

# United States Senate

WASHINGTON, DC 20510

September 11, 2023

Mr. C. Scott Green  
President  
University of Idaho  
875 Perimeter Drive  
Moscow, ID 83844

Dear President Green:

It has come to our attention that the University of Idaho System (UI) has agreed to purchase the for-profit University of Phoenix (Phoenix). Given Phoenix's long record of poor student outcomes, deception of veterans, and entanglements in federal investigations and enforcement actions, we urge you to reconsider the implications of acquiring Phoenix, which could cause great harm to students and taxpayers not only in Idaho but also across the country.

Many for-profit colleges have a long history of preying on vulnerable students—including veterans, low-income students, and students of color. Phoenix is no exception. In fact, Phoenix consistently produces poor student outcomes—frequently leaving students with piles of debt and either a near-worthless degree or no degree at all. Phoenix's graduation rate is just 27 percent. Furthermore, median earnings 10 years after enrolling at Phoenix are \$39,382, and only 48 percent of graduates earn more than a high school graduate. By comparison, UI's graduation rate is 60 percent, and median earnings 10 years after enrolling at UI are \$51,325 with 67 percent of graduates earning more than a high school graduate.

Phoenix also has demonstrated a pattern of predatory and abusive behavior. In 2015, the Department of Defense temporarily suspended Phoenix from receiving Tuition Assistance funds due to evidence of illegal recruiting practices aimed at military service members. In 2019, the Federal Trade Commission (FTC) investigated Phoenix for deceptive advertisements that targeted service members, veterans, and Hispanic populations. These advertisements falsely implied Phoenix had employment partnerships with major companies, including AT&T, Microsoft, Twitter, and Yahoo. This misconduct resulted in a \$191 million settlement—the largest settlement ever reached between the FTC and a for-profit college. Since the 2019 settlement, more than 2,100 consumers have submitted complaints to the FTC about Phoenix.

In 2022, Phoenix appointed George Burnett as President. Burnett previously served as CEO of now-defunct Westwood College, which the Department of Education (ED) found systemically defrauded students for years. After ED questioned Burnett's management of Westwood, he stepped down from Phoenix. Although ED took swift action to protect students and taxpayers, Phoenix's decision to name Burnett as President demonstrates its brazen indifference to quality, affordability, and integrity in education.

We are aware that faculty and staff are concerned that UI's purchase of Phoenix could harm its quality and reputation. We share these concerns. Furthermore, we are concerned that

UI's acquisition will allow Phoenix to continue to abuse students under the guise of a trusted, public university. As UI moves forward with the acquisition, we request that you provide a response to the following questions by September 30:

1. UI's enrollment is just under 7,000 students, while Phoenix enrolls more than 65,000 students.
  - a. What is UI's plan to improve outcomes for Phoenix's students, and to address the seven programs at Phoenix that currently are failing the gainful employment rule?
  - b. How will UI ensure current UI students continue to receive academic and student support services?
2. ED recently discharged loans for borrowers who attended Ashford University (Ashford) through borrower defense. An ED official stated that ED will "seek to recoup the cost of these discharges," meaning the University of Arizona (Arizona), which acquired Ashford in 2020 financially could be on the hook. UI similarly could face Phoenix's potential liability for discharged federal loans, including thousands of pending borrower defense claims, and a violation of its previous agreement with the FTC, which banned Phoenix from releasing misleading advertisements. On UI's Frequently Asked Questions webpage about its affiliation with Phoenix, UI states that Phoenix will provide \$200 million in cash if the deal goes through.
  - a. What is UI's plan to cover potential liabilities it could acquire from Phoenix?
  - b. Is the \$200 million a contingent payment to cover anticipated liabilities?
3. UI has stated that it plans to fund the acquisition through bonds, but that state bonds will not be issued. Please provide additional details on the financing of the deal.
4. The *Higher Education Act's* 90/10 rule mandates that for-profit colleges receive at least 10 percent of their revenue from non-federal dollars to prevent them from relying solely on federal funds; however, the GI Bill was not counted as federal dollars for purposes of this rule until Congress closed this loophole in the *American Rescue Plan Act*. Before the 90/10 loophole was closed, Phoenix received more GI Bill funding than any other institution of higher education. We are concerned that Phoenix is pursuing this partnership, at least in part, to evade the updated 90/10 rule. How would UI ensure that veterans are not targeted through predatory recruiting?
5. Other public universities have purchased for-profit colleges, including arrangements between Kaplan University and Purdue University; and Ashford and Arizona. In these arrangements, the for-profit college sold its school and entered into a long-term agreement with the public university to receive payment to provide recruiting, educational, and other services. Such arrangements allow predatory for-profit colleges to masquerade as legitimate, reputable institutions while evading regulations and lining the pockets of their executives.
  - a. If UI purchases Phoenix, does it plan to enter into a service contract?
  - b. Would UI carry over Phoenix employees, specifically employees who work in marketing and recruitment?

- c. Which entity would lead marketing and recruitment efforts, including setting enrollment targets?
- d. Will the new entity have UI or Phoenix branding?

Thank you for your consideration, and we look forward to your response.

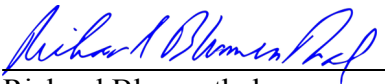
Sincerely,



Richard J. Durbin  
United States Senator



Elizabeth Warren  
United States Senator



Richard Blumenthal  
United States Senator

cc: Secretary Miguel Cardona, Department of Education  
Mr. Sonny Ramaswamy, President Northwest Commission on Colleges and Universities  
Ms. Barbara Gellman-Danley, President Higher Learning Commission  
Dr. Russell Meeuf, Chair of the Faculty Senate