

GOVERNMENT

Inside the Scramble to Save Ashford U.

How political maneuvering kept GI Bill funds flowing to a for-profit university

By Michael Vasquez | NOVEMBER 10, 2017

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Ashford U. received encouragement from the office of Gov. Doug Ducey in its effort to retain access to federal GI Bill funds by opening up shop in Arizona. "How can we help?" the governor's education-policy adviser asked the university.

Ashford University's future was hanging in the balance. The for-profit institution risked losing access to tens of millions of dollars in GI Bill funds. Over the summer, its lobbyists were scrambling.

Encouragement came in the form of an email from Dawn Wallace, an education-policy adviser to Arizona's governor, Doug Ducey.

"How can we help?" she wrote.

The Chronicle obtained hundreds of pages of emails, through public-records requests, that are related to Ashford's recent battle for GI Bill dollars. The records provide a behind-the-scenes look at how for-profit colleges fight back against regulators, using a one-

two punch of legal maneuvering and political lobbying. In Ashford's case, it was a winning strategy.

But that might be changing. On Thursday, a day after *The Chronicle* asked the U.S. Department of Veterans Affairs about the legality of how Ashford now receives GI Bill payments, the agency told Ashford that it is out of compliance with eligibility rules. The college has 60 days to figure out a way to satisfy federal requirements, or the VA says it will be forced to suspend payments and Ashford's veteran students will lose their GI Bill aid.

The online-only university, with some 43,000 students, has at times served as a poster child for the ills of the for-profit college sector. Ashford's parent company, Bridgepoint Education — which is currently under investigation by attorneys general in New York, North Carolina, and California — has been accused of misleading students about tuition costs, the quality of its programs, and the transferability of its credits, among other issues. Hundreds of Ashford students, including many veterans, have lodged complaints about the college. Bridgepoint denies wrongdoing.

Students who receive aid from the GI Bill and other military programs make up roughly one-quarter of Bridgepoint's enrollment and provide \$72 million a year in revenue. They are crucial to the company's long-term survival. Since last year, Bridgepoint has spent more than \$2.5 million lobbying Congress and federal agencies on education issues. At least \$330,000 of that was specifically focused on military student programs like the GI Bill, according to federal lobbying disclosures.

To keep access to GI Bill funds, Ashford needed the approval of a state veterans agency. And, with that one state's approval, the university would then be able to receive GI Bill funds for students from around the country.

Federal law says colleges are supposed to get this approval from their home state. Bridgepoint is based in San Diego. But records show that Ashford quickly abandoned its effort to win approval from California, where the state veterans agency has a reputation for tough scrutiny.

Instead, the university set its sights on Arizona. The nation's largest for-profit college, the University of Phoenix, was similarly drawn to the desert decades ago: Its founder, John Sperling, left San Francisco in 1976 after clashing with California accreditors. Mr. Sperling, who renamed his college after its adopted city, later told *The Arizona Republic* that the state attracted him because it "had never gotten around to writing any regulations."

Ashford's bid for Arizona approval would test the legal boundaries of terms like "main campus" and "home state." What do those things mean for a college that has no brick-and-mortar campus? Can an online college pick and choose where it exists, and in the process handpick its own regulators?

A Lease in Phoenix

Ashford's partnership with Arizona began in May, with a phone call between Vickie Schray, a Bridgepoint lobbyist, and Leanna DeKing, director of the state approving agency within the Arizona Department of Veterans' Services. Bridgepoint's lobbyist was pleased with the conversation, records show. In a follow-up email to Ms. DeKing, Ms. Schray wrote: "You're amazing and someone I instantly trust :) "

Even though it's an online college, Ashford needed to have at least some physical presence in Arizona to be approved by the state. So Ashford signed a lease in early June on a new Phoenix location, which houses only a small portion of the university's employees and offers no classes. It measures 2,454 square feet, roughly the size of a Chipotle restaurant.

That was good enough for the Arizona Department of Veterans' Services.

"That's the operations center," Ms. DeKing said in an interview with *The Chronicle*. She said the office's modest size was "standard." "It's the main campus. It's centered here."

In a written statement responding to questions from *The Chronicle*, Bridgepoint Education officials said the rented office space in Phoenix is merely a "transitional facility." The university, they said, has "arranged for more than 30,000 square feet of space as an interim facility, which should be ready by the end of 2017."

Ashford's internal emails describe its San Diego headquarters as being "housed in an 11-story, 273,764-square-foot building" that includes "four wellness rooms, a fully staffed health clinic, a cafeteria, and a gymnasium."

When *The Chronicle* asked Ashford where its main campus is located, the university did not directly answer the question.

"'Main campus' is a term used in a number of different legal and regulatory contexts," Bridgepoint Education officials wrote.

In Arizona, getting state approval also required obtaining a license for the Phoenix location. For-profit colleges there are licensed through the Arizona State Board for Private Postsecondary Education. Most of the board members are for-profit college executives.

The agency's written guidelines call for a 90-day "administrative completeness review" of license applications, followed by a 90-day "substantive review."

Ashford, which applied on June 1, didn't have much time. The college had been approved by the State of Iowa for GI Bill benefits, back when it operated a brick-and-mortar campus there. When that campus closed last year, the Iowa GI Bill authorization vanished, too. Ashford's lawyers fought in court to keep the state's approval, but by mid-2017, the case was winding down, and if Ashford lost, it could be cut off from GI Bill dollars.

A Special Meeting

Luckily for Ashford, the Arizona licensing board acted quickly. Instead of having to wait 180 days, Ashford received its license in only three weeks.

During that three-week span, officials in the Arizona governor's office spoke with the board's executive director and inquired about when the Ashford license would be finished, according to Teri Stanfill, the executive director, who spoke to *The Chronicle*. Ms. Stanfill said there was "nothing unusual" about her discussing the matter with Ms. Wallace, the governor's education adviser.

"We're an executive agency," Ms. Stanfill said. "I often speak to the governor's office." She rejected the suggestion that Ashford's application had been processed faster than usual.

Ms. Stanfill's agency scheduled a special meeting — by conference call — just for the Ashford license. There were no other items on the meeting agenda for June 22.

At that meeting, Ms. Stanfill told board members that even though Arizona was licensing Ashford, her agency still considered California to be the university's "home state," and California regulators would be responsible if any serious problems occurred.

"To us, that basically means that student complaints will be referred to California unless it's an Arizona resident," she said. "If, by unfortunate circumstance, the institution would close, we would not be the one responsible for taking the student educational records."

After receiving the state license, Ms. Schray, the Bridgepoint lobbyist, emailed Ms. DeKing at the Arizona Department of Veterans' Services.

"Board approved us today," Ms. Schray wrote.

"Yay!" Ms. DeKing wrote back.

Two weeks later, Ms. DeKing's agency also approved Ashford — finalizing Arizona's new role as the university's path to continued GI Bill funds.

'This Does Not Pass the Smell Test'

Military students are critical to many for-profit colleges because federal law prohibits colleges from receiving more than 90 percent of their money from federal Pell Grants and loans. Even though the GI Bill and similar programs are taxpayer-financed, they don't count toward that 90 percent cap.

Without veteran students, Ashford would be at a much greater risk of exceeding that 90-percent limit, and if a college exceeds the cap for two years in a row, it loses access to Pell Grants and federal loans.

The importance of Ashford's Arizona victory was underscored in mid-July, when a judge in Iowa rejected the college's attempt to resurrect its prior authorization in that state. The U.S. Department of Veterans Affairs reacted to the Iowa court's ruling by warning Ashford's veteran students that their university could lose eligibility for GI Bill money within a matter of weeks.

During a July 26 earnings call for Ashford's publicly traded parent company, Bridgepoint Education, Andrew S. Clark, Bridgepoint's chief executive officer, told investors that the Arizona approval solved the regulatory problem and "would ensure Ashford VA students continue to receive the educational benefits to which they are entitled without any disruption."

A Bloomberg News reporter who was participating on the conference call noted that Bridgepoint's corporate headquarters are in California.

"Could you walk us through how the company ended up choosing the State of Arizona as its GI Bill licensing authority?" the reporter asked. "What's your presence in Arizona?"

Mr. Clark refused to discuss specifics, saying only that Arizona "recognized the university's presence in the state" and that "we really appreciate the effort they put behind the university."

The reporter pressed once more for Mr. Clark to elaborate on Ashford's Arizona "presence." Again, he refused.

"This is an investor call," Mr. Clark said. "Not a media call."

Veterans Education Success, a nonprofit group that advocates for veteran students, released a report this week raising questions about the Arizona relocation. Ashford's tactics risk sending the message to other colleges that they can "shop around" for a state that's willing to approve them for GI Bill money, the report said. The report also notes that, as of November 2, the U.S. Department of Education's database of participating schools doesn't even list Ashford's Phoenix office as a location — let alone the hub of the university's operations.

"This does not pass the smell test," said Carrie Wofford, president of Veterans Education Success. "How could a company that's headquartered in California hastily open a tiny office in Arizona, pull a lot of political strings, and get Arizona to recognize the tiny office as the main campus of a national university?"

Veterans Education Success has received 114 student complaints about Ashford University.

The Iowa attorney general has received more than 150 complaints from students and others regarding Ashford or Bridgepoint Education. In 2014, Ashford agreed to pay the Iowa attorney general \$7.25 million, and to change some of its recruiting practices, to settle allegations that it used high-pressure sales tactics and misleading statements to persuade prospective students to enroll. Under the settlement agreement, Ashford did not admit to any wrongdoing.

More recently, Bridgepoint agreed last year to pay \$23.5 million in student refunds and loan forgiveness (along with an \$8-million civil penalty) as part of a consent order by the Consumer Financial Protection Bureau over allegations the company deceived students into taking out loans that cost more than advertised.

In a statement to *The Chronicle*, Bridgepoint Education wrote: "Ashford prides itself on its transparency and openness regarding tuition, credit transfers, and professional licensure. We have implemented superior policies and processes to ensure our marketing activities are appropriate and comply with applicable laws. We do not engage in deceptive or manipulative marketing tactics."

A Troubled History

Ashford University has faced accusations of exploiting the rules ever since it began. In 2005 Bridgepoint purchased a financially struggling Christian college in Clinton, Iowa — Franciscan University of the Prairies — and rechristened it as Ashford.

What was previously a residential college of only 312 students became a mostly online for-profit behemoth, growing to more than 10,000 students in two years and to more than 77,000 in five years.

Critics charged that Bridgepoint essentially "bought" its college accreditation through the Franciscan University purchase, and then used that accreditation to create a college that was unrecognizable. The college accreditor that approved the sale, the Higher Learning Commission, later changed its rules to prevent similar transactions in the future.

Soon, though, Ashford and other for-profit colleges found themselves on the defensive over aggressive sales tactics. A Bloomberg story in 2009 told of an Ashford recruiter who signed up Marines who lived in a barracks for wounded soldiers at Camp Lejeune, in North Carolina. One of the Marines enrolled by Ashford had suffered a traumatic brain injury when artillery shells hit his Humvee in Iraq.

"Marine Corps Corporal James Long knows he's enrolled at Ashford University," the Bloomberg story began. "He just can't remember what course he's taking."

President Barack Obama would later cite that case, without naming Mr. Long or Ashford directly, when signing a 2012 executive order that strengthened the information disclosures colleges had to provide to veterans, while also restricting recruiting activities on military bases.

"That's disgraceful," Mr. Obama said of the recruiter's act. "It should never happen in America."

Five years later, for-profit colleges are enjoying a more-cordial relationship with Washington. Robert S. Eitel, for example, a former top lawyer for Bridgepoint, is now a senior counselor to Betsy DeVos, the U.S. education secretary.

The Education Department did not respond to questions from *The Chronicle* about whether it has had any involvement in Ashford University's battle to keep its GI Bill money. Mr. Eitel has previously pledged to recuse himself from any issues involving his former employer.

Federal Concerns

By early August, Ashford University had secured all the necessary approvals it needed from Arizona officials. But there was a worrisome holdup: The U.S. Department of Veterans Affairs wasn't convinced that Arizona had the authority to approve anything.

VA officials objected on the grounds that the Phoenix rental space wasn't a true "main campus" and that it wasn't being used for teaching.

Emails obtained by *The Chronicle* reveal that the department's inspections of Ashford's new location raised further questions.

"VA has come by twice now," Ms. Schray, the Bridgepoint lobbyist, wrote in an August 7 email to company executives. "I believe they just came by but not in. They allege the office was dark and nobody was there."

In that email, Ms. Schray asked a company employee to "please confirm that someone is sitting at the front desk" every day.

Meanwhile, Ashford's political allies made a coordinated push to overcome the department's objections. On August 2, U.S. Sen. Jeff Flake, Republican of Arizona, wrote a letter to the agency asking why VA officials had taken the unusual step of calling Arizona's Department of Veterans' Services and "requesting that it rescind its approval of Ashford University."

"Please explain the VA's apparent federal overreach into what should be state authority and purview at the expense of veterans," wrote Mr. Flake, who has received at least \$10,000 in campaign donations from Bridgepoint Education.

In emails to Governor Ducey's office, Bridgepoint officials said they had also approached the White House about this issue. Jeff Pannozzo, a Bridgepoint lobbyist, thanked the governor's adviser, Ms. Wallace, for suggesting members of Congress who might be sympathetic.

Around the same time, records show that Ms. DeKing, the Arizona veterans agency administrator, and Ms. Schray traded emails in which they strategized about how best to craft a response to the VA. The back-and-forth exchange shows Ashford attempting to walk a fine line legally — pushing for Arizona approval, but also trying keep open the possibility of resurrecting the Iowa authorization.

"Here are the changes we'd suggest," Ms. Schray wrote on August 8. "In paragraph one, we suggest cutting the final sentence: 'No other state can show that the Online Center emanates from that particular state'? We are not sure it meaningfully adds to AZ's assertion of authority to approve, and we worry that it could be used against us in Iowa."



The Washington Post, Getty Images

Sen. Jeff Flake, Republican of Arizona, intervened on behalf of Ashford U. with a letter to the U.S. Department of Veterans Affairs: "Please explain the VA's apparent federal overreach into what should be state authority and purview at the expense of veterans," wrote the senator, who has received at least \$10,000 in campaign donations from Ashford's parent company.

By September, the Veterans Affairs Department had backed down, and it issued Ashford an Arizona-based "facility code" that allowed millions of dollars in GI Bill money to continue flowing to the university.

A VA spokesman said Mr. Flake's letter had not influenced the ultimate outcome. While millions of dollars in federal funds are at stake, the VA said federal law prevents it from exerting "any supervision or control" over the state agencies that serve as gatekeepers for GI Bill dollars. The two refusal letters VA officials had sent to Arizona's veterans agency in August, the spokesman said, were "merely communication."

A few days later, after *The Chronicle* asked the VA if GI Bill funding to Ashford could be considered an "improper payment" under federal law, the agency shifted its stance. On Thursday, VA officials notified Ashford that it was in violation of GI Bill rules, and that it had 60 days to comply with the law. If that doesn't happen, the VA says it will halt GI Bill aid for Ashford's veteran students.

In a fact sheet supporting its decision, the VA wrote that Ashford needs to be approved by California regulators — period.

"VA aims to help students pursue and achieve their educational goals, and strongly urges Ashford to do the right thing for GI Bill students," the agency wrote.

Bridgepoint Education responded Friday with a statement saying the company is "dismayed that the VA took this action on the eve of Veterans Day just as policymakers were leaving Washington for three days."

"It represents a radical and apparently unsanctioned departure from previous policy, and tramples on the rights of the state of Arizona," the company wrote. "All it will accomplish is to add undue stress and confusion to 5,000 veteran students on the day dedicated to celebrating their sacrifice and service."

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