# Keiser School, Inc.

## Summary: 2012 U.S. Senate Committee Findings + 2015 Update

## Overview

- The Keiser School, Inc. (Keiser), a privately held company headquartered in Florida, has 14 campuses and an online division offering programs in a wide variety of fields
- It also operates the Southern Institute with 4 campuses offering degrees in medical assisting, medical billing and coding, paramedic training, human resource administration, and pharmacy technology
- Switched to nonprofit status in 2011 by lending money for the purchase to an affiliated nonprofit entity; despite conversion, school chancellor remained president of national, for-profit association; chancellor announced school operations and faculty wouldn't be affected
- Conversion likely motivated by fact that close to 90% of schools revenue was derived from federal student aid, close to the statutory cap
- Enrollment increased 5-fold since 2001, reaching about 19,000 students in 2010, while revenue nearly doubled to $261 million in 2009
- Settled Florida Attorney General lawsuit in 2012
- $4 billion false claims suit pending in 2014 over violation of Department of Education incentive compensation ban

## Tuition

- Associate degree in Business Administration costs $30,328 compared to $6,650 at a nearby community college and a Bachelors in Business Administration costs twice as much at Keiser compared to the University of Florida
- In describing the change from a for-profit to nonprofit entity, chancellor noted that tuition or program offerings wouldn't be affected

## Federal Revenue

- 78.6% ($193 million) of its revenue was derived from federal student aid plus military and veterans educational benefits in 2009, but without permission to temporarily exclude some federal funds, the total would have been about 87%

## Expenditure Priorities

- Allocated 19.3% ($50 million) of its revenue to profit and 16.9% ($44 million) to marketing and recruiting—slightly below the average for the publicly traded for-profits surveyed
- It spent $3,201 per student on instruction in 2009 (about mid-range for the privately-held schools studied), compared to $2,305 on marketing and $2,640 on profit
- As a privately held company, it is not obligated to release executive compensation figures

## Recruiting Tactics

- In 2010, Keiser employed 371 recruiters for its 18,956 students, that's one recruiter for every 51 students (compared to 1 career counselor for every 403 students, and 1 student services staffer for every 195 students)
- In November 2010, the Florida Attorney General's office announced that it was investigating recruiting practices at Keiser. Specifically the company faced allegations of "misrepresentations regarding financial aid" and "unfair or deceptive practices regarding recruiting, enrollment, placement, etc."
- Keiser like many other for-profit education companies includes a binding arbitration clause in its standard enrollment agreement. This clause severely limits the ability of students to have their complaints heard in court, especially in cases in which students with similar complaints seek redress as a group.

## Academic Quality and Student Outcomes

- Keiser spent $3,201 annually on instruction in 2009, compared to $3,217 at a comparable community college with much lower tuition and $14,537 at the University of Florida
- Withdrawal rate among Associate program students (65%) and Bachelor's program students (57.2%) were among the 10 worst in the sector; Keiser disputed these withdrawal rates, which were based on the data it submitted
- Gradual increase in defaults from students entering repayment in 2005 and 2008, from 15.2% to 19.4%, respectively; increase was similar to the trend at other for-profits studied but lower and the industry-wide average for 2008 of 22.6%
- School uses contractor to manage default rates by encouraging student to enter into deferments or forbearances, reducing default rate from 22.6% in 2007 while interest continued to accrue on most students' loans
- In 2010, the company employed 476 full-time and 861 part-time faculty, more full-time instructors than other for-profits studied
- Florida Attorney General opened investigation of financial aid" and "unfair or deceptive practices regarding recruiting, enrollment, and placement in 2010

## 2015 Update

- It settled with Florida Attorney General in October 2012 over deceptive practice allegations, agreeing to abide by a number of consumer protections
- $4 billion false claims suit pending in 2014 over violation of Department of Education incentive compensation ban—rewarding or punishing enrollment counselors based on enrollment numbers

Summary of findings from a report by the Senate Health, Education, Labor and Pensions (HELP) Committee: *For-Profit Education: The Failure to Safeguard the Federal Investment and Ensure Student Success* (July 30, 2012). Find the full chapter on Keiser at: http://www.help.senate.gov/imo/media/for_profit_report/PartII/Keiser.pdf