
<tr>
<td>MAINE</td>
<td>• Maine Department of Education, Office of Higher Education</td>
</tr>
<tr>
<td>MARYLAND</td>
<td>• Maryland Higher Education Commission</td>
</tr>
<tr>
<td>MASSACHUSETTS</td>
<td>• Massachusetts Department of Higher Education</td>
</tr>
<tr>
<td>MICHIGAN</td>
<td>• Michigan Department of Licensing and Regulatory Affairs</td>
</tr>
<tr>
<td>MINNESOTA</td>
<td>• Minnesota Office of Higher Education</td>
</tr>
<tr>
<td>MISSISSIPPI</td>
<td>• Mississippi Commission on College Accreditation</td>
</tr>
<tr>
<td></td>
<td>• Commission on Proprietary School and College Registration</td>
</tr>
<tr>
<td>MISSOURI</td>
<td>• Missouri Department of Higher Education</td>
</tr>
<tr>
<td>MONTANA</td>
<td>• Montana University System, Montana Board of Regents</td>
</tr>
<tr>
<td>NEBRASKA</td>
<td>• Nebraska Coordinating Commission for Postsecondary Education</td>
</tr>
<tr>
<td></td>
<td>• Nebraska Department of Education, Private Postsecondary Career Schools</td>
</tr>
<tr>
<td>NEVADA</td>
<td>• Nevada Commission on Postsecondary Education</td>
</tr>
<tr>
<td>NEW HAMPSHIRE</td>
<td>• New Hampshire Department of Education</td>
</tr>
<tr>
<td>NEW JERSEY</td>
<td>• New Jersey Secretary of Higher Education</td>
</tr>
<tr>
<td>NEW MEXICO</td>
<td>• New Mexico Higher Education Department</td>
</tr>
<tr>
<td>NEW YORK</td>
<td>• New York State Department of Education, Bureau of Proprietary School Supervision</td>
</tr>
</tbody>
</table>
• New York State Department of Education, Office of College and University Evaluation

NORTH CAROLINA
• The University of North Carolina Board of Governors
• North Carolina Community College System, Office of Proprietary Schools

NORTH DAKOTA
• North Dakota Department of Career and Technical Education

OHIO
• Ohio Board of Regents
• Ohio State Board of Career Colleges and Schools

OKLAHOMA
• Oklahoma State Regents for Higher Education
• The Oklahoma Board of Private Vocational Schools
• Oklahoma Board of Career and Technology Education

OREGON
• Oregon Office of Degree Authorization
• Oregon Department of Education, Private Career Schools Office

PENNSYLVANIA
• Pennsylvania Department of Education

RHODE ISLAND
• Rhode Island Board of Governors for Higher Education

SOUTH CAROLINA
• South Carolina Commission on Higher Education

SOUTH DAKOTA
• South Dakota Secretary of State

TENNESSEE
• Tennessee Higher Education Commission

TEXAS
• Texas Higher Education Coordinating Board

UTAH
• Utah Division of Consumer Protection

VERMONT
• Vermont State Board of Education
VIRGINIA
- State Council for Higher Education in Virginia

WASHINGTON
- Washington Student Achievement Council
- Washington Workforce Training and Education Coordinating Board

WEST VIRGINIA
- West Virginia Higher Education Policy Commission
- West Virginia Council for Community and Technical College Education

WISCONSIN
- Wisconsin Educational Approval Board

WYOMING
- Wyoming Department of Education

Trade Associations

The Association of Private Sector Colleges and Universities

Alabama
* Alabama Association of Private Colleges and Schools

Alaska
* Alaska Association of Private Career Educators

Arizona
* Arizona Private School Association

California
* California Association of Private Postsecondary Schools

Colorado
* Colorado Association of Career Colleges and Schools

Connecticut
* Association of Connecticut Career Schools

Florida
* Florida Association of Postsecondary Schools and Colleges
Idaho
See the NW Career Colleges Federation under Washington

Illinois
* Illinois Career College Association

Indiana
* Indiana Association of Private Career Schools

Kentucky
* Kentucky Association of Career Colleges and Schools

Louisiana
* Louisiana Career College Association

Maryland
* Maryland Association Of Private Colleges And Career Schools

Massachusetts
* Massachusetts Association of Private Career Schools

Michigan
* Michigan Association of Career Colleges and Schools

Minnesota
* Minnesota Career College Association

Missouri
* Missouri Association of Private Career Schools

New York
* Association of Proprietary Colleges
* The Coalition of New York State Career Schools

New Jersey
* Private Career School Association of New Jersey

North Carolina
* North Carolina Association of Career Colleges and Schools

Ohio
* Ohio Association of Career Colleges and Schools

Oregon
See the NW Career Colleges Federation under Washington
Pennsylvania
* Pennsylvania Association of Private School Administrators

Tennessee
* Tennessee Association of Independent Colleges and Schools

Texas
* Career Colleges and Schools of Texas

Utah
* Career College Association of Utah

Virginia
* Virginia Career College Association

Washington (and Oregon and Idaho)
* Northwest Career Colleges Federation

West Virginia
* West Virginia Association of Independent Colleges and Schools

Wisconsin
* Wisconsin Council for Independent Education
Appendix B: Recruitment Email

Dear Colleagues:

My name is Caulyne Barron and I am a doctoral candidate in the College of Professional Studies at Northeastern University working towards my Doctor of Education. As part of my dissertation, I am conducting a study about how American for-profit, degree-granting higher education institutions manage pressure from the regulatory environment, which includes federal, state and accreditation oversight.

In order to gather data about this research, I am inviting you to participate in my study. You have been asked to participate in this project because you have been identified as a leader in a for-profit institution or an ancillary organization (such as an industry association or regulatory agency). Your insights will be helpful in understanding how the sector manages regulatory pressure. If you know of another individual who may be appropriate to include in my research, I welcome those referrals.

I am looking for three to six individuals to discuss trends they see in the industry during telephonic interviews in addition to asking leaders from individual institutions to complete a short online questionnaire.

Please be aware that your participation is optional and you may withdraw at any point. Also, any participation in the study will be completely confidential; names and other personal information will not be used in the final document. Those who choose to participate will receive a copy of the complete (though anonymized) questionnaire results.

Please respond via e-mail to barron.ca@husky.neu.edu if you are interested or have any questions.

Thank you in advance for your time.
Caulyne Barron
Doctor of Education Candidate
Northeastern University
Appendix C: Informed Consent Forms

Northeastern University
College of Professional Studies

Name of Investigator(s):
Dr. Al McCready, principle investigator
Caulyne Barron, student researcher

Title of Project: How the American, Degree-Granting For-Profit Higher Education Sector Manages the Regulatory Environment: An Intrinsic Case Study

Request to Participate in Research: Online Questionnaire

I would like to invite you to participate in a web-based online survey. The survey is part of a research study whose purpose is to apply institutional theory and resource dependency theory to develop an understanding of how the degree-granting, for-profit sector of American higher education manages regulatory pressures.

This survey should take about 15 minutes to complete.

I am asking you to participate in this study because you are at leader at an American, degree-granting for-profit institution that is both licensed and accredited. You must be at least 18 years old to take this survey.

The decision to participate in this research project is voluntary. You do not have to participate and you can refuse to answer any question. Even if you begin the web-based online survey, you can stop at any time.

There are no foreseeable risks or discomforts to you for taking part in this study.

There are no direct benefits to you from participating in this study. However, your responses may help us learn more about how the for-profit sector manages the regulatory environment.

You will not be paid for your participation in this study. As a token of our appreciation for completing the questionnaire, a copy of the full data set will be made available to participants, anonymized to protect participants’ confidentiality.

Your part in this study is anonymous to the researcher(s), although you have the option to include your institution’s name. However, because of the nature of web based surveys, it is possible that respondents could be identified by the IP address or other electronic record associated with the response. Neither the researcher nor anyone involved with this survey will be capturing those data.
Your part in this study will be handled in a confidential manner. Any reports or publications based on this research will use only group data and will not identify you or any individual as being affiliated with this project.

If you have any questions regarding electronic privacy, please feel free to contact Mark Nardone, NU’s Director of Information Security via phone at 617-373-7901, or via email at privacy@neu.edu

If you have any questions about this study, please feel free to contact Caulyne Barron, barron.ca@husky.neu.edu, the person mainly responsible for the research. You can also contact Dr. Al McCready, a.mccready@neu.edu, the Principal Investigator.

If you have any questions regarding your rights as a research participant, please contact Nan C. Regina, Director, Human Subject Research Protection, 960 Renaissance Park, Northeastern University, Boston, MA 02115. Tel: 617.373.4588, Email:n.regina@neu.edu. You may call anonymously if you wish.

By clicking on the survey link below you are indicating that you consent to participate in this study. Please print out a copy of this consent form for your records.

https://www.surveymonkey.com/s/7GPJG2X

Thank you for your time.

Caulyne Barron
Northeastern University
Informed Consent to Participate in a Research Study: Interview

We are inviting you to take part in a research study. This form will tell you about the study, but the researcher will explain it to you first. You may ask this person any questions that you have. When you are ready to make a decision, you may tell the researcher if you want to participate or not. You do not have to participate if you do not want to. If you decide to participate, the researcher will ask you to sign this statement and will give you a copy to keep.

Why am I being asked to take part in this research study?

We are asking you to be in this study because you are a leader within the for-profit higher education sector, or within a for-profit higher education institution, or know a great deal about how these organizations are regulated.

Why is this research study being done?

The purpose of this case study is to better understand how for-profit institutions manage the regulatory environment.

What will I be asked to do?

If you decide to take part in this study, we will ask you to discuss actions that your organization or other organizations have taken to respond to federal, state or accreditation regulations, how you feel about those regulations, how you feel they are portrayed in the popular press, the role of trade associations, etc.

This telephonic interview will be recorded.

Where will this take place and how much of my time will it take?

You will be interviewed at a time and place that is convenient for you. The interview will take about one hour.

Will there be any risk or discomfort to me?
There is no foreseeable risk or discomfort.

**Will I benefit by being in this research?**

There will be no direct benefit to you for taking part in the study. However, the information learned from this study may help us better understand the for-profit sector.

**Who will see the information about me?**

Your part in this study will be confidential. Only the researchers on this study will see the information about you. No reports or publications will use information that can identify you in any way or any individual as being of this project. You will be given a pseudonym as will your organization in any reports or publications.

Recordings of the interview will be transcribed by a third party transcription company that has confidentiality processes. Only the researchers will have access to the recordings.

In rare instances, authorized people may request to see research information about you and other people in this study. This is done only to be sure that the research is done properly. We would only permit people who are authorized by organizations such as the Northeastern University Institutional Review Board to see this information.

**If I do not want to take part in the study, what choices do I have?**

You have the option to choose not to participate.

**What will happen if I suffer any harm from this research?**

No special arrangements will be made for compensation or for payment for solely because of my participation in this research.

**Can I stop my participation in this study?**

Your participation in this research is completely voluntary. You do not have to participate if you do not want to and you can refuse to answer any question. Even if you begin the study, you may quit at any time prior to publication. If you do not participate or if you decide to quit, you will not lose any rights, benefits, or services that you would otherwise have.

**Who can I contact if I have questions or problems?**

If you have any questions about this study, please feel free to contact Caulyne Barron, barron.ca@husky.neu.edu, the person mainly responsible for the research. You can also contact Dr. Al McCready, a.mccready@neu.edu, the Principal Investigator.

**Who can I contact about my rights as a participant?**
If you have any questions about your rights in this research, you may contact Nan C. Regina, Director, Human Subject Research Protection, 960 Renaissance Park, Northeastern University, Boston, MA 02115. Tel: 617.373.4588, Email: n.regina@neu.edu. You may call anonymously if you wish.

**Will I be paid for my participation?**

No.

**Will it cost me anything to participate?**

No.

**Include any pertinent information that may not be stated elsewhere.**

You must be at least 18 years old to participate.

**Affirmation will be verbal consent, per IRB protocols.**

______________________________________________
Printed name of person above

________

Date

______________________________________________
Signature of person who explained the study to the

______________________________________________
Printed name of person above

________

Date participant above and obtained consent
Appendix D: Questionnaire

The regulatory environment of higher education includes the federal, state and accreditation agencies and their laws, rules and standards. The first section of this questionnaire addresses the regulatory agencies that make exert control or pressures over your institution.

1. Your Institution (Optional)
2. Your Title:
3. In which state(s) is your institution licensed?
4. Which national or regional accrediting body is your organization affiliated with?
   Institutional Overview
   - Accrediting Council for Independent Colleges and Schools (ACICS)
   - Distance Education and Training Council Accrediting Commission (DETC)
   - Middle States Region (MSCHE)
   - New England Region (NEASCCIHE)
   - North Central Region (NCAHLC)
   - Northwest Region (NWCCU)
   - Southern Region (SACS)
   - Western Region (WASC)
   - Other (please specify)

Pilot Questionnaire
5. Is your institution degree-granting?
   - Yes
   - No

6. Does your institution participate in Title IV federal financial aid programs?
   - Yes
   - No
   - Eligible but not participating

7. Does your institution offer online programs?
   Institutional Overview Continued
   - Yes
   - No

Pilot Questionnaire
8. Please describe the organizational control of your organization from the choices below:
   - Private, non-profit
   - Public, non-profit
   - Privately held, for-profit
   - Publicly-traded, for-profit

9. Sometimes, corporations own more than one college or university. Is your institution
owned by an entity that owns more than one college or university?

- Yes
- No

10. There are 14 major higher education corporations. Is your institution owned by any of these organizations? If so, which one?

- American Public Education
- Apollo Group
- Bridgepoint Education
- Capella Education
- Career Education Corporation
- Corinthian Colleges
- DeVry, Inc.
- Education Management Corporation
- Grand Canyon Education
- ITT Educational Services
- Kaplan, Inc.
- Laureate
- Lincoln Education Services
- Strayer Education
- None of the above/ Not applicable

The next section asks you to assign values to rate the favorability of the regulatory environment for your institution. Favorable environments are those that are easy for firms to navigate, are environments that promote corporate success, are easy for firms to comply with. Favorable environments are not simply unregulated, but have regulations that seem rational. Unfavorable environments are those that are more difficult to comply with, may not be in alignment with corporate objectives and may be seen as a negative pressure on organizations.

11. To what degree is the overall regulatory environment favorable to for-profit higher education institutions?

- Very unfavorable
- Somewhat unfavorable
- Neutral
- Somewhat favorable
- Very favorable

12. If you have any comments regarding the regulatory environment overall, please include them here:
13. Using this same rating scale, how would you describe the regulatory conditions of the state(s) in which your organization is licensed?

- Very unfavorable
- Somewhat unfavorable
- Neutral
- Somewhat favorable
- Very favorable

14. If you have any comments regarding your state’s regulatory agencies and their laws and policies, please include them here:

15. Using this same rating scale, how would you describe the regulatory conditions of the accrediting body that accredits your institution?

- Very unfavorable
- Somewhat unfavorable
- Neutral
- Somewhat favorable
- Very favorable

16. If you have any comments regarding your accrediting body, please include them here:

17. Using this same rating scale, how would you describe the regulatory conditions of federal programs in which you participate?

Favorability of the Regulatory Environment

- Very unfavorable
- Somewhat unfavorable
- Neutral
- Somewhat favorable
- Very favorable

18. If you have any comments regarding federal oversight and regulation, please include them here:

19. Does your organization belong to the Associate of Private Sector Colleges and Universities?

- Yes
- No

20. Does your organization belong to any state associations for for-profit institutions? If so, which one?

- Yes, ____________
21. Does your organization belong to any other trade associations? If so, which one(s)?

- Yes, _____________
- No

Pilot Questionnaire
Sometimes, organizations believe that their environment is not as favorable as it could be for their operations and they try to manage their environment to make it more favorable. Kotter (1979) identified many ways that firms can do this, though it was not an exhaustive list.

22. Has your institution taken part in any of the following activities to manage the regulatory environment? For institutions that are a part of a larger organization, please include any actions taken by your parent corporation. Please check any/all that apply.

Managing the Environment
- Relocated or established a location in a state that was viewed as more favorable in their state regulations to for-profit providers.
- Relocated or established a location in a state or region that was viewed as more favorable for accreditation to for-profit providers.
- Diversified your curriculum.
- Consolidated your program offerings.
- Expanded geographically (including internationally).
- Contracted geographically (including internationally).
- Invested resources in advertising and public relations in order to establish a favorable attitude toward the institution.
- Recruited individuals from external elements to serve within your organization.
- Negotiated contracts with other organizations to gain power over external resources.
- Established coalitions with other institutions.
- Forced out competition.
- Created, joined, or participated in trade associations and coordinating councils.
- Attempted to influence legislation or regulation (i.e. lobbying)
- Attempted to influence informal norms in the industry through professional associations, best practices or standards establishment.
- Other (please specify)

Pilot Questionnaire
23. What are the biggest policy issues that you feel the for-profit higher education sector faces?

Biggest Policy Issues
24. Thank you for taking the time to complete this pilot questionnaire. If you have any feedback about questions that could be worded more clearly, or the content or nature of the questions, please email me at caulyne@yahoo.com or add your comments here.
Appendix E: Interview Protocol

Interviewee (Title and Name):
Interviewer: Caulyne Barron
Date: ________________________
Location of Interview: via Telephone

INTRODUCTION
Part I: Introductory Question Objectives (5-7 minutes): Build rapport, describe the study, answer any questions, review and affirm IRB informed consent.

Introductory Protocol
You have been selected to speak with me today because you have been identified as someone who has insights into the regulatory environment of for-profit higher education. Through this study, we hope to learn more about how for-profit institutions manage the regulatory environment.

Because your responses are important and I want to make sure to capture everything you say, I would like to audio tape our conversation today. I will also be taking written notes during the interview. I can assure you that all responses will be confidential and only a pseudonym will be used when quoting from the transcripts. The tapes will be transcribed by a transcriptionist, but the pseudonym will be used to label the tapes. I will be the only one privy to transcripts and information and the tapes will be destroyed after they are transcribed.

To meet our human subjects’ requirements at the university, you must sign the form I have emailed to you. Essentially, this document states that: (1) all information will be held confidential, (2) your participation is voluntary and you may stop at any time if you feel uncomfortable, and (3) we do not intend to inflict any harm (allow time to review form).

Do you have any questions about the interview process or this form?

We have planned this interview to last approximately one hour. During this time, I have several questions that I would like to cover. However please feel free to bring up topics that you feel are related. Do you have any questions at this time?

Introduction to Interview
   Interviewee Background – my name is Caulyne Barron and I am a doctoral student at Northeastern University. My dissertation research centers on the for-profit sector. I am also an administrator at a small, nationally accredited for-profit.

Questions:

1. Tell me about your current position and your previous work experience.
2. What are some of the strengths and challenges you see in the current regulation of for-profit education?
3. What trends have you seen in the regulation?
4. How have you seen organizations (either individual institutions or larger groups) try to manage the regulatory action?

[For those designated as stakeholder checks to make meaning of previous data collection only]

1. Survey results collected thus far in the research might be of interest to you. [Share overall findings and any points for clarification if this interview subject has been selected to make meaning of questionnaire results.] What do you think of these findings? Why do you think leaders at FPHEIs responded this way?
2. Are there things missing from the survey or the results that you think are important?

**Additional questions may be appropriate to clarify or expand on themes developed in the research.**
### Appendix F: Questionnaire Results

#### Organizational Control

<table>
<thead>
<tr>
<th>Organizational Control</th>
<th>Number of Respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td>Privately Held</td>
<td>44</td>
</tr>
<tr>
<td>Publicly Traded</td>
<td>20</td>
</tr>
</tbody>
</table>

#### Parent Companies

<table>
<thead>
<tr>
<th>Reported Ownership by a Parent Company that Owns More than One College</th>
<th>Number of Respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>37</td>
</tr>
<tr>
<td>If yes, which company?</td>
<td></td>
</tr>
<tr>
<td>Career Education Corp</td>
<td>13</td>
</tr>
<tr>
<td>EDMC</td>
<td>5</td>
</tr>
<tr>
<td>Kaplan</td>
<td>3</td>
</tr>
<tr>
<td>Laureate</td>
<td>1</td>
</tr>
<tr>
<td>No/None of the Above</td>
<td>27</td>
</tr>
</tbody>
</table>

#### Title IV Participation

<table>
<thead>
<tr>
<th>Status</th>
<th>Number of Participants</th>
</tr>
</thead>
<tbody>
<tr>
<td>Participating</td>
<td>59</td>
</tr>
<tr>
<td>Not Participating</td>
<td>3</td>
</tr>
<tr>
<td>Eligible, but not participating</td>
<td>2</td>
</tr>
</tbody>
</table>

#### Online Programs

<table>
<thead>
<tr>
<th>Offers Online Programs</th>
<th>Number of Participants</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>39</td>
</tr>
<tr>
<td>No</td>
<td>23</td>
</tr>
<tr>
<td>No response</td>
<td>2</td>
</tr>
</tbody>
</table>

#### Association Membership

<table>
<thead>
<tr>
<th>Membership Status</th>
<th>Number of Respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td>APSCU Member</td>
<td>40</td>
</tr>
<tr>
<td>Number of APSCU members that are members of a state association</td>
<td>19</td>
</tr>
<tr>
<td>Non-Member</td>
<td>22</td>
</tr>
<tr>
<td>Number of Non-APSCU members that are members of a state association</td>
<td>6</td>
</tr>
</tbody>
</table>
### Titles of Questionnaire Respondents

<table>
<thead>
<tr>
<th>Title</th>
<th>Number of Respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td>Assistant Provost, Academic Records and Compliance</td>
<td>1</td>
</tr>
<tr>
<td>Associate Provost for Curriculum</td>
<td>2</td>
</tr>
<tr>
<td>Assistant Vice President, Institutional Research, Compliance and Accreditation</td>
<td>1</td>
</tr>
<tr>
<td>Campus Dean</td>
<td>3</td>
</tr>
<tr>
<td>Campus/School Director</td>
<td>6</td>
</tr>
<tr>
<td>Campus President</td>
<td>2</td>
</tr>
<tr>
<td>Chief Certification and Licensing Officer</td>
<td>1</td>
</tr>
<tr>
<td>Compliance Director</td>
<td>1</td>
</tr>
<tr>
<td>Dean</td>
<td>1</td>
</tr>
<tr>
<td>Dean/Director of Academic Affairs</td>
<td>5</td>
</tr>
<tr>
<td>Dean of Graduate Studies</td>
<td>1</td>
</tr>
<tr>
<td>Director of Accreditation and Instructional Quality</td>
<td>1</td>
</tr>
<tr>
<td>Director of Career Services</td>
<td>1</td>
</tr>
<tr>
<td>Director of Curriculum and Instruction</td>
<td>1</td>
</tr>
<tr>
<td>Director of Education</td>
<td>1</td>
</tr>
<tr>
<td>Director of Regulatory Operations</td>
<td>1</td>
</tr>
<tr>
<td>Director of Campus Operations</td>
<td>1</td>
</tr>
<tr>
<td>Executive Director</td>
<td>1</td>
</tr>
<tr>
<td>Grants/Performance Development</td>
<td>1</td>
</tr>
<tr>
<td>Manager of Accreditation Compliance</td>
<td>1</td>
</tr>
<tr>
<td>Operational Support Director</td>
<td>1</td>
</tr>
<tr>
<td>President</td>
<td>21</td>
</tr>
<tr>
<td>Provost</td>
<td>3</td>
</tr>
<tr>
<td>Research and Development Director</td>
<td>1</td>
</tr>
<tr>
<td>Senior Vice President, External Affairs</td>
<td>1</td>
</tr>
<tr>
<td>Vice President</td>
<td>2</td>
</tr>
<tr>
<td>Vice President of Operations</td>
<td>1</td>
</tr>
</tbody>
</table>

### Accrediting Body Favorability

<table>
<thead>
<tr>
<th>Accrediting Boy</th>
<th>Average Favorability</th>
</tr>
</thead>
<tbody>
<tr>
<td>ACICS</td>
<td>6.0</td>
</tr>
<tr>
<td>DETC</td>
<td>7.90</td>
</tr>
<tr>
<td>Middle States</td>
<td>5.83</td>
</tr>
<tr>
<td>Northeastern</td>
<td>3.75</td>
</tr>
<tr>
<td>Northcentral</td>
<td>6.25</td>
</tr>
<tr>
<td>Northwest</td>
<td>No Participants</td>
</tr>
<tr>
<td>Southern</td>
<td>5</td>
</tr>
<tr>
<td>Western</td>
<td>7.08</td>
</tr>
</tbody>
</table>
## State of Operations of Questionnaire Participants

<table>
<thead>
<tr>
<th>State</th>
<th>Number of Respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td>&quot;Every state&quot;</td>
<td>1</td>
</tr>
<tr>
<td>Alabama</td>
<td>1</td>
</tr>
<tr>
<td>Alaska</td>
<td>1</td>
</tr>
<tr>
<td>Arizona</td>
<td>8</td>
</tr>
<tr>
<td>California</td>
<td>6</td>
</tr>
<tr>
<td>Colorado</td>
<td>1</td>
</tr>
<tr>
<td>Florida</td>
<td>6</td>
</tr>
<tr>
<td>Georgia</td>
<td>3</td>
</tr>
<tr>
<td>Illinois</td>
<td>3</td>
</tr>
<tr>
<td>Indiana</td>
<td>2</td>
</tr>
<tr>
<td>Maryland</td>
<td>4</td>
</tr>
<tr>
<td>Massachusetts</td>
<td>3</td>
</tr>
<tr>
<td>Michigan</td>
<td>2</td>
</tr>
<tr>
<td>Minnesota</td>
<td>1</td>
</tr>
<tr>
<td>Missouri</td>
<td>2</td>
</tr>
<tr>
<td>New Mexico</td>
<td>2</td>
</tr>
<tr>
<td>New York</td>
<td>5</td>
</tr>
<tr>
<td>North Carolina</td>
<td>1</td>
</tr>
<tr>
<td>Ohio</td>
<td>3</td>
</tr>
<tr>
<td>Oklahoma</td>
<td>2</td>
</tr>
<tr>
<td>Pennsylvania</td>
<td>7</td>
</tr>
<tr>
<td>Texas</td>
<td>5</td>
</tr>
<tr>
<td>Virginia</td>
<td>4</td>
</tr>
<tr>
<td>Washington</td>
<td>1</td>
</tr>
<tr>
<td>Wisconsin</td>
<td>1</td>
</tr>
</tbody>
</table>
## Actions Undertaken by Questionnaire Respondents

<table>
<thead>
<tr>
<th>Action</th>
<th>Total Number</th>
<th>% of Total</th>
<th>Publicly Traded</th>
<th>% of Publicly Traded</th>
<th>Privately Traded</th>
<th>% of Publicly Traded</th>
</tr>
</thead>
<tbody>
<tr>
<td>Relocated or established a location in a state that was viewed as more favorable.</td>
<td>7</td>
<td>10%</td>
<td>2</td>
<td>10%</td>
<td>5</td>
<td>11%</td>
</tr>
<tr>
<td>Relocated or established a location in an accreditation region that was viewed as more favorable.</td>
<td>2</td>
<td>3%</td>
<td>0</td>
<td>0</td>
<td>2</td>
<td>4%</td>
</tr>
<tr>
<td>Diversified your curriculum.</td>
<td>32</td>
<td>50%</td>
<td>12</td>
<td>60%</td>
<td>20</td>
<td>45%</td>
</tr>
<tr>
<td>Consolidated your program offerings</td>
<td>29</td>
<td>45%</td>
<td>12</td>
<td>60%</td>
<td>17</td>
<td>38%</td>
</tr>
<tr>
<td>Expanded geographically (including internationally)</td>
<td>20</td>
<td>31%</td>
<td>5</td>
<td>25%</td>
<td>15</td>
<td>34%</td>
</tr>
<tr>
<td>Contracted geographically (including internationally)</td>
<td>5</td>
<td>7%</td>
<td>2</td>
<td>10%</td>
<td>3</td>
<td>6%</td>
</tr>
<tr>
<td>Invested resources in advertising and public relations.</td>
<td>31</td>
<td>48%</td>
<td>7</td>
<td>35%</td>
<td>24</td>
<td>54%</td>
</tr>
<tr>
<td>Recruited individuals from external elements</td>
<td>25</td>
<td>39%</td>
<td>7</td>
<td>35%</td>
<td>18</td>
<td>40%</td>
</tr>
<tr>
<td>Negotiated contracts with other organizations to gain power over external resources.</td>
<td>2</td>
<td>3%</td>
<td>0</td>
<td>0</td>
<td>2</td>
<td>4%</td>
</tr>
<tr>
<td>Established coalitions with other institutions.</td>
<td>16</td>
<td>25%</td>
<td>6</td>
<td>30%</td>
<td>10</td>
<td>22%</td>
</tr>
<tr>
<td>Forced out competition</td>
<td>3</td>
<td>4%</td>
<td>2</td>
<td>10%</td>
<td>1</td>
<td>2%</td>
</tr>
<tr>
<td>Created, joined or participated in trade associations or coordinating councils</td>
<td>23</td>
<td>45%</td>
<td>9</td>
<td>45%</td>
<td>14</td>
<td>31%</td>
</tr>
<tr>
<td>Attempted to influence legislation or regulation (i.e. Lobbying)</td>
<td>29</td>
<td>45%</td>
<td>9</td>
<td>45%</td>
<td>20</td>
<td>45%</td>
</tr>
<tr>
<td>Attempt to influence informal norms in the industry</td>
<td>26</td>
<td>40%</td>
<td>10</td>
<td>50%</td>
<td>16</td>
<td>36%</td>
</tr>
</tbody>
</table>
Appendix G: Favorability Scatter Plots

Overall Regulatory Environment

State Favorability
Accreditation Favorability

Federal Favorability
Appendix H: Public Notices from Accrediting Agencies for For-Profit Institutions, 2009-2012

<table>
<thead>
<tr>
<th>Accrediting Body</th>
<th>Number of Institutions Meeting Study Criteria with Public Notice Violations 2009-2012</th>
</tr>
</thead>
</table>
| Accrediting Council for Independent Colleges and Schools (ACICS)\(^1\) | **Show Cause:**  
Schiller International University (2009)  
Hondros College (Westerville) (2009)  
LA College International (2009; 2012)  
Jose Maria Vargas University (2011)  
Sanford Brown Institute (Hazelwood) (2011)  
Angley College (2011)  
Sanford Brown Institute (Collinsville) (2011)  
Le Cordon Bleu (Austin) (2011)  
American Commercial College (Lubbock) (2011; 2012)  
Millennia Atlantic University (2011)  
All 71 Career Education Corporation Schools (2011)  
California International Business University (2012)  
New York Institute of English and Business (2012)  
American Commercial College (Abilene) (2012)  
American Commercial College (Shreveport) (2012)  

**Finance Show Cause:**  
LA College International (2012)  
New York Institute of English and Business (2012)  
Tribeca Flashpoint Media Arts (2012)  
Radians College (2012)  
The College of Office Technology (2012)  

**Probation:**  
Angley College (2011)  
American Commercial College (Abilene) (2012)  
American Commercial College (Lubbock) (2012)  
American Commercial College (Shreveport) (2012)  
Sanford Brown Institute (Landover) (2012)  
Sanford Brown College (Indianapolis), (2012)  
Sanford Brown College (Milwaukee) (2012)  
International Academy of Design and Technology Online (2012)  

**Reaccreditation with Admonishment:**  
Remington College (2012)  
Spanish-American Institute (2012)  

\(^1\) ACICS Actions are only available from June 2010 through June 2012. Note that actions other than denial of accreditation that still have appeals are not enumerated as to the reason beyond those indicated as financial in nature.
<table>
<thead>
<tr>
<th>Region</th>
<th>Institutions</th>
</tr>
</thead>
</table>
| **Distance Education and Training Council (DETC)** | Perelandra College (Show Cause, 2012)#  
Yorktown University (Show Cause, 2012)#  
Teacher Education College (Show Cause 2012)#  
Kona University (Show Cause, 2011)# |
| **Middle States Region (MSCHE)** | University of the Potomac (Warning, 2009; Probation, 2010; Warning 2011)  
Technical Career Institute (Warning, 2010) |
| **New England Region (NEASC-CIHE)** | 0 |
| **North Central Region (NCA-HLC)** | Ashford University (Special Monitoring, 2012)  
Chancellor University (Show Cause, 2012)  
Everest College Phoenix (Show Cause, 2011; Show Cause 2010)  
Jones International University (On Notice, 2011) |
| **Northwest Region (NWCCU)** | 0* |
| **Southern Region (SACS)** | 0 |
| **Western Region (WASC)** | Patten University (Probation 2011)  
Trident University (Show Cause 2011) |

---

2 DETC Actions are available for the full case parameters, 2009 -2012.  
# No longer accredited by DETC.  
3 Middle States Actions are available for the full case parameters, 2009-2012.  
4 New England Actions are only available from September – December 2012.  
5 HLC Actions are available for the full case parameters, 2009-2012.  
6 NWCCU Actions are available for the full case parameters, 2009-2012.  
*NWCCU does not publicize the name of institutions given a warning, placed on probation, or those continued or removed from warning or probation, therefore an accurate assessment of FPHEIs in this region is not possible.  
7 SACS Actions are only available from December 2012.  
8 WACS Actions are only available from June 2010.
Appendix I: Summary of Court Proceedings and Legal Action

Overview of Legal Action Involving
Publicly Traded For-Profit Higher Education Companies or Ancillary Organizations

<table>
<thead>
<tr>
<th>Search Term</th>
<th>Results Meeting Criteria</th>
</tr>
</thead>
<tbody>
<tr>
<td>Apollo Group, University of Phoenix</td>
<td>16</td>
</tr>
<tr>
<td>American Public Education</td>
<td>1</td>
</tr>
<tr>
<td>Bridgepoint Education</td>
<td>2</td>
</tr>
<tr>
<td>Capella, Inc.</td>
<td>1</td>
</tr>
<tr>
<td>Career Education Corporation</td>
<td>6</td>
</tr>
<tr>
<td>Corinthian Colleges, Inc.</td>
<td>18</td>
</tr>
<tr>
<td>Devry Educational Services</td>
<td>8</td>
</tr>
<tr>
<td>Education Management Corporation</td>
<td>9</td>
</tr>
<tr>
<td>Grand Canyon Education</td>
<td>3</td>
</tr>
<tr>
<td>ITT</td>
<td>20</td>
</tr>
<tr>
<td>Kaplan Higher Education</td>
<td>6</td>
</tr>
<tr>
<td>Laureate, Inc.</td>
<td>2</td>
</tr>
<tr>
<td>Strayer</td>
<td>2</td>
</tr>
<tr>
<td>Westwood</td>
<td>1</td>
</tr>
<tr>
<td>APSCU</td>
<td>1</td>
</tr>
</tbody>
</table>

Overview of Types of Legal Action Involving
Publicly Traded For-Profit Higher Education Companies

<table>
<thead>
<tr>
<th>Type of Cases</th>
<th>Results Meeting Criteria</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employment Claims/Discrimination/Wage Disputes</td>
<td>43</td>
</tr>
<tr>
<td>False Claims Act</td>
<td>19</td>
</tr>
<tr>
<td>Deceptive Marketing/Fraud</td>
<td>15</td>
</tr>
<tr>
<td>Securities Law</td>
<td>10</td>
</tr>
<tr>
<td>Patent/Trademark</td>
<td>3</td>
</tr>
<tr>
<td>Bankruptcy Disputes</td>
<td>1</td>
</tr>
<tr>
<td>Real Estate</td>
<td>1</td>
</tr>
<tr>
<td>No clear category</td>
<td>3</td>
</tr>
</tbody>
</table>

9 Multiple actions with the same parties regarding the same claims were counted as just one case.
## Appendix J: Lobbying Actions by FPHEIs 2009-2012

<table>
<thead>
<tr>
<th>Number of Firms</th>
<th>Bill</th>
<th>Title of Bill</th>
</tr>
</thead>
<tbody>
<tr>
<td>14</td>
<td>H.R.3221</td>
<td>Defund ACORN Act</td>
</tr>
<tr>
<td>9</td>
<td>H.R.1</td>
<td>Disaster Recovery Act of 2012</td>
</tr>
<tr>
<td>7</td>
<td>H.R.2117</td>
<td>Protecting Academic Freedom in Higher Education Act</td>
</tr>
<tr>
<td>7</td>
<td>H.R.4057</td>
<td>Improving Transparency of Education Opportunities for Veterans Act of 2012</td>
</tr>
<tr>
<td>6</td>
<td>H.R.3126</td>
<td>Consumer Financial Protection Agency Act of 2009</td>
</tr>
<tr>
<td>6</td>
<td>H.R.950</td>
<td>To amend chapter 33 of title 38, United States Code, to increase educational assistance for certain veterans pursuing a program of education offered through distance learning.</td>
</tr>
<tr>
<td>6</td>
<td>S.2241</td>
<td>GI Bill Consumer Awareness Act of 2012</td>
</tr>
<tr>
<td>6</td>
<td>S.2296</td>
<td>Protecting Financial Aid for Students and Taxpayers Act</td>
</tr>
<tr>
<td>5</td>
<td>S.1599</td>
<td>Department of Labor Appropriations Act, 2012</td>
</tr>
<tr>
<td>5</td>
<td>S.2116</td>
<td>Military and Veterans Education Protection Act</td>
</tr>
<tr>
<td>5</td>
<td>S.3295</td>
<td>Department of Labor Appropriations Act, 2013</td>
</tr>
<tr>
<td>4</td>
<td>H.R.3590</td>
<td>Patient Protection &amp; Affordable Care Act</td>
</tr>
<tr>
<td>4</td>
<td>S.2206</td>
<td>GI Educational Freedom Act of 2012</td>
</tr>
<tr>
<td>4</td>
<td>S.3254</td>
<td>HAVEN Act</td>
</tr>
<tr>
<td>3</td>
<td>H.R.1540</td>
<td>Supply Our Soldiers Act of 2011</td>
</tr>
<tr>
<td>3</td>
<td>H.R.4173</td>
<td>Pay It Back Act</td>
</tr>
<tr>
<td>3</td>
<td>H.R.4310</td>
<td>HAVEN Act</td>
</tr>
<tr>
<td>3</td>
<td>H.R.4872</td>
<td>SAFRA Act</td>
</tr>
<tr>
<td>3</td>
<td>S.1867</td>
<td>SBIR/STTR Reauthorization Act of 2011</td>
</tr>
<tr>
<td>3</td>
<td>S.2032</td>
<td>POST Act</td>
</tr>
<tr>
<td>3</td>
<td>S.3447</td>
<td>Post-9/11 Veterans Educational Assistance Improvements Act of 2010</td>
</tr>
<tr>
<td>3</td>
<td>S.365</td>
<td>Budget Control Act of 2011</td>
</tr>
<tr>
<td>3</td>
<td>S.460</td>
<td>Education for All Act of 2011</td>
</tr>
<tr>
<td>2</td>
<td>H.J.RES.117</td>
<td>Continuing Appropriations Resolution, 2013</td>
</tr>
<tr>
<td>2</td>
<td>H.J.RES.44</td>
<td>Further Continuing Appropriations Amendments, 2011</td>
</tr>
<tr>
<td>2</td>
<td>H.J.RES.48</td>
<td>Additional Continuing Appropriations Amendments, 2011</td>
</tr>
<tr>
<td>2</td>
<td>H.R.1</td>
<td>HITECH Act</td>
</tr>
<tr>
<td>2</td>
<td>H.R.1346</td>
<td>Medical Device Safety Act of 2009</td>
</tr>
<tr>
<td>2</td>
<td>H.R.2055</td>
<td>Judiciary Appropriations Act, 2012</td>
</tr>
<tr>
<td>2</td>
<td>H.R.2112</td>
<td>Science Appropriations Act, 2012</td>
</tr>
<tr>
<td>2</td>
<td>H.R.2433</td>
<td>Veterans Opportunity to Work Act of 2011</td>
</tr>
<tr>
<td>2</td>
<td>H.R.2454</td>
<td>Safe Climate Act</td>
</tr>
<tr>
<td>2</td>
<td>H.R.2474</td>
<td>Veterans Educational Equity Act</td>
</tr>
<tr>
<td></td>
<td>Bill Number</td>
<td>Legislative Title</td>
</tr>
<tr>
<td>---</td>
<td>-------------</td>
<td>------------------------------------------------------------------</td>
</tr>
<tr>
<td>2</td>
<td>H.R.3408</td>
<td>Taxpayer Responsibility, Accountability, and Consistency Act of 2009</td>
</tr>
<tr>
<td>2</td>
<td>H.R.3510</td>
<td>Roosevelt Scholars Act of 2009</td>
</tr>
<tr>
<td>2</td>
<td>H.R.3630</td>
<td>JOBS Act of 2011</td>
</tr>
<tr>
<td>2</td>
<td>H.R.3671</td>
<td>Judiciary Appropriations Act, 2012</td>
</tr>
<tr>
<td>2</td>
<td>H.R.3764</td>
<td>Ensuring Quality Education for Veterans Act</td>
</tr>
<tr>
<td>2</td>
<td>H.R.3813</td>
<td>Veterans Training Act</td>
</tr>
<tr>
<td>2</td>
<td>H.R.3962</td>
<td>Affordable Health Care for America Act</td>
</tr>
<tr>
<td>2</td>
<td>H.R.4055</td>
<td>Military and Veterans Education Protection Act</td>
</tr>
<tr>
<td>2</td>
<td>H.R.4137</td>
<td>New Bedford Whaling Nation Historical Park Resources Assistant Act</td>
</tr>
<tr>
<td>2</td>
<td>H.R.4279</td>
<td>To amend titles 38 and 10, United States Code, to authorize accelerated payments of educational assistance to certain veterans and members of the reserve components of the Armed Forces.</td>
</tr>
<tr>
<td>2</td>
<td>H.R.4320</td>
<td>Post-9/11 GI Education Fairness Act of 2009</td>
</tr>
<tr>
<td>2</td>
<td>H.R.4348</td>
<td>MAP-2</td>
</tr>
<tr>
<td>2</td>
<td>H.R.4348</td>
<td>Post-9/11 Veterans Educational Assistance Improvements Act of 2010</td>
</tr>
<tr>
<td>2</td>
<td>H.R.4348</td>
<td>CAMPUS Safety Act of 2009</td>
</tr>
<tr>
<td>2</td>
<td>H.R.4348</td>
<td>Food and Drug Administration Globalization Act of 2009</td>
</tr>
<tr>
<td>2</td>
<td>H.R.748</td>
<td>Recognizing the efforts of postsecondary institutions offering career and technical education to educate and train workers for positions in high-demand industries.</td>
</tr>
<tr>
<td>2</td>
<td>S.1468</td>
<td>Adult Education and Economic Growth Act of 2009</td>
</tr>
<tr>
<td>2</td>
<td>S.2179</td>
<td>Military and Veterans Educational Reform Act of 2012</td>
</tr>
<tr>
<td>2</td>
<td>S.2280</td>
<td>Know Before You Owe Private Student Loan Act of 2012</td>
</tr>
<tr>
<td>2</td>
<td>S.2733</td>
<td>A bill to provide for the establishment of a Private Education Loan Ombudsman.</td>
</tr>
<tr>
<td>2</td>
<td>S.279</td>
<td>Municipal Bond Market Support Act of 2009</td>
</tr>
<tr>
<td>2</td>
<td>S.3171</td>
<td>Veterans Training Act</td>
</tr>
<tr>
<td>2</td>
<td>S.3217</td>
<td>Financial Stability Act of 2010</td>
</tr>
<tr>
<td>2</td>
<td>S.3244</td>
<td>Understanding the True Cost of College Act of 2012</td>
</tr>
<tr>
<td>2</td>
<td>S.3474</td>
<td>Protecting Students from Worthless Degrees Act</td>
</tr>
<tr>
<td>2</td>
<td>S.3686</td>
<td>Department of Labor Appropriations Act, 2011</td>
</tr>
<tr>
<td>2</td>
<td>S.38</td>
<td>Professional Boxing Safety Act</td>
</tr>
<tr>
<td>2</td>
<td>S.497</td>
<td>Nurse Education, Expansion, and Development Act of 2009</td>
</tr>
<tr>
<td>2</td>
<td>S.540</td>
<td>Medical Device Safety Act of 2009</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>---</td>
<td>---</td>
<td>--------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>1</td>
<td>H.J.RES.79</td>
<td>Continuing Appropriations Resolution, 2012</td>
</tr>
<tr>
<td>1</td>
<td>H.R.1105</td>
<td>Science Appropriations Act, 2009</td>
</tr>
<tr>
<td>1</td>
<td>H.R.1249</td>
<td>America Invents Act</td>
</tr>
<tr>
<td>1</td>
<td>H.R.1303</td>
<td>Shirley Chisholm Congressional Gold Medal Act</td>
</tr>
<tr>
<td>1</td>
<td>H.R.1473</td>
<td>SOAR Act</td>
</tr>
<tr>
<td>1</td>
<td>H.R.1788</td>
<td>False Claims Act Correction Act of 2009</td>
</tr>
<tr>
<td>1</td>
<td>H.R.2608</td>
<td>Continuing Appropriations Act, 2012</td>
</tr>
<tr>
<td>1</td>
<td>H.R.2847</td>
<td>Science Appropriations Act, 2010</td>
</tr>
<tr>
<td>1</td>
<td>H.R.2997</td>
<td>Agriculture, Rural Development, Food and Drug Administration, and Related Agencies Appropriations Act, 2010</td>
</tr>
<tr>
<td>1</td>
<td>H.R.3070</td>
<td>Department of Labor Appropriations Act, 2012</td>
</tr>
<tr>
<td>1</td>
<td>H.R.3138</td>
<td>Physician Payments Sunshine Act of 2009</td>
</tr>
<tr>
<td>1</td>
<td>H.R.3447</td>
<td>Assn of Private Sector Colleges/Univs</td>
</tr>
<tr>
<td>1</td>
<td>H.R.3467</td>
<td>Veterans Education Enhancement and Fairness Act of 2009</td>
</tr>
<tr>
<td>1</td>
<td>H.R.4052</td>
<td>Recognizing Excellence in Veterans Education Act of 2012</td>
</tr>
<tr>
<td>1</td>
<td>H.R.4061</td>
<td>Student Right to Know Before You Go Act</td>
</tr>
<tr>
<td>1</td>
<td>H.R.4072</td>
<td>AMERICA Works Act</td>
</tr>
<tr>
<td>1</td>
<td>H.R.408</td>
<td>Davis-Bacon Repeal Act</td>
</tr>
<tr>
<td>1</td>
<td>H.R.4227</td>
<td>Workforce Investment Act of 2012</td>
</tr>
<tr>
<td>1</td>
<td>H.R.4790</td>
<td>Shareholder Protection Act of 2010</td>
</tr>
<tr>
<td>1</td>
<td>H.R.4899</td>
<td>Supplemental Appropriations Act, 2010</td>
</tr>
<tr>
<td>1</td>
<td>H.R.5116</td>
<td>NIST GREEN JOBS Act</td>
</tr>
<tr>
<td>1</td>
<td>H.R.5392</td>
<td>Council on Integration of Health Care Education Act of 2010</td>
</tr>
<tr>
<td>1</td>
<td>H.R.5605</td>
<td>To designate the facility of the United States Postal Service located at 47 East Fayette Street in Uniontown, Pennsylvania, as the &quot;George C. Marshall Post Office&quot;.</td>
</tr>
<tr>
<td>1</td>
<td>H.R.5777</td>
<td>BEST PRACTICES Act</td>
</tr>
<tr>
<td>1</td>
<td>H.R.5854</td>
<td>Military Construction and Veterans Affairs and Related Agencies Appropriations Act, 2013</td>
</tr>
<tr>
<td>1</td>
<td>H.R.6407</td>
<td>College Student Rebate Act of 2012</td>
</tr>
<tr>
<td>1</td>
<td>H.R.6429</td>
<td>STEM Jobs Act of 2012</td>
</tr>
<tr>
<td>1</td>
<td>H.R.6430</td>
<td>Post-9/11 Veterans Educational Assistance Improvement Act of 2010</td>
</tr>
<tr>
<td>1</td>
<td>H.R.8</td>
<td>American Taxpayer Relief Act of 2012</td>
</tr>
<tr>
<td>1</td>
<td>S.1406</td>
<td>Agriculture, Rural Development, Food and Drug Administration, and Related Agencies Appropriations Act, 2012</td>
</tr>
<tr>
<td></td>
<td></td>
<td>2010</td>
</tr>
<tr>
<td>---</td>
<td>---</td>
<td>------</td>
</tr>
<tr>
<td>1 S.1641</td>
<td>A bill to modify and waive certain requirements under title 23, United States Code, to assist States with a high unemployment rate in carrying out Federal-aid highway construction projects, and for other purposes.</td>
<td></td>
</tr>
<tr>
<td>1 S.1642</td>
<td>SAFE Act</td>
<td></td>
</tr>
<tr>
<td>1 S.2090</td>
<td>A bill to amend the Indian Law Enforcement Reform Act to extend the period of time provided to the Indian Law and Order Commission to produce a required report, and for other purposes.</td>
<td></td>
</tr>
<tr>
<td>1 S.23</td>
<td>America Invents Act</td>
<td></td>
</tr>
<tr>
<td>1 S.2789</td>
<td>Roosevelt Scholars Act of 2009</td>
<td></td>
</tr>
<tr>
<td>1 S.301</td>
<td>Physician Payments Sunshine Act of 2009</td>
<td></td>
</tr>
<tr>
<td>1 S.3187</td>
<td>Biosimilar User Fee Act of 2012</td>
<td></td>
</tr>
<tr>
<td>1 S.3215</td>
<td>Military Construction and Veterans Affairs, and Related Agencies Appropriations Act, 2013</td>
<td></td>
</tr>
<tr>
<td>1 S.3289</td>
<td>Sustainable Property Grants Act of 2010</td>
<td></td>
</tr>
<tr>
<td>1 S.3318</td>
<td>GI Bill Protection Act of 2012</td>
<td></td>
</tr>
<tr>
<td>1 S.3429</td>
<td>Veterans Jobs Corps Act of 2012</td>
<td></td>
</tr>
<tr>
<td>1 S.3529</td>
<td>AMERICA Works Act</td>
<td></td>
</tr>
<tr>
<td>1 S.3557</td>
<td>Arbitration Fairness for Students Act</td>
<td></td>
</tr>
<tr>
<td>1 S.386</td>
<td>FERA</td>
<td></td>
</tr>
<tr>
<td>1 S.3992</td>
<td>DREAM Act of 2010</td>
<td></td>
</tr>
<tr>
<td>1 S.3996</td>
<td>Christopher's Law</td>
<td></td>
</tr>
<tr>
<td>1 S.458</td>
<td>False Claims Act Clarification Act of 2009</td>
<td></td>
</tr>
<tr>
<td>1 S.729</td>
<td>DREAM Act of 2009</td>
<td></td>
</tr>
<tr>
<td>1 S.782</td>
<td>Economic Development Revitalization Act of 2011</td>
<td></td>
</tr>
<tr>
<td>1 S.745</td>
<td>A bill to amend title 38, United States Code, to protect certain veterans who would otherwise be subject to a reduction in educational assistance benefits, and for other purposes.</td>
<td></td>
</tr>
</tbody>
</table>
## 2009 Lobbying Issues

<table>
<thead>
<tr>
<th>Client</th>
<th>Issues</th>
<th>Total</th>
</tr>
</thead>
</table>
| American Public University System           | - Post 9/11 GI Bill revisions Higher Education Opportunity Act  
- Advice on Obtaining Funding from the American Recovery and Reinvestment Act.  
- Higher Education Funding- Higher Education Issues – Veterans Benefits.                                                                                                                                                                                                                                                                           | $191,500    |
| Apollo Group, Apollo Group (University of Phoenix) | - Issues related to higher education H.R. 950 - To amend chapter 33 of title 38, United States Code, to increase educational assistance for certain veterans pursuing a program of education offered through distance learning. H.R. 3221, The Student Aid and Fiscal Responsibility Act  
- Higher Education Issues.  
- House and Senate Budget Reconciliation                                                                                                                                                                                                                                                                                                       | $450,000    |
| Capella Education (Capella University)      | Issues Concerning implementation of the Higher Education Opportunity Act.                                                                                                                                                                                                                                                                                                                                                                                                | $30,000     |
| Career Education Corp                       | - To amend chapter 33 of title 38, United States Code, to increase educational assistance for certain veterans pursuing a program of education offered through distance learning. H. R. 748, Center to Advance, Monitor, and Preserve University Security Safety Act  
H.R. 1 American Recovery and Reinvestment Act  
H. R. 950, a bill to provide a housing allowance for veterans studying at distance learning institutions  
S. 458/H. R. 1788, False Claims Correction Act S. 386, Fraud Enforcement and Recovery Act S. 497, Nurse Education, Expansion, and Development Act  
H.R. 3221, Student Aid and Fiscal Responsibility Act (SAFRA)  
H.R. 2847, Commerce, Justice, State Appropriations bill  
H.R. 2454, American Clean Energy and Security Act  
S. 279, Development, Relief, and Education for Alien Minors Act (DREAM)  
H.R. 2474, Veterans Educational Equity Act H.R. 3510, Roosevelt Scholars Act  
- Federal Budget Reconciliation H.R. 3221 - The Student Aid and Fiscal Responsibility Act  
- Postsecondary Education                                                                                                                                                                                                                                                                                                                                                                              | $440,000    |
| Daniel Webster College                     | - FY.09 L/HHS Appropriations FIPSE Account Funding for equipment.                                                                                                                                                                                                                                                                                                                                                                                                     | $10,000     |
| DeVry Inc (Devry University)               | - Issues pertaining to higher education  
- Department of Education negotiated rulemaking proceedings to implement the Higher Education Opportunity Act (P.L. 110-315); House Education and Labor Committee oversight of ability to benefit provision of the Higher Education Act (P.L. 89-329) and Government Accountability Office report.                                                                                                                                                                                                                     | $335,000    |
<table>
<thead>
<tr>
<th>Organization</th>
<th>Issues</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Education Management Corp</td>
<td>- Issues related to increasing Unsubsidized Stafford Student Loan limits, 90/10 Rule H.R. 3221 Student Aid and Fiscal Responsibility Act of 2009</td>
<td>$110,000</td>
</tr>
<tr>
<td>Keiser University</td>
<td>- 90-10 regulation, cohort default rates, and workforce development. Student Loan Act, HR 5715 Student Aid and Fiscal Responsibility Act of 2009, HR 3221 - Consumer Financial Protection Agency Legislation HR3126</td>
<td>$30,000</td>
</tr>
<tr>
<td>Pittsburgh Technical Institute</td>
<td>- No records available.</td>
<td>$10,000</td>
</tr>
</tbody>
</table>
## 2010 Lobbying Issues

<table>
<thead>
<tr>
<th>Client</th>
<th>Issues</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Alta College (Westwood College)</td>
<td>For-profit post-secondary educational institutions</td>
<td>$120,000</td>
</tr>
<tr>
<td>American Career College</td>
<td>Higher education.</td>
<td>$60,000</td>
</tr>
<tr>
<td>Apollo Group, Apollo Group (University of Phoenix)</td>
<td>-Issues related to higher education- US Department of Education HR 950, To amend chapter 33 of title 38, United States Code, to increase educational assistance for certain veterans pursuing a program of education offered through distance learning. HR 3221, The Student Aid and Fiscal Responsibility Act -Public Law 111-315, Higher Education Amendments Opportunity Act, Higher education related issues, regulations and policy. H.R.3221, Student Aid and Fiscal Responsibility Act of 2009, Higher education issues. -For profit and non profit education issues -Issues related to higher education- US Department of Education HR 950, To amend chapter 33 of title 38, United States Code, to increase educational assistance for certain veterans pursuing a program of education offered through distance learning. HR 3221, The Student Aid and Fiscal Responsibility Act HR 4872, Health Care and Education Reconciliation Act of 2010</td>
<td>$550,000</td>
</tr>
<tr>
<td></td>
<td></td>
<td>$240,000</td>
</tr>
<tr>
<td>Capella Education (Capella University)</td>
<td>-Monitoring for profit education issues as they are discussed in Congress. -Issues Concerning implementation of the Higher Education Opportunity Act and Department of Education rulemaking. - Monitoring for profit education issues as they are discussed in Congress. Followed P.L. 111-312, The Tax Relief, Unemployment Insurance Reauthorization and Job Creation Act of 2010 due to the education tax issues contained therein.</td>
<td>$180,000</td>
</tr>
<tr>
<td>Organization</td>
<td>Description</td>
<td>Amount</td>
</tr>
<tr>
<td>------------------------------------</td>
<td>-----------------------------------------------------------------------------------------------------------------------------------------------</td>
<td>---------</td>
</tr>
<tr>
<td>Chancellor University</td>
<td>- Accreditation issues related to Chancellor University</td>
<td>$60,000</td>
</tr>
<tr>
<td></td>
<td>- To advise CES and advocate on its behalf regarding U.S. Department of Education proposed regulation, as currently written, that will have disparate and negative effects on lower-income and minority students.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>- Visit with Senator Durbin and staff re proposed legislation/regulations on public college financing</td>
<td></td>
</tr>
<tr>
<td>Coalition for Educational Success</td>
<td>- Educate Members of Congress and the Administration regarding program integrity regulations, financial aid regulations, and legislation.</td>
<td>$500,000</td>
</tr>
<tr>
<td>Concorde Career Colleges</td>
<td>- Postsecondary Education Gainful Employment 90/10 Rule</td>
<td>$160,000</td>
</tr>
<tr>
<td></td>
<td>- Federal Program Integrity Negotiated Rulemaking; H.R. 3221 - The Student Aid and Fiscal Responsibility Act; H.R. 4872 - The Health Care and Education Reconciliation Act of 2010; H.R. 3590 - The Patient Protection and Affordable Care Act; Senate HELP Committee Hearing - For-profit Institutions Hearing -</td>
<td></td>
</tr>
<tr>
<td>ECPI College of Technology</td>
<td>- Higher Education Issues --- GI Bill of Rights, Gainful Employment</td>
<td>$10,000</td>
</tr>
<tr>
<td>Grand Canyon Education (Grand Canyon University)</td>
<td>Issues related to Senate hearing on for-profit universities.</td>
<td>$30,000</td>
</tr>
<tr>
<td>Institution</td>
<td>Issues and Legislative Activity</td>
<td>Amount</td>
</tr>
<tr>
<td>---------------------------------</td>
<td>---------------------------------------------------------------------------------------------------</td>
<td>--------</td>
</tr>
<tr>
<td>ITT Educational Services</td>
<td>Monitor legislative and regulatory issues related to higher education and federal student financial aid programs, including matters related to the 2009-2010 program integrity rulemaking of the Department of Education and Gainful Employment and Incentive Compensation. Monitor H.R. 4173, Restoring American Financial Stability Act of 2010. Issues related to proposed Department of Education regulations and proprietary colleges.</td>
<td>$140,000</td>
</tr>
<tr>
<td>Keiser University</td>
<td>Advocated to Members of Congress to oppose gainful employment proposed regulation from the DOE, as well as incentive compensation. Discussed cohort default rates at our university and higher education institutions in general, and a recent Government Accountability Office report. Also advocated to Members about a series of committee hearings in the Senate HELP committee. Negotiated Rulemaking, gainful employment, incentive compensation, 90-10 regulation, cohort default rates, and a recent Government Accountability Office study request. Gainful employment regulations, broader NPRM released by Department of Education, general access issues for career college students. Routinely discussed veterans being served at higher education institutions and advocated on behalf of Keiser University and career colleges in general, on a number of issues: recruitment, advertising, graduation rates and placement rates. Post 9-11 GI Cleanup bill, general veterans access and choice to higher education, and other general issues relating to veterans and post-secondary education. Consumer Financial Protection Agency legislation.</td>
<td>$210,000</td>
</tr>
<tr>
<td>Laureate Education</td>
<td>General Higher Education related issues; and Teacher Preparation related issues. Reauthorization of the Elementary and Secondary Education Act, Teacher preparedness related issues. Issues related to the implementation of the Higher Education Opportunity Act, distance education issues, and Department of Education rulemaking. Issues related to Department of Education rulemaking and Congressional oversight.</td>
<td>$270,000</td>
</tr>
<tr>
<td>Pittsburgh Technical Institute</td>
<td>No records available.</td>
<td>$40,000</td>
</tr>
</tbody>
</table>
## 2011 Lobbying Issues

<table>
<thead>
<tr>
<th>Client</th>
<th>Affiliate</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Alta College (Westwood College)</td>
<td>For-profit post-secondary educational institutions</td>
<td>$240,000</td>
</tr>
<tr>
<td>American Career College</td>
<td>Counsel and guidance on federal legislation or regulations that may impact proprietary post-secondary education</td>
<td>$200,000</td>
</tr>
<tr>
<td>Capella Education</td>
<td>Monitored issues on hill relating to gainful employment regulations. Monitoring progress of H.R. 1, Full-Year Continuing Appropriations Act, 2011 and its amendments to defund gainful employment. Monitored progres of H.R. 1303 Restoring GI Bill Fairness Act of 2011 and S. 745 to amend title 38 to protect certain veterans who would otherwise be subject to a reduction in education assistance. Monitor House and Senate S. 1599; the Labor Health and Human Services appropriation bill for changes in education levels; esp Pell. Monitored PL 112-25, Budget Congrol Act of 2011 and H.R. 2608, Continuing Appropriations Act, 2012 with regard to their implications on education funding. Monitored general efforts to reauthorize the Elementary and Secondary Education Act. Monitored higher education issues in general. Monitored discussions by DOD, VA and HELP to change 90/10 rule; Issues concerning the Higher Education Opportunity Act and Department of Education rulemaking; Issues concerning the Higher Education Opportunity Act and Department of Education rulemaking; Monitored issues on hill relating to gainful employment regulations.</td>
<td>$250,000</td>
</tr>
<tr>
<td>Organization</td>
<td>Description</td>
<td>Amount</td>
</tr>
<tr>
<td>------------------------------------</td>
<td>-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------</td>
<td>--------</td>
</tr>
<tr>
<td>Career Education Corp</td>
<td>Monitoring progress of H.R. 1, Full-Year Continuing Appropriations Act, 2011 and its amendments to defund gainful employment. Monitored progress of H.R. 1303 Restoring GI Bill Fairness Act of 2011 and S. 745 to amend title 38 to protect certain veterans who would otherwise be subject to a reduction in education assistance. Monitored discussions by DOD, VA and HELP to change 90/10 rule. Monitored PL 112-25, Budget Control Act of 2011 and H.R. 2608, Continuing Appropriations Act, 2012 with regard to their implications on education funding.</td>
<td>$1,010,000</td>
</tr>
<tr>
<td>Chancellor University</td>
<td>Implementation and enforcement of Title IV of the Higher Education Act of 1965, as amended.; Higher education legislation and rulemaking, generally. H. Amdt.94 to H.R.1, An amendment numbered 214 printed in the Congressional Record to prohibit funds for the use of the &quot;Program Integrity: Gainful Employment-New Programs&quot; section of the bill. Higher education legislation and rulemaking, generally. Monitor congressional and Administration activity on active military and veterans education and training.</td>
<td>$60,000</td>
</tr>
<tr>
<td>Coalition for Educational Success</td>
<td>Department of Education Gainful Employment Regulations relating to for-profit colleges. Department of Education, 34 CFR Part 668, RIN 1840-AD04, [Docket ID ED-2010-OPE-0012] Program.  Gainful Employment, AGENCY: Office of Postsecondary Education, Department of Education. ACTION: Notice of proposed rulemaking. HR1 - Full-Year Continuing Appropriations Act, 2011. Spoke with Senators Durbin and Gillibrand regarding gainful employment education rules. Spoke with White House Chief of Staff, Bill Daley. Spoke with Senator Durbin regarding Department of Education proposed regulations for &quot;for profit colleges.&quot; Spoke with White House Chief of Staff Bill Daley re same. To advise CES and advocate on its behalf regarding U.S. Department of Education proposed regulation, as currently written, that will have disparate and negative effects on lower-income and minority students. General discussions with Senator Durbin's office re for profit colleges. Proposed industry standards of conduct; Higher Education Act &quot;90/10&quot; rule; student loans/debt; for-profit education executive compensation. Issues relating to U.S. career colleges</td>
<td>$1,820,000</td>
</tr>
<tr>
<td>Concorde Career Colleges</td>
<td>Educate Members of Congress and the Administration regarding program integrity regulations, financial aid regulations, and legislation; monitor provisions included in H.R. 1, Full-Year Continuing Appropriations Act of 2011, related to student loans and gainful employment regulations.</td>
<td>$190,000</td>
</tr>
<tr>
<td>Corinthian Colleges</td>
<td>Federal Program Integrity Negotiated Rulemaking Senate HELP Committee Hearing - For Profit Institutions Hearing S.460 The Education for All Act of 2011 H.R. 2117 Protecting Academic Freedom in Higher Education Act S. 1599 Department of Labor, HHS, and Education and Related Agencies Appropriations Act of 2012 H.R. 2055 Consolidated Appropriations Act, 2012 Division F Title III (Policy Issues); Postsecondary Education Gainful Employment 90/10 Rule</td>
<td>$790,000</td>
</tr>
<tr>
<td>DeVry Inc</td>
<td>Educate Members of Congress and the Administration regarding pending program integrity regulations; monitor efforts to reauthorize the Higher Education Act. Authorization and implementation of Title IV of the Higher Education Act of 1965, as amended. Higher education issues. Funding for Title IV of the Higher Education Act of 1965, as amended.</td>
<td>$720,000</td>
</tr>
<tr>
<td>Organization</td>
<td>Description</td>
<td>Amount</td>
</tr>
<tr>
<td>------------------------------------</td>
<td>-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------</td>
<td>---------</td>
</tr>
<tr>
<td>ECPI College of Technology</td>
<td>Higher Education issues, GI Bill of Rights, Gainful employment regulations, Veterans/GI bill</td>
<td>$80,000</td>
</tr>
<tr>
<td>Education Management Corp</td>
<td>Monitoring of student loan regulation and legislation and Congressional action on the &quot;Gainful Employment&quot; Rule; All provisions related to congressionally directed spending; federal policy related to career colleges, including Pell Grant funding; and the promulgation of rules by the Department of Education, including the gainful employment rule. Continuing Appropriations Act 2011, all provisions related to congressionally directed spending; federal policy related to career colleges, including Pell Grant funding; and the promulgation of rules by the Department of Education, including the proposed gainful employment rule. Assist with educational policies. Monitor pending program integrity regulations. Monitor pending program integrity regulations. All provisions related to congressionally directed spending; federal policy related to career colleges, including the GI Bill.</td>
<td>$750,000</td>
</tr>
<tr>
<td>Grand Canyon Education</td>
<td>Issues related to Senate hearing on for-profit universities.</td>
<td>$80,000</td>
</tr>
<tr>
<td>Harrison College</td>
<td>All provisions related to congressionally directed spending; federal policy related to career colleges, including Pell Grant funding; and the promulgation of rules by the Department of Education, including the gainful employment rule.</td>
<td>$40,000</td>
</tr>
<tr>
<td>ITT Educational Services</td>
<td>Appropriations language which would block funding for promulgated rules relating to Program Integrity of Title IV; Defunding a regulation promulgated by the Department of Education in the FY 2011 Appropriations Act; Program Integrity regulations: gainful employment, state authorization, credit hour definitions; higher education accountability; general access issues for career college students; Student access and choice to post-secondary institutions and Title IV aid; 90-10 regulation; cohort default rate, and alternative proposals to proposed Department of Education regulations, including: credit hour definition, state authorization, misrepresentation, and gainful employment; general veteran access and choice to higher education; veterans' benefits; 90-10; higher education accountability; and other issues relating to veterans and post-secondary education.</td>
<td>$150,000</td>
</tr>
<tr>
<td>Kaiser College (Bar Education), Keiser University</td>
<td>Issues related to implementation of Department of Education regulations and issues affecting distance education; TRIO grant issues. Teacher preparation issues. Issues related to Department of Education rulemaking and Congressional oversight.</td>
<td>$20,000 $45,000</td>
</tr>
<tr>
<td>Laureate Education</td>
<td>A range of K-12 issues.</td>
<td>$120,000</td>
</tr>
<tr>
<td>Pittsburgh Technical Institute</td>
<td>for-profit education regulations</td>
<td>$40,000</td>
</tr>
<tr>
<td>School of Visual Arts</td>
<td>A range of K-12 issues.</td>
<td>$40,000</td>
</tr>
<tr>
<td>Strayer Education</td>
<td>Higher education issues.</td>
<td>$155,000</td>
</tr>
</tbody>
</table>

## 2012 Lobbying Issues

<table>
<thead>
<tr>
<th>Institution</th>
<th>Issues</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Alta College Westwood College</td>
<td>For-profit post-secondary educational institutions HR 2117-Protecting Academic Freedom in Higher Education Act S.3244-Understanding the True Cost of College Act of 2012 H.R.4227-Workforce Investment Act S.2296-Protecting Financial Aid for Students and Taxpayers Act 90/10 Rule HELP Committee report: &quot;For Profit Higher Education: The Failure to Safeguard the Federal Investment and Ensure Student Success</td>
<td>$210,000</td>
</tr>
<tr>
<td>American Career College</td>
<td>Counsel and guidance on federal legislation or regulations that may impact proprietary post-secondary education</td>
<td>$120,000</td>
</tr>
<tr>
<td>Organisation</td>
<td>Issues</td>
<td></td>
</tr>
<tr>
<td>------------------------------</td>
<td>----------------------------------------------------------------------------------------------------------------------------------------</td>
<td></td>
</tr>
<tr>
<td>Coalition for Educational Success</td>
<td>Existing NPRM for the career college sector / gainful employment; Student Loan Debt/College Affordability; Department of Education &quot;90/10&quot; rule; H.R. 3764, Ensuring Quality Education for Veterans Act; and H.R. 4055, Military and Veterans Education Protection Act.</td>
<td>$190,000</td>
</tr>
<tr>
<td>Concorde Career Colleges</td>
<td>Monitor efforts to reauthorize the Higher Education Act as well as legislation effecting the industry (S. 2032, Protecting Our Students and Taxpayers Act; S. 2116, Military and Veterans Education</td>
<td>$100,000</td>
</tr>
<tr>
<td>Institution</td>
<td>Issues and Legislative Actions</td>
<td>Funding</td>
</tr>
<tr>
<td>--------------------------------------------------</td>
<td>--------------------------------------------------------------------------------------------------</td>
<td>---------</td>
</tr>
<tr>
<td>Corinthian Colleges</td>
<td>Protection Act; S. 2296, Protecting Financial Aid for Students and Taxpayers Act; and S. 3245, FY2013 Departments of Labor, Health and Human Services, and Education Appropriations Act; Educate Members of Congress and the Administration regarding program integrity regulations, financial aid regulations, and related legislation.</td>
<td>$965,000</td>
</tr>
<tr>
<td>DeVry Inc</td>
<td>Authorization and implementation of Title IV of the Higher Education Act of 1965, as amended; Educate Members of Congress regarding the impact of higher education policy proposals; monitor efforts to reauthorize the Higher Education Act; support for H.R. 4057, the Improving Transparency of Education Opportunities for Veterans Act; Funding for Title IV of the Higher Education Act of 1965, as amended, including S. 3295 and related legislation. Authorization and implementation of military and veterans education programs, including S. 2241 and related legislation.</td>
<td>$690,000</td>
</tr>
<tr>
<td>ECPI College of Technology</td>
<td>Higher education issues, GI Bill of Rights, gainful employment regulations, Veterans/GI Bill; Met with representatives at the Consumer Financial Protection Bureau on issues related to veteran's education benefits.</td>
<td>$80,000</td>
</tr>
<tr>
<td>Education Corp of America</td>
<td>Issues as they relate to higher education and appropriations. General taxation issues.</td>
<td>$80,000</td>
</tr>
<tr>
<td>Education Management Corp</td>
<td>Monitoring of student loan regulation and legislation and Congressional action on the &quot;Gainful Employment&quot; Rule; All provisions related to congressionally directed spending; federal policy related to career colleges, including Pell Grant funding; and the promulgation of rules by the Department of Education, including the gainful employment rule. GI benefits and GI education and issues. All provisions related to congressionally directed spending; federal policy related to career colleges, including the GI Bill.</td>
<td>$520,000</td>
</tr>
<tr>
<td>Grand Canyon Education</td>
<td>Issues related to Senate hearing on for-profit universities. Legislative proposals affecting higher education.</td>
<td>$40,000</td>
</tr>
<tr>
<td>Harrison College</td>
<td>All provisions related to congressionally directed spending; federal policy related to career colleges, including Pell Grant funding; and the promulgation of rules by the Department of Education, including the gainful employment rule.</td>
<td>$60,000</td>
</tr>
<tr>
<td>ITT Educational Services</td>
<td>Issues related to proposed Department of Education regulations and proprietary colleges. Monitor legislative and regulatory issues related to higher education and federal student financial aid programs.</td>
<td>$50,000</td>
</tr>
<tr>
<td>Kaiser College (Bar Education)</td>
<td>Higher Education Reauthorization, program integrity regulations, student access, STEM, innovation, Program Integrity regulations: gainful employment, state authorization, credit hour definitions; higher education accountability; general access issues for career college students, 90-10, cohort default rates, and various Reports.</td>
<td>$40,000</td>
</tr>
</tbody>
</table>
produced by government agencies. Program Integrity regulations: state authorization and credit hour definitions; higher education accountability; general access issues for career college students, 90-10, cohort default rates, upcoming Higher Education Reauthorization and various government reports. general veteran access and choice to higher education; veterans' benefits; 90-10; higher education accountability; and other issues relating to veterans and post-secondary education including many pieces of legislation which are under consideration by both Chambers regarding disclosures and transparency issues for veterans enrolled in higher education; and lastly S2144 and HR4057; Program Integrity regulations, Pell Grants, Title IV funding, access to student loans, and various pieces of language in respective Chamber's FY 2013 budgets

<table>
<thead>
<tr>
<th>Organization</th>
<th>Issues Related To</th>
<th>Funding</th>
</tr>
</thead>
<tbody>
<tr>
<td>Laureate Education</td>
<td>Issues related to implementation of Department of Education regulations on teacher preparation and related legislation, H.R. 2117; Teacher preparation issues. Legislative and regulatory issues affecting higher education policy, Title IV eligibility and other federal funding, including those affecting distance education. Legislation including possible appropriations provisions and veterans/military-related bill (HR 4057) affecting education funding.</td>
<td>$190,000</td>
</tr>
<tr>
<td>Pittsburgh Technical Institute</td>
<td>continued legislative advocacy</td>
<td>$20,000</td>
</tr>
<tr>
<td>School of Visual Arts</td>
<td>K-12 issues</td>
<td>$40,000</td>
</tr>
<tr>
<td>StraighterLine Inc</td>
<td>Work to expand college courses available for reimbursement under Military Tuition Assistance to include ACE-recommended courses.</td>
<td>$200,000</td>
</tr>
<tr>
<td>UniversityNOW</td>
<td>Issues relating to higher education</td>
<td>$150,000</td>
</tr>
</tbody>
</table>
and affordability. Monitor federal issues and legislation associated with affordability and on-line access to institutions of higher learning.
Appendix K: Lobbying Activity of APSCU/CCA

via Center for Responsive Politics

<table>
<thead>
<tr>
<th>Year</th>
<th>Firm Hired</th>
<th>Amount</th>
<th>Lobbied For</th>
<th>Lobbyists</th>
<th>Revolving Door</th>
<th>Former Congress</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>Career College Assn 10</td>
<td>200,339</td>
<td>Career College Assn</td>
<td>14</td>
<td>12 (87%)</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td>Podesta Group</td>
<td>200,000</td>
<td>Career College Assn</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2010</td>
<td>Assn of Private Sector C/S</td>
<td>850,000</td>
<td>Assn of Private Sector C/S</td>
<td>23</td>
<td>17 (73.9%)</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td>Podesta Group</td>
<td>250,000 + 130,000</td>
<td>Assn of Private Sector C/S</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2011</td>
<td>Assn of Private Sector C/S</td>
<td>910,000</td>
<td>Assn of Private Sector C/S</td>
<td>29</td>
<td>23 (79.3%)</td>
<td>3</td>
</tr>
<tr>
<td></td>
<td>McQuire Woods, LLP</td>
<td>40,000</td>
<td>Assn of Private Sector C/S</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Patton Boggs, LLP</td>
<td>90,000</td>
<td>Assn of Private Sector C/S</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Podesta Group</td>
<td>380,000</td>
<td>Assn of Private Sector C/S</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2012</td>
<td>Assn of Private Sector C/S</td>
<td>960,000</td>
<td>Assn of Private Sector C/S</td>
<td>14</td>
<td>11 (78.6%)</td>
<td>3</td>
</tr>
<tr>
<td></td>
<td>McQuire Woods, LLP</td>
<td>170,000</td>
<td>Assn of Private Sector C/S</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Patton Boggs, LLP</td>
<td>360,000</td>
<td>Assn of Private Sector C/S</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

10 Note: In 2010, the Career College Association became the Association of Private Sector Colleges and Schools
# Appendix L: Legislation and Issues Undertaken on Behalf of APSCU/CCA

via Center for Responsive Politics

<table>
<thead>
<tr>
<th>Year</th>
<th>Content of Specific Issue field</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td><strong>Veterans affairs</strong>&lt;br&gt;H. R. 950, a bill to provide a housing allowance for veterans studying at distance learning institutions</td>
</tr>
<tr>
<td>2009</td>
<td><strong>Budget issues</strong>&lt;br&gt;HR 2764, Omnibus Appropriations bill</td>
</tr>
<tr>
<td>2010</td>
<td><strong>Education issues</strong>&lt;br&gt;H.R. 3221 The Student Aid and Fiscal Responsibility Act of 2009; legislation that will increase federal aid to postsecondary students H.R. 2474 Veterans Education Equity Act&lt;br&gt;Dept. of Education's proposed debt to earnings ratio for defining &quot;gainful employment&quot; in negotiated rulemaking on the integrity of Federal financial aid programs.&lt;br&gt;H.R. 3221, Student Aid and Financial Responsibility Act, provisions related to Title IV, 90/10 Rule; H.R. 950, Veterans Education Equity Act, provisions relating to distance education; H.R. 3126, Consumer Financial Protection Act, provisions relating to private educational loans.</td>
</tr>
<tr>
<td>2010</td>
<td><strong>Health issues</strong>&lt;br&gt;H.R. 3652/S. 3737 - Consistency, Accuracy, Responsibility and Excellence in Medical Imaging and Radiation Therapy</td>
</tr>
<tr>
<td>2011</td>
<td><strong>Education issues</strong>&lt;br&gt;Higher education legislation and rulemaking on gainful employment issue and generally&lt;br&gt;Issues affecting private sector post secondary education including financial assistance to veterans and member institutions eligibility for educational assistance&lt;br&gt;Federal Student Aid (Higher Education Act Title IV) funding issues for post-secondary institutions. Active-duty military and veteran education benefits, including certain benefits derived from the Post-9/11 GI Bill (P.L. 110-252) and Tuition Assistance program (National Defense Authorization Act of FY 2012 H.R.1540/S.1867).</td>
</tr>
<tr>
<td>2011</td>
<td>Higher education legislation, including Title IV funding.</td>
</tr>
<tr>
<td>Veterans affairs</td>
<td>Monitor congressional and Administration activity on active military and veterans education and training.</td>
</tr>
<tr>
<td>----------------</td>
<td>-----------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td></td>
<td>Issues effecting private sector post secondary education including financial assistance to veterans and member institutions eligibility for educational assistance</td>
</tr>
<tr>
<td></td>
<td>Veterans education legislation, including veterans education funding.</td>
</tr>
<tr>
<td>Budget issues</td>
<td>Monitor appropriations activity affecting higher education.</td>
</tr>
<tr>
<td>2012 Education Issues</td>
<td>Issues affecting private sector post secondary education including financial assistance to veterans and member institutions eligibility for educational assistance</td>
</tr>
<tr>
<td></td>
<td>Higher education legislation affecting Title IV funding, Ability to Benefit, and/or 90/10 Rule including S. 2032, S. 2116, S.2296, H.R. 3447, H.R. 3764, and H.R. 4055.</td>
</tr>
<tr>
<td></td>
<td>Issues related to higher education. Certain issues related to the post-9/11 GI Bill.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Veterans issues</th>
<th>Issues affecting private sector post secondary education including financial assistance to veterans and member institutions eligibility for educational assistance</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>S. 2179, the Military and Veterans Educational Reform Act of 2012, S. 2241, the GI Bill Consumer Awareness Act of 2012, S. 2206, the GI Educational Freedom Act of 2012, HR 4057, the Improving Transparency of Education Opportunities for Veterans Act of 2012 Executive Order 13607, Establishing Principles of Excellence for Educational Institutions serving Service Members, Veterans, Spouses, and other family members.</td>
</tr>
<tr>
<td></td>
<td>Issues related to higher education. Certain issues related to the post-9/11 GI Bill.</td>
</tr>
<tr>
<td></td>
<td>Legislation affecting veterans education and/or education benefits, including S. 2179, S. 2206, S. 2241 and H.R. 4057.</td>
</tr>
<tr>
<td>Budget issues</td>
<td>Provisions affecting institutions of higher education contained in Senate version S. 3295, the FY 2013 Labor, HHS, Education, and Related Agencies Appropriations Act.</td>
</tr>
</tbody>
</table>
Appendix M: Total Lobbying Spending (Top 30 per Year) 2009-2012

(Shaded denotes a for-profit sector member)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>State University of New York</td>
<td>$1,713,718</td>
<td>State University of New York</td>
<td>$1,833,384</td>
<td>Assn of American Medical Colleges</td>
<td>$2,830,000</td>
<td>Assn of American Medical Colleges</td>
<td>$2,210,000</td>
</tr>
<tr>
<td>2</td>
<td>California State University</td>
<td>$1,470,000</td>
<td>California State University</td>
<td>$1,375,000</td>
<td>Coalition for Educational Success</td>
<td>$1,820,000</td>
<td>Texas A&amp;M University</td>
<td>$1,565,000</td>
</tr>
<tr>
<td>3</td>
<td>Johns Hopkins University</td>
<td>$1,072,000</td>
<td>Boston University</td>
<td>$960,000</td>
<td>State University of New York</td>
<td>$1,448,586</td>
<td>Warburg Pincus</td>
<td>$1,070,000</td>
</tr>
<tr>
<td>4</td>
<td>University of Colorado</td>
<td>$1,028,539</td>
<td>University of Colorado</td>
<td>$897,276</td>
<td>Warburg Pincus</td>
<td>$1,390,000</td>
<td>Boston University</td>
<td>$1,050,000</td>
</tr>
<tr>
<td>5</td>
<td>Boston University</td>
<td>$960,000</td>
<td>University of Texas</td>
<td>$865,000</td>
<td>Texas A&amp;M University</td>
<td>$1,150,000</td>
<td>Corinthian Colleges</td>
<td>$965,000</td>
</tr>
<tr>
<td>6</td>
<td>University of Texas</td>
<td>$953,230</td>
<td>Assn of Private Sector Colleges/Univs</td>
<td>$850,000</td>
<td>California State University</td>
<td>$1,105,000</td>
<td>Assn of Private Sector Colleges/Univs</td>
<td>$960,000</td>
</tr>
<tr>
<td>7</td>
<td>University of Southern California</td>
<td>$940,000</td>
<td>University of Southern California</td>
<td>$840,000</td>
<td>Apollo Group</td>
<td>$1,015,000</td>
<td>California State University</td>
<td>$900,000</td>
</tr>
<tr>
<td>8</td>
<td>Texas A&amp;M University</td>
<td>$900,000</td>
<td>Corinthian Colleges</td>
<td>$830,000</td>
<td>Career Education Corp</td>
<td>$1,010,000</td>
<td>University of California</td>
<td>$800,000</td>
</tr>
<tr>
<td>9</td>
<td>University of California</td>
<td>$830,000</td>
<td>Education Management Corp</td>
<td>$815,000</td>
<td>Boston University</td>
<td>$960,000</td>
<td>University of Texas</td>
<td>$785,000</td>
</tr>
<tr>
<td>10</td>
<td>University of Washington</td>
<td>$830,000</td>
<td>Career Education Corp</td>
<td>$800,000</td>
<td>Assn of Private Sector Colleges/Univs</td>
<td>$910,000</td>
<td>Career Education Corp</td>
<td>$750,000</td>
</tr>
<tr>
<td>11</td>
<td>Apollo Group</td>
<td>$690,000</td>
<td>Apollo Group</td>
<td>$790,000</td>
<td>University of Colorado</td>
<td>$860,872</td>
<td>DeVry Inc</td>
<td>$690,000</td>
</tr>
<tr>
<td>12</td>
<td>Purdue University</td>
<td>$685,000</td>
<td>Johns Hopkins University</td>
<td>$710,000</td>
<td>University of Texas</td>
<td>$802,090</td>
<td>Apollo Group</td>
<td>$680,000</td>
</tr>
<tr>
<td>13</td>
<td>Wake Forest University</td>
<td>$680,000</td>
<td>University of California</td>
<td>$700,000</td>
<td>Corinthian Colleges</td>
<td>$790,000</td>
<td>University of Pennsylvania</td>
<td>$677,738</td>
</tr>
<tr>
<td>14</td>
<td>Harvard University</td>
<td>$660,000</td>
<td>Wake Forest University</td>
<td>$680,000</td>
<td>University of California</td>
<td>$770,000</td>
<td>Johns Hopkins University</td>
<td>$640,000</td>
</tr>
<tr>
<td>#</td>
<td>Institution / Organization</td>
<td>Total Projects Funded</td>
<td>Description</td>
<td>Amount Awarded</td>
<td>University / Institution</td>
<td>Amount Awarded</td>
<td></td>
<td></td>
</tr>
<tr>
<td>----</td>
<td>-----------------------------</td>
<td>-----------------------</td>
<td>-------------</td>
<td>--------------</td>
<td>--------------------------</td>
<td>---------------</td>
<td></td>
<td></td>
</tr>
<tr>
<td>15</td>
<td>Kamehameha Schools</td>
<td>$640,000</td>
<td>University of Pennsylvania</td>
<td>$643,503</td>
<td>University of Southern California</td>
<td>$750,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>16</td>
<td>University of Kansas</td>
<td>$640,000</td>
<td>Education Management Corp</td>
<td>$630,000</td>
<td>Northern University</td>
<td>$581,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>17</td>
<td>University of Miami</td>
<td>$640,000</td>
<td>Yale University</td>
<td>$620,000</td>
<td>DeVry Inc</td>
<td>$720,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>18</td>
<td>University of Kansas</td>
<td>$621,000</td>
<td>New York University</td>
<td>$620,000</td>
<td>Wake Forest University</td>
<td>$680,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>19</td>
<td>University of Pennsylvania</td>
<td>$586,954</td>
<td>Assn of American Medical Colleges</td>
<td>$620,000</td>
<td>Johns Hopkins University</td>
<td>$650,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>20</td>
<td>University of Michigan</td>
<td>$565,000</td>
<td>Texas A&amp;M University</td>
<td>$610,000</td>
<td>University of Pittsburgh</td>
<td>$630,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>21</td>
<td>EdisonLearning Inc</td>
<td>$550,000</td>
<td>Harvard University</td>
<td>$600,000</td>
<td>Yale University</td>
<td>$610,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>22</td>
<td>Assn of American Medical Colleges</td>
<td>$530,000</td>
<td>University of Miami</td>
<td>$587,918</td>
<td>Northwestern University</td>
<td>$594,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>23</td>
<td>University of Arkansas</td>
<td>$520,000</td>
<td>University of Minnesota</td>
<td>$560,000</td>
<td>Graduate School</td>
<td>$577,500</td>
<td></td>
<td></td>
</tr>
<tr>
<td>24</td>
<td>Northwestern University</td>
<td>$520,000</td>
<td>Texas Tech University</td>
<td>$560,000</td>
<td>Purdue University</td>
<td>$535,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>25</td>
<td>University of Minnesota</td>
<td>$510,000</td>
<td>New School University</td>
<td>$560,000</td>
<td>New York University</td>
<td>$530,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>26</td>
<td>New School University</td>
<td>$500,000</td>
<td>University of Oklahoma</td>
<td>$550,000</td>
<td>University of Pennsylvania</td>
<td>$524,491</td>
<td></td>
<td></td>
</tr>
<tr>
<td>27</td>
<td>Texas Tech University</td>
<td>$490,000</td>
<td>Northwest University</td>
<td>$550,000</td>
<td>American Dental Education Assn</td>
<td>$520,541</td>
<td></td>
<td></td>
</tr>
<tr>
<td>28</td>
<td>Assn Public &amp; Land-Grant Universities</td>
<td>$470,877</td>
<td>University of Wisconsin</td>
<td>$540,000</td>
<td>Auburn University</td>
<td>$520,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>29</td>
<td>Penn State University</td>
<td>$460,000</td>
<td>Edison Learning Inc</td>
<td>$540,000</td>
<td>Harvard University</td>
<td>$510,000</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

University of Pennsylvania $595,000
University of Southern California $640,000
Education Management Corp $643,503
University of Southern California $650,000
University of Colorado $527,033
Education Management Corp $540,000
University of Washington $520,000
Northwestern University $520,000
University of Illinois $510,000
Harvard University $510,000
University of Arkansas $470,000
University of Southern California $470,000
University of Pennsylvania $470,000
Indiana University $470,000